



Qiniu Limited 七牛智能科技有限公司

(Incorporated in the British Virgin Islands and re-domiciled and continued in the Cayman Islands with limited liability)

Stock Code: 2567

GLOBAL OFFERING

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



Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



Joint Lead Managers



IMPORTANT

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



Qiniu Limited 七牛智能科技有限公司

(Incorporated in the British Virgin Islands and re-domiciled and continued in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 159,750,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 15,975,000 Shares (subject to reallocation)
Number of International Offer Shares	: 143,775,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$2.86 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: US\$0.0001 per Share
Stock code	: 2567

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



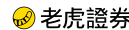
Overall Coordinator, Joint Global Coordinator, Joint Bookrunner and Joint Lead Manager



Joint Bookrunners and Joint Lead Managers



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

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the United States and may not be offered, sold, pledged, or transferred within the United States, except in reliance on an exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside of the United States in offshore transactions in accordance with Regulation S.

The Offer Price is expected to be fixed by agreement between the Overall Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Monday, October 14, 2024 (Hong Kong time) and, in any event, not later than 12:00 noon on Monday, October 14, 2024 (Hong Kong time). The Offer Price will not be more than HK\$2.86 per Offer Share and is currently expected to be not less than HK\$2.74 per Offer Share. If, for any reason, the Offer Price is not agreed by 12:00 noon on Monday, October 14, 2024 (Hong Kong time) between the Overall Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse. Applicants for Hong Kong Offer Shares may be required to pay, on application (subject to application channels), the maximum Offer Price of HK\$2.86 for each Hong Kong Offer Share together with a brokerage of 1%, a SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%.

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

The Overall Coordinators (for themselves and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the Offer Price 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, an announcement will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.qiniu.ltd not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Details of the arrangement will then be announced by us as soon as practicable. For further information, please see the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares".

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Please refer to the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination."

ATTENTION

We have adopted 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 Hong Kong Stock Exchange at www.hkexnews.hk and our website at www.qiniu.ltd. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

September 30, 2024

IMPORTANT

IMPORTANT NOTICE TO INVESTORS: FULLY ELECTRONIC APPLICATION PROCESS

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

This prospectus is available at the website of the Hong Kong Stock Exchange at www.hkexnews.hk under the “*HKEXnews > New Listings > New Listing Information*” section, and our website at www.qiniu.ltd. If you require a printed copy of this prospectus, you may download and print from the website addresses above.

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

- (1) apply online through the **HK eIPO White Form** service at www.hkeipo.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 an 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.

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

IMPORTANT

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

No. of Hong Kong Offer Shares applied for	Maximum Amount Payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Maximum Amount Payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Maximum Amount Payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>	No. of Hong Kong Offer Shares applied for	Maximum Amount Payable ⁽²⁾ on application/ successful allotment <i>HK\$</i>
1,000	2,888.84	25,000	72,221.08	300,000	866,652.94	6,000,000	17,333,058.60
2,000	5,777.68	30,000	86,665.30	400,000	1,155,537.25	7,000,000	20,221,901.70
3,000	8,666.52	35,000	101,109.51	500,000	1,444,421.56	7,987,000 ⁽¹⁾	23,073,189.84
4,000	11,555.38	40,000	115,553.72	600,000	1,733,305.85		
5,000	14,444.22	45,000	129,997.93	700,000	2,022,190.16		
6,000	17,333.06	50,000	144,442.15	800,000	2,311,074.48		
7,000	20,221.90	60,000	173,330.59	900,000	2,599,958.79		
8,000	23,110.74	70,000	202,219.02	1,000,000	2,888,843.10		
9,000	25,999.58	80,000	231,107.45	2,000,000	5,777,686.20		
10,000	28,888.43	90,000	259,995.88	3,000,000	8,666,529.30		
15,000	43,332.64	100,000	288,884.31	4,000,000	11,555,372.40		
20,000	57,776.86	200,000	577,768.62	5,000,000	14,444,215.50		

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.
- (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) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

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

EXPECTED TIMETABLE⁽¹⁾

If there is any change in the following expected timetable, we will issue an announcement to be published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.qiniu.ltd.

Date⁽¹⁾

Hong Kong Public Offering commences 9:00 a.m. on
Monday, September 30, 2024

Latest time for completing electronic applications under the **HK eIPO**
White Form service through the designated website
www.hkeipo.hk⁽²⁾ 11:30 a.m. on
Thursday, October 10, 2024

Application lists of the Hong Kong Public Offering open⁽³⁾ 11:45 a.m. on
Thursday, October 10, 2024

Latest time for (a) completing payment for **HK eIPO White Form**
applications by effecting internet banking transfer(s) or PPS
payment transfer(s) and (b) giving **electronic application**
instructions to HKSCC⁽⁴⁾ 12:00 noon on
Thursday, October 10, 2024

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

Application lists of the Hong Kong Public Offering close⁽³⁾ 12:00 noon on
Thursday, October 10, 2024

Expected Price Determination Date⁽⁵⁾ Monday, October 14, 2024

EXPECTED TIMETABLE⁽¹⁾

Date⁽¹⁾

Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on the websites of the Stock Exchange at www.hkexnews.hk or our Company at www.qiniu.ltd⁽⁶⁾ on or before 11:00 p.m. on
Tuesday, October 15, 2024

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:

- in the announcement to be posted on the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.qiniu.ltd⁽⁶⁾ from 11:00 p.m. on
Tuesday, October 15, 2024
- from the "Allotment Results" page at www.tricor.com.hk/ipo/result or www.hkeipo.hk/IPOResult with a "search by ID" function from 11:00 p.m. on
Tuesday, October 15, 2024 to
12:00 midnight on
Monday, October 21, 2024
- from the allocation results telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, October 16, 2024 to
Monday, October 21, 2024
(excluding Saturday, Sunday and public holiday in Hong Kong)

Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before⁽⁷⁾⁽⁹⁾ Tuesday, October 15, 2024

HK eIPO White Form e-Auto Refund payment instructions/refund checks in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications to be dispatched on or before⁽⁸⁾⁽⁹⁾ Wednesday, October 16, 2024

Dealings in the Shares on the Stock Exchange expected to commence 9:00 a.m. on
Wednesday, October 16, 2024

The Hong Kong Public Offering will commence on Monday, September 30, 2024 through Thursday, October 10, 2024, being longer than normal market practice of three and a half days. Investors should be aware that the dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, October 16, 2024.

EXPECTED TIMETABLE⁽¹⁾

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application under the **HK eIPO White Form** service through the designated website at www.hkeipo.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is/are a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning and/or Extreme Conditions, collectively (“**Bad Weather Signals**”) in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 10, 2024, the application lists will not open or close on that day. Please refer to the section headed “How to Apply for Hong Kong Offer Shares — E. Bad Weather Arrangements” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares — A. Application for Hong Kong Offer Shares — 2. Application Channels” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Monday, October 14, 2024. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and us on or before 12:00 noon Monday, October 14, 2024, the Global Offering will not proceed and will lapse.
- (6) None of the websites set out in this section or any of the information contained on the websites forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares on the basis of publicly available allocation details or prior to the receipt of Share certificates or the Share certificates becoming valid do so entirely at their own risk.
- (8) e-Auto Refund payment instructions/refund checks will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Public Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s identification document number, or, if the application is made by joint applicants, part of the identification document number of the first-named applicant, provided by the applicant(s) may be printed on the refund check, 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 check. Inaccurate completion of an applicant’s identification document number may invalidate or delay encashment of the refund check.
- (9) Applicants who have applied through the **HK eIPO White Form** service for 1,000,000 or more Hong Kong Offer Shares may collect any Share certificates in person from our Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 16, 2024 or such other date as notified by us as the date of dispatch of Share certificates/e-Auto Refund payment instructions/refund checks. Applicants being individuals who are eligible for personal collection may not authorize any other person to collect on their behalf. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

Applicants who have applied for Hong Kong Offer Shares through **HKSCC EIPO** channel should refer to the section headed “How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies” in this prospectus for details.

EXPECTED TIMETABLE⁽¹⁾

Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Auto Refund payment instructions. Applicants who have applied through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund checks in favor of the applicant (or, in the case of joint applicants, the first-named applicant) by ordinary post at their own risk.

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

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — D. Despatch/Collection of Share Certificates and Refund of Application Monies" in this prospectus.

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 Hong Kong Offer Shares" in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, bad weather arrangements and the dispatch of refund checks and Share certificates.

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

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by the Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares 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 a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong 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 authorization 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 authorized 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 authorized by our Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, partners, agents or representatives, or any other party involved in the Global Offering. Information contained in our website, www.qiniu.ltd, does not form part of this prospectus.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus and is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial information appearing elsewhere in this prospectus. As this is a summary, it does not contain all the information that may be important to you and we urge you to read the entire prospectus carefully before making your investment decision. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We provide audiovisual cloud service in China and our revenue accounted for 1.5% of the entire audiovisual cloud service market in 2023. We are the third largest audiovisual PaaS provider in China in terms of revenue in 2023, with a market share of 5.8%, and the second largest audiovisual APaaS provider in China in terms of revenue generated from APaaS in 2023 with a market share of 14.1%, according to iResearch. The cloud service market in China reached RMB513.7 billion in 2023. The cloud service market in China can be divided into audiovisual and non-audiovisual cloud services market by type of content or data managed. Audiovisual cloud services refers to the producing, storing, processing, distributing, analyzing, auditing, retrieving, and recommending unstructured audiovisual content in multi-media formats. Such audiovisual content includes audio recordings, short videos, live streaming videos, music and images. Non-audiovisual cloud services refer to other cloud services such as governmental cloud, retail and catering cloud and industrial cloud. Such content includes structured data, such as financial data, client contact lists, and other data with standardized tabular formats, as well as certain unstructured data unrelated to audiovisual content, such as texts, emails, documents, developed applications and programs, etc. Audiovisual cloud service market reached RMB91.5 billion and accounted for 17.8% of the total cloud service market in China in 2023, whereas PaaS market and APaaS market amounted to RMB22.9 billion and RMB2.0 billion and accounted for 25.0% and 2.2% of the entire audiovisual cloud service market in 2023, respectively.

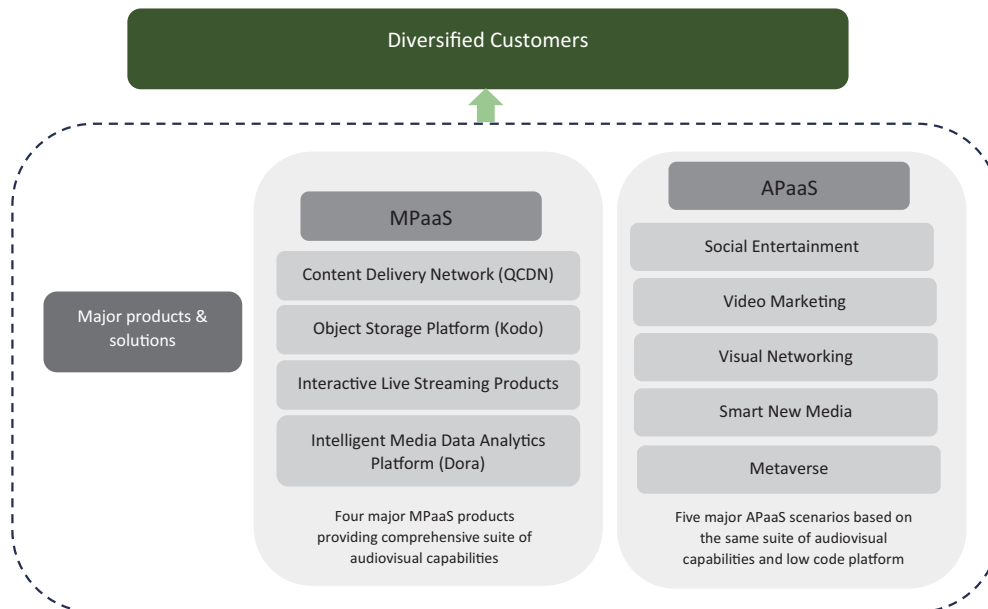
PaaS is a computing service model by which cloud service providers offer a suite of hardware and software resources to their users via a platform, enabling the users to focus on writing codes, configuring the service metrics and monitoring of applications without the need to divert time and resources to the development and maintenance of the infrastructure underlying the platform, including maintenance of hardware, updates of operating system, data backup and recovery, internet security, disaster recovery, etc. Our MPaaS platform is a PaaS platform which has a primary focus on providing cloud services in connection with audiovisual content (primarily consisting of images, audio and video contents), encompassing object storage, content distribution, data processing and real-time interactive live streaming and covering the full cycle of audiovisual data collection, storage, processing, distribution and consumption.

SUMMARY

APaaS is a computing service model by which cloud service providers offer a one-stop platform for users to develop, run and manage applications. Leveraging our MPaaS technologies, we further developed a proprietary low-code platform which achieves vertical integration from the underlying technology to high-level scenario-based functions. In short, by accessing our low code platform, our customers can choose the specific solution they want to develop, followed by simple and intuitive steps to configure the audiovisual functions embedded in the application, after which a packaged and ready-to-use solution will be available for immediate deployment, thus reducing the difficulty in the use and access to audiovisual products. Our APaaS solutions currently cover five major application scenarios, including (i) social entertainment, (ii) video marketing, (iii) visual networking, (iv) smart new media and (v) metaverse, which allow for quick deployment and easy expansion, which in turn significantly improves our customers' agility for scenario-based innovation and addresses the challenges posed by personalization of audiovisual content, multiple scenarios, and timeliness requirements.

OUR PRODUCTS AND SERVICES

Our major products and services include (1) MPaaS products encompassing a range of audiovisual solutions, including proprietary content delivery network which accelerates content delivery (“QCDN”), object storage platform which stores content (“Kodo”), interactive live streaming products which enable real-time streaming of audiovisual content and intelligent media data analytics platform which offer a wide array of data processing and analytic capabilities (“Dora”); and (2) APaaS solutions which are scenario-based audiovisual solutions based on our MPaaS capabilities and leveraging our low-code platform, primarily aimed to enable customers to gain quick access to different functionalities with simple steps of deployment to achieve their business aim. The following diagram illustrates our business model:



SUMMARY

Our diversified customers: Our customers encompass a wide array of enterprises (such as application developing companies and SaaS companies) as well as individual developers. We have a strong customer coverage in terms of operating scales, from industry leaders to large-sized corporations, SMEs and individuals. Our products cater to different customer needs, from business enterprises with scenario-based demands and limited technical capabilities (which typically require our APaaS solutions) to sophisticated application developers with limited access to infrastructure resources (which typically require our MPaaS products).

Our MPaaS products: We mainly provide MPaaS products to our customers by way of discrete APIs and SDKs. Leveraging our MPaaS products, our customers are only required to write codes to connect to our platform through which they can deploy specific audiovisual capabilities via discrete APIs/SDKs. The complexity of the codes would depend on the extent of audiovisual capabilities required. After customizing these parameters, our customers can have these audiovisual capabilities embedded in their applications and they will only need to manage their applications without the need to maintain the underlying infrastructure.

Our APaaS solutions: We mainly provide APaaS solutions to our customers in the form of scenario-based solutions. We combine our MPaaS capabilities with the scenario-based knowhow relevant to our customers and, in conjunction with our low code platform, package the APIs/SDKs (corresponding to the underlying audiovisual capabilities) into easy-to-access and high-customized APaaS solutions which our customers can deploy directly. Our APaaS solutions share the same suite of audiovisual capabilities (including but not limited to collection, storage, processing, distribution, analytics) as our MPaaS products. Our APaaS solutions allow our customers to customize and develop their applications through an intuitive step-by-step approach, which further reduce the technical barriers.

Competitiveness of Our Products

Our MPaaS products leverage a range of audiovisual technologies, including RTC, VoD, live streaming, storage and content delivery, as well as a range of AI technologies, including intelligent vision, intelligent voice, intelligent editing, industry algorithms, content security and business security. Our technologies form the cornerstone of the competitive advantages of our MPaaS products. For example, our QCDN product has achieved extensive network coverage, comprehensive node monitoring and real-time intelligent allocation, providing our customers with low-latency cloud services. Our Kodo product support both centralized and edge storage as well as multi-cloud deployment, which enable our customers to conveniently store and manage large volume of data. Our Kodo is able to achieve high data reliability with a redundancy rate of 1.14 on our public cloud and 1.10 on our private cloud. Our interactive live streaming products offer end-to-end real-time communication solution for our customers with low latency, high stability and high availability. Finally, our Dora product offers a wide array of data processing and analytics capabilities, enabling our users to process massive volume of audiovisual content on a daily basis. For details, please refer to the section headed “Business – Key Operating Metrics” in this prospectus. Our MPaaS business was our largest revenue contributor during the Track Record Period.

SUMMARY

Building upon our MPaaS technologies, we further developed a proprietary low-code platform which consolidates different scenario-based functionalities into customized solutions for our customers through simple and intuitive setup, reducing the difficulty in the use and access to audiovisual products. Our APaaS solutions allow for quick deployment and easy extension, which significantly improves our customers' agility for scenario-based innovation and addresses the challenges posed by personalization of audiovisual content, multiple scenarios, and timeliness requirements. According to iResearch, the audiovisual APaaS market in China started to commercialize in scale in 2021 and has been experiencing rapid growth. After we decided to officially launch our APaaS business in line with industry development and market demand in 2021, the number of our APaaS paying customers increased from 1,319 in 2021 to 1,967 in 2022, and further increased to 2,597 in 2023. After merely one year of ramp-up, we ranked second in the audiovisual APaaS market in China in terms of revenue in 2022 with a market share of 11.9%, according to iResearch. Our market share further increased to 14.1% in 2023, consolidating our position as the second largest audiovisual APaaS service provider in China. APaaS provides platform-based services based on application scenarios by packaging corresponding tools and functions. According to iResearch, the audiovisual APaaS market size in China was RMB2.0 billion in 2023. The audiovisual APaaS market size is expected to reach RMB14.4 billion in 2028, with a CAGR of 48.6%.

OUR CUSTOMERS AND SUPPLIERS

We have a broad base of customers across various industries including, among others, pan-entertainment, social networking, healthcare, e-commerce, education, media, financial services, automotive, telecommunications and intelligent manufacturing. Our revenue generated from our largest customer for the three years ended December 31, 2023 and the three months ended March 31, 2024 accounted for 11.3%, 8.1%, 11.8% and 16.1%, respectively, of our revenue during the same periods. Our revenue generated from our five largest customers for each year/period during the Track Record Period accounted for 22.7%, 25.5%, 34.3% and 38.5%, respectively, of our revenue during the same periods. During the Track Record Period, save for Customer-Supplier Group D, being an associate of Taobao China (our substantial shareholder), all of our other five largest customers were Independent Third Parties. Save for Taobao China, none of our Directors, their close associates or any of our shareholders (who, to the knowledge of the Directors, own more than 5% of our issued share capital) had any interest in any of our five largest customers for each year during the Track Record Period and as of the Latest Practicable Date. For our sales and marketing strategies and our pricing models, please refer to the section headed "Business — Sales and Marketing" in this prospectus.

Our suppliers primarily consist of enterprises in the cloud technology industry that provide (i) network and bandwidth services, (ii) IDC services and (iii) server and storage services. Our transaction amounts with our largest supplier for the three years ended December 31, 2023 and the three months ended March 31, 2024 accounted for 36.1%, 16.3%, 5.9% and 8.0%, respectively, of our total purchase during those periods. Our transaction amounts with our five largest suppliers for each year/period during the Track Record Period accounted for 63.5%, 52.4%, 25.7% and 28.6%, respectively, of our total purchase during the same periods. During the Track Record Period, save for Customer-Supplier Group D, being an associate of Taobao China (our substantial shareholder), all of our other five largest suppliers for each year were Independent Third Parties. Save for Taobao China, none of our Directors, their close associates or any of our shareholders (who, to the knowledge of the Directors own more than 5% of our issued share capital) had any interest in any of our five largest suppliers for each year during the Track Record Period and as of the Latest Practicable Date.

SUMMARY

OUR COMPETITIVE STRENGTHS AND DEVELOPMENT STRATEGIES

We believe that the following competitive advantages have contributed to our success and will drive our future growth: (i) China’s third largest audiovisual PaaS provider and second largest audiovisual APaaS provider; (ii) one-stop scenario-based audiovisual solutions with comprehensive capabilities and strong scalability; (iii) diverse application scenarios support our commercial potential; (iv) strong integrated audiovisual technology and low-code platform development capabilities; and (v) experienced and insightful management team and innovative R&D team.

We plan to implement the following strategies to further develop our business: (i) develop and expand our customer base by continuing to penetrate and deepen our presence in major scenarios; (ii) accelerate overseas business expansion to create new business growth points; (iii) continuously strengthen R&D investment, build AIGC capabilities and iterate and improve our low-code platform; and (iv) seek strategic investments and acquisitions.

COMPETITION

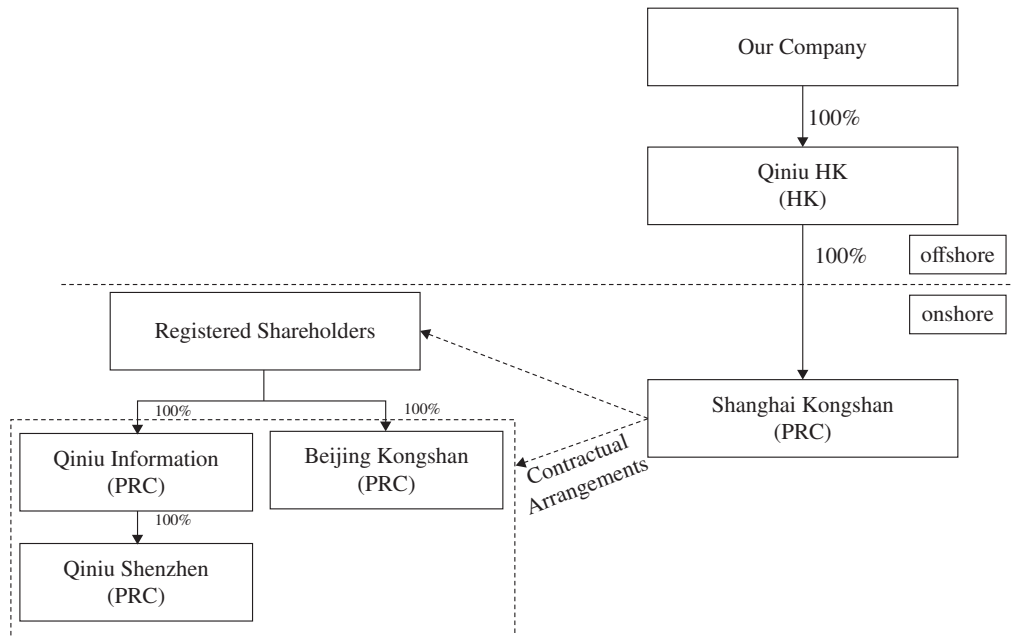
The market competition of the audiovisual PaaS industry is intense. We face competition in every major aspect of our business. We compete with other audiovisual PaaS service providers in the PRC mainly on product functionality and scope, performance, service scalability and reliability, technical strengths, marketing and sales capabilities, user experience, pricing, brand awareness and reputation. In addition, emerging and enhanced technologies are likely to further intensify competition of our industry. In terms of revenue in 2023, we are the third largest audiovisual PaaS provider and the second largest audiovisual APaaS provider in the PRC, with a market share of 5.8% and 14.1%, respectively. For details, see the paragraphs headed “Industry Overview — Competitive Landscape” and “Business — Competition” in this prospectus.

The audiovisual PaaS service market is in the phase of rapid expansion with new entrants join in the market and therefore the market share of top players is expected to gradually diminish as the market size increases. According to iResearch, the aggregated market share of Top 5 audiovisual PaaS service providers decreased from 46.5% in 2019 to 39.4% in 2023, representing a 7.1% market share decrease over the past five years, despite an increase in the aggregated revenue of Top 5 audiovisual PaaS service providers during the same period.

SUMMARY

CONTRACTUAL ARRANGEMENTS

Our provision of cloud services including clouding computing, storage and delivery are subject to foreign investment prohibition under the relevant PRC laws and regulations. It was not viable for us to hold the Consolidated Affiliated Entities directly or indirectly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment prohibition, we would hold the interest and gain effective control over the Consolidated Affiliated Entities through Shanghai Kongshan under the Contractual Arrangements. Pursuant to the Contractual Arrangements, Shanghai Kongshan has acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and has become entitled to all the economic benefits derived from each of the Consolidated Affiliated Entities' operations. Please see below a simplified diagram summarizing the Contractual Arrangements. For details, please refer to “Contractual Arrangements” in this prospectus.



PRE-IPO INVESTMENTS

From 2012 to 2020, we have completed several rounds of Pre-IPO Investments, for which our Company issued series A preferred shares, series B preferred shares, series C-1 preferred shares, series C-2 preferred shares, series D preferred shares, series E-1 preferred shares, series E-2 preferred shares, series F preferred shares and series F-1 preferred shares of our Company to the relevant Pre-IPO Investors. Our Pre-IPO Investors comprise MPCs, Qiming Funds, CBC, FG Venture, Golden Valley, Harvest Yuanxiang, Shanghai ZJ, Shanghai ZJ Venture, Titanium Ventures, Taobao China, Magic Logistics, Shanghai Shentai, BOCOM Asset Management, BOCOM Fund, Jumbo Sheen and EverestLu. For details, please refer to “History, Development and Corporate Structure — Pre-IPO Investments” in this prospectus.

SUMMARY

OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Xu controlled approximately 17.9576% of our total issued share capital through Dream Galaxy. Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no Share are issued under the Pre-IPO Share Plan), Mr. Xu, through Dream Galaxy, will exercise the voting rights of approximately 16.5208% of shareholding interest in our Company.

Pursuant to consent letters executed in April 2024 and confirmation letters executed in June 2024, Dream Galaxy was conferred by the Consenting Shareholders to exercise their respective voting rights attached to 742,707,099 shares held by them, representing approximately 37.1978% of shareholding interest in our Company immediately following the completion of the Global Offering. The relevant voting rights in concern under the voting proxy arrangements will be conferred to Dream Galaxy upon completion of the Global Offering. See “History, Development and Corporate Structure – Voting Proxy Arrangements” for details.

Therefore, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Plan), Mr. Xu, through Dream Galaxy, a company wholly owned by Mr. Xu, by virtue of his shareholding together with the voting proxy conferred upon him by the Consenting Shareholders as mentioned above, will exercise the voting rights attached to 1,072,568,979 Shares in aggregate, representing approximately 53.7186% of shareholding interest in our Company. Therefore, Dream Galaxy and Mr. Xu will be our Controlling Shareholders after the Listing.

Please see the sections headed “Relationship with Our Controlling Shareholders” and “Substantial Shareholders” for details of our relationship with and the shareholding interest of our Controlling Shareholders.

CONTINUING CONNECTED TRANSACTIONS

During the Track Record Period, we have provided PaaS solution services to Alibaba Cloud Computing Co., Ltd. (“**Alibaba Cloud Computing**”) and we have also purchased cloud services and electronic equipments from Alibaba Cloud Computing. Since Alibaba Cloud Computing is an associate of Taobao China, one of our substantial shareholders, the transactions between our Group and Alibaba Cloud Computing will constitute continuing connected transactions of our Company after the Listing. We entered into a framework agreement with Alibaba Cloud Computing on June 15, 2023 to govern our sales to and purchases from Alibaba Cloud Computing taking effect upon the Listing. The initial term of such framework agreement will commence on the Listing and expire on December 31, 2025.

Further, in order to conduct the Relevant Business in compliance with applicable PRC laws and regulations, Shanghai Kongshan, our wholly-owned subsidiary, has entered into the Contractual Arrangements with Qiniu Information, Beijing Kongshan, Qiniu Shenzhen and the Registered Shareholders. Given that the Registered Shareholders, namely Mr. Xu and Mr. Lyu, are connected persons of our Company, the transactions contemplated under the Contractual Arrangements will constitute continuing connected transactions of our Company after the Listing.

For details, please refer to “Continuing Connected Transactions” in this prospectus.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The table below includes, for the periods indicated, selected financial data derived from our consolidated statements of profit or loss and consolidated statements of financial position, the details of which are set forth in the Accountants' Report in Appendix I to this prospectus, and these should be read in conjunction with the historical financial information in the Accountants' Report in Appendix I to this prospectus, including the related notes.

Summary Consolidated Statements of Profit or Loss

The following table sets forth a summary of our consolidated statements of profit or loss, with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Revenue	1,471,010	100.0	1,147,290	100.0	1,333,991	100.0	270,890	100.0	342,373	100.0
Cost of sales	(1,179,834)	(80.2)	(918,649)	(80.1)	(1,053,746)	(79.0)	(221,372)	(81.7)	(271,833)	(79.4)
Gross profit	291,176	19.8	228,641	19.9	280,245	21.0	49,518	18.3	70,540	20.6
Other income and gains	17,716	1.2	19,543	1.7	30,854	2.3	4,376	1.6	370	0.1
Selling and marketing expenses	(193,016)	(13.1)	(147,521)	(12.9)	(139,065)	(10.4)	(34,985)	(12.9)	(27,442)	(8.0)
Administrative expenses	(119,528)	(8.1)	(111,175)	(9.7)	(135,824)	(10.2)	(31,587)	(11.7)	(30,815)	(9.0)
Research and development costs	(143,357)	(9.7)	(128,727)	(11.2)	(128,034)	(9.6)	(28,039)	(10.4)	(33,590)	(9.8)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	37,238	2.5	30,912	2.7	(54,682)	(4.1)	4,215	1.6	(8,864)	(2.6)
Fair value losses on convertible redeemable preferred shares	(96,467)	(6.6)	(83,810)	(7.3)	(156,087)	(11.7)	(57,312)	(21.2)	(111,528)	(32.6)
Impairment losses on financial assets	(4,763)	(0.3)	(8,233)	(0.7)	(11,757)	(0.9)	(1,893)	(0.7)	(4,396)	(1.3)
Other expenses	(2,659)	(0.2)	(3,636)	(0.2)	(1,596)	(0.1)	(404)	(0.1)	(144)	(0.0)
Finance costs	(6,046)	(0.4)	(8,746)	(0.8)	(8,162)	(0.6)	(2,218)	(0.8)	(2,153)	(0.6)
Loss before tax	(219,706)	(14.9)	(212,752)	(18.5)	(324,108)	(24.3)	(98,329)	(36.3)	(148,022)	(43.2)
Loss for the year/period	(219,706)	(14.9)	(212,752)	(18.5)	(324,108)	(24.3)	(98,329)	(36.3)	(148,022)	(43.2)

SUMMARY

NON-IFRS MEASURE

To supplement our consolidated financial statements presented in accordance with IFRS, we also use non-IFRS measure, namely adjusted net loss, as an additional financial measure, which is not required by or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRS.

We define adjusted net loss (non-IFRS measure) as profit/(loss) for the year/period excluding the effects of fair value changes on convertible redeemable preferred shares, share-based payments and listing expenses. Fair value changes on convertible redeemable preferred shares represent changes in the fair value of the convertible redeemable preferred shares issued by us to Pre-IPO Investors. The convertible redeemable preferred shares will be automatically converted into ordinary shares upon completion of the Listing and we do not expect to recognize any further fair value changes on convertible redeemable preferred shares after the Listing. Share-based payments are non-cash in nature and are employee related expenses arising from grant of share options under our share incentive plan. Listing expenses are expenses relating to the Global Offering. The adjustments have been consistently made during the Track Record Period. The following table sets forth the reconciliation of our net loss to adjusted net loss (non-IFRS measure) for the periods indicated:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Reconciliation of our net loss for the year/period to adjusted net loss (non-IFRS measure):					
Loss for the year/period	(219,706)	(212,752)	(324,108)	(98,329)	(148,022)
Adjusted for:					
Fair value losses on convertible redeemable preferred shares	96,467	83,810	156,087	57,312	111,528
Share-based payments	17,539	10,283	33,830	4,814	4,735
Listing expenses	—	—	18,592	5,462	7,518
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-IFRS measure:					
Adjusted net loss	<u>(105,700)</u>	<u>(118,659)</u>	<u>(115,599)</u>	<u>(30,741)</u>	<u>(24,241)</u>

SUMMARY

The following table sets forth a breakdown of our revenue by service or product type in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
MPaaS	1,369,641	93.1	874,997	76.3	974,507	73.1	186,350	68.8	249,442	72.9
APaaS	24,901	1.7	194,013	16.9	281,359	21.1	64,074	23.7	83,238	24.3
Others	76,468	5.2	78,280	6.8	78,125	5.8	20,466	7.5	9,693	2.8
Total	1,471,010	100.0	1,147,290	100.0	1,333,991	100.0	270,890	100.0	342,373	100.0

Gross Profit and Gross Margin

The following table sets forth our gross profit in absolute amounts and as a percentage of revenue, i.e., gross margins, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>Gross margin</i>		<i>Gross margin</i>		<i>Gross margin</i>		<i>Gross margin</i>		<i>Gross margin</i>	
	(unaudited)									
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
Gross profit										
– MPaaS	244,773	17.9	151,331	17.3	188,541	19.3	29,033	15.6	45,289	18.2
– APaaS	6,490	26.1	55,000	28.3	84,554	30.1	18,907	29.5	24,272	29.2
– Others	39,913	52.2	22,310	28.5	7,150	9.2	1,578	7.7	979	10.1
Total	291,176	19.8	228,641	19.9	280,245	21.0	49,518	18.3	70,540	20.6

Our total revenue decreased by 22.0% from RMB1,471.0 million in 2021 to RMB1,147.3 million in 2022, primarily due to the decrease in revenue generated from our MPaaS products, partially offset by the increase in revenue generated from APaaS solutions attributable to our expanding APaaS business in line with industry development and market demand. Since we officially launched APaaS business in September 2021, we strategically focused on the operations of our APaaS business. Revenue from our MPaaS products decreased by 36.1% from RMB1,369.6 million in 2021 to RMB875.0 million in 2022, attributable to decreases in revenue from Kodo, QCDN, interactive live streaming products and Dora. Particularly, revenue from Kodo decreased from RMB650.8 million in 2021 to RMB320.4 million in 2022 primarily because we made a decision to scale down our all-in-one server business, for which we procure all-in-one servers for some of our private cloud customers, because the COVID-19 resurgence in 2022 caused a shortage in supply of certain semiconductor chips which are key components of our all-in-one servers, and therefore resulted in a serious supply chain disruption to our all-in-one server business. Revenue from our APaaS solutions increased by 679.1% from RMB24.9 million in 2021 to RMB194.0 million in 2022, attributable to increases in revenue from all scenarios.

SUMMARY

Our gross profit decreased by 21.5% from RMB291.2 million in 2021 to RMB228.6 million in 2022. Our overall gross margin remained relatively stable at 19.8% and 19.9% in 2021 and 2022, respectively. Our gross margin of MPaaS remained relatively stable at 17.3% in 2022 compared to 17.9% in 2021. Our gross margin of APaaS increased from 26.1% in 2021 to 28.3% in 2022 primarily because after the initial ramp-up period, we were able to meet higher demand from the APaaS market and provide value-added services, including packaged services and a low-code platform.

Our total revenue increased by 16.3% from RMB1,147.3 million in 2022 to RMB1,334.0 million in 2023, primarily due to the increase in revenue generated from our APaaS solutions attributable to more customer demands and MPaaS products primarily attributable to the growth of QCDN business. Revenue from our MPaaS products increased by 11.4% from RMB875.0 million in 2022 to RMB974.5 million in 2023, attributable to increases in revenue from QCDN and Dora, partially offset by the decreases in revenue from Kodo and interactive live streaming products. Revenue from our APaaS solutions increased by 45.0% from RMB194.0 million in 2022 to RMB281.4 million in 2023, mainly attributable to the increase in revenue from our video marketing, and to a lesser extent, our visual networking scenario solutions.

Our gross profit increased by 22.6% from RMB228.6 million in 2022 to RMB280.2 million in 2023. Our overall gross margin increased from 19.9% in 2022 to 21.0% in 2023. Our gross margin of MPaaS increased from 17.3% in 2022 to 19.3% in 2023 primarily because (i) we did a restructuring of our infrastructure layout and relocated some of our servers, resulting in the improved efficiency of our QCDN and Kodo business, and (ii) we scaled down our business with some customers, particularly Customer A, with whom we had less favorable commercial terms compared with other customers, such as Customer H, Customer-Supplier Group I and Customer-Supplier Group J which contributed significantly to our revenue in 2023. Customer A, Customer H, Customer-Supplier Group I and Customer-Supplier Group J contributed to a total of 13.9%, 22.7%, 27.6% and 28.0% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Our gross margin of APaaS increased from 28.3% in 2022 to 30.1% in 2023 primarily because (i) we were able to meet higher demand from the APaaS market and provide value-added services, including packaged services and a low-code platform, and (ii) we benefited from the improved efficiency as a result of the restructuring of our infrastructure layout and relocation of our servers. Our gross margin of other business decreased from 28.5% in 2022 to 9.2% in 2023 as we made the strategic adjustment to scale down our DPaaS business, despite its relatively high gross margin as DPaaS solutions are typically sold in the form of dedicated and technical software deployed on a private cloud built for our customers. We scaled down DPaaS business as it is no longer our focus and incurred high and recurring research and development costs which is not beneficial to our profitability in the long term.

Our total revenue increased by 26.4% from RMB270.9 million in the three months ended March 31, 2023 to RMB342.4 million in the three months ended March 31, 2024, primarily due to the increase in revenue generated from our MPaaS products, in particular QCDN and Kodo, and the increase in revenue generated from our APaaS solutions attributable to more customer demands, partially offset by the decrease in revenue generated from other services as a result of decreases in DPaaS and internet data hosting services. Revenue from our MPaaS products increased by 33.9% from RMB186.4 million in the three months ended March 31, 2023 to RMB249.4 million in the three months ended March 31, 2024, attributable to increases in revenue from QCDN, Kodo and Dora, partially offset by a slight decrease in revenue from interactive live streaming products. Revenue from our APaaS products increased by 29.9% from RMB64.1 million in the three months ended March 31, 2023 to RMB83.2 million in the three months ended March 31, 2024, primarily attributable to the increase in revenue generated from our video marketing, visual networking and social entertainment scenario solutions.

SUMMARY

Our gross profit increased by 42.5% from RMB49.5 million in the three months ended March 31, 2023 to RMB70.5 million in the three months ended March 31, 2024. Our overall gross margin increased from 18.3% in the three months ended March 31, 2023 to 20.6% in the three months ended March 31, 2024. Our gross margin of MPaaS increased from 15.6% in the three months ended March 31, 2023 to 18.2% in the three months ended March 31, 2024 primarily because (i) we were able to generate more revenue from our Kodo business which generally had higher gross profit margin as compared to our QCDN business, and (ii) we benefited from certain cost control measure, such as restructuring of our infrastructure layout and relocation of our servers. Our gross margin of APaaS remain relatively stable at 29.5% and 29.2% in the three months ended March 31, 2023 and 2024, respectively.

For details, please refer to the section headed “Financial Information — Period-to-Period Comparison of Results of Operation” of this prospectus.

Our loss for the year remained relatively stable at RMB212.8 million in 2022 compared to RMB219.7 million in 2021. Our loss for the year increased from RMB212.8 million in 2022 to RMB324.1 million in 2023 primarily because of (i) the fluctuation in the fair value changes of financial assets at fair value through profit or loss from a gain of RMB30.9 million in 2022 to a loss of RMB54.7 million in 2023, and (ii) the increase in fair value losses on convertible redeemable preferred shares from RMB83.8 million in 2022 to RMB156.1 million in 2023, partially offset by the increase in our gross profit from RMB228.6 million in 2022 to RMB280.2 million in 2023. Our loss for the period increased from RMB98.3 million in the three months ended March 31, 2023 to RMB148.0 million in the three months ended March 31, 2024 primarily because of (i) the increase in fair value losses on convertible redeemable preferred shares from RMB57.3 million in the three months ended March 31, 2023 to RMB111.5 million in the three months ended March 31, 2024, and (ii) the fluctuation in the fair value changes of financial assets at fair value through profit or loss from a gain of RMB4.2 million in the three months ended March 31, 2023 to a loss of RMB8.9 million in the three months ended March 31, 2024, partially offset by the increase in our gross profit from RMB49.5 million in the three months ended March 31, 2023 to RMB70.5 million in the three months ended March 31, 2024. The relatively stable adjusted net loss (non-IFRS measure) in 2022 and 2023 and for the three months ended March 31, 2023 and 2024 despite the overall improvement in operating performance in 2023 and 2024 was partially due to the fluctuation in gains/losses recognized from the fair value changes of financial assets at fair value through profit or loss as mentioned above. Please see the section headed “Financial Information – Description of Major Components of Our Results of Operation” for details.

SUMMARY

Summary Consolidated Statements of Financial Position

The following table sets forth selected information from our consolidated statement of financial position as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets	396,277	350,792	237,806	241,694
Current assets	688,776	553,290	621,974	616,578
Current liabilities	3,290,190	3,569,959	3,872,333	4,000,365
Net current liabilities	2,601,414	3,016,669	3,250,359	3,383,787
Non-current liabilities	33,216	10,301	2,845	22,164
Net liabilities	2,238,353	2,676,178	3,015,398	3,164,257

We recorded net liabilities of RMB2,238.4 million, RMB2,676.2 million, RMB3,015.4 million and RMB3,164.3 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively. Our net liabilities position was primarily due to our convertible redeemable preferred shares. Our convertible redeemable preferred shares amounted to RMB2,672.3 million, RMB3,006.7 million, RMB3,215.0 million and RMB3,332.2 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing and we will return to a net assets position from a net liabilities position. For further details of the convertible redeemable preferred shares, see Note 28 to the Accountants' Report in Appendix I to this prospectus. The net loss we incurred during the Track Record Period also contributed to our net liabilities position. We incurred net loss of RMB219.7 million, RMB212.8 million, RMB324.1 million and RMB148.0 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Exchange differences on translation of foreign operations and repurchase of vested share options also contributed to the fluctuation in net liabilities during the Track Record Period.

We recorded net current liabilities of RMB2,601.4 million, RMB3,016.7 million, RMB3,250.4 million and RMB3,383.8 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively.

Our net current liabilities increased from RMB3,250.4 million as of December 31, 2023 to RMB3,383.8 million as of March 31, 2024, primarily due to (i) an increase in convertible redeemable preferred shares of RMB117.2 million, (ii) a decrease of RMB18.3 million in inventories, and (iii) an increase in interest-bearing bank and other borrowings of RMB11.9 million, partially offset by an increase of RMB20.2 million in trade and notes receivables.

Our net current liabilities increased from RMB3,016.7 million as of December 31, 2022 to RMB3,250.4 million as of December 31, 2023, primarily due to (i) an increase in convertible redeemable preferred shares of RMB208.4 million, (ii) an increase of RMB86.9 million in trade payables due to our business expansion, (iii) an increase of RMB26.4 million in interest-bearing bank and other borrowings, and (iv) a decrease of RMB21.0 million in cash and cash equivalents, partially offset by (i) an increase of RMB93.8 million in trade and notes receivables due to our business expansion, and (ii) a decrease of RMB22.8 million in amounts due to related parties.

SUMMARY

Our net current liabilities increased from RMB2,601.4 million as of December 31, 2021 to RMB3,016.7 million as of December 31, 2022, primarily due to (i) an increase of RMB334.3 million in convertible redeemable preferred shares, (ii) a decrease of RMB98.1 million in our cash and cash equivalents, (iii) a decrease of RMB69.3 million in our trade receivables, and (iv) an increase of RMB60.4 million in interest-bearing bank and other borrowings, partially offset by (i) a decrease of RMB71.7 million in amounts due to related parties, (ii) an increase of RMB50.8 million in time deposits, and (iii) a decrease of RMB20.6 million in our contract liabilities.

Summary Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Three months ended	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Operating cash flows before					
movements in working capital	(42,023)	(39,295)	4,408	(18,081)	(2,206)
Changes in working capital	(52,949)	(34,883)	(15,240)	49,103	(4,956)
Cash used in operations	(94,972)	(74,178)	(10,832)	31,022	(7,162)
Interest received	3,479	2,834	6,995	746	893
Net cash flows (used in)/from					
operating activities	(91,493)	(71,344)	(3,837)	31,768	(6,269)
Net cash flows from/(used in)					
investing activities	144,447	(62,487)	(14,883)	(34,860)	70,039
Net cash flows from/(used in)					
financing activities	98,052	20,819	(4,699)	(12,780)	6,210
Net increase/(decrease) in cash					
and cash equivalents	151,006	(113,012)	(23,419)	(15,872)	69,980
Cash and cash equivalents at the					
beginning of the year/period	140,129	285,523	187,404	187,404	166,378
Effect of foreign exchange					
differences, net	(5,612)	14,893	2,393	(2,375)	204
Cash and cash equivalents at					
 the end of the year/period	285,523	187,404	166,378	169,157	236,562

We recorded net operating cash outflows during the Track Record Period primarily due to our net loss and negative changes in working capital. Please see the section headed “Financial Information — Liquidity and Capital Resources — Consolidated Statements of Cash Flows — Net Cash Flows From/(Used In) Operating Activities” for details.

SUMMARY

BUSINESS SUSTAINABILITY AND PATH TO PROFITABILITY

We did not achieve a net profit during the Track Record Period, mainly attributable to the combined effects of the following:

- (a) *Prioritization of business expansion over short-term profitability:* During the Track Record Period, we prioritized the development and continuous expansion of our audiovisual MPaaS and APaaS business, particularly the relatively new and more profitable APaaS business officially launched in 2021, which we believe to have high market growth potential. The research and development relating to the development of our services, including our APaaS business, involved considerable investments, and such investments had not yet fully entered the period of return.

The loss-making position of the Company during the Track Record Period is also in line with the general trend of the industry in terms of the time taken to achieve profitability. According to iResearch, companies operating in the audiovisual PaaS industry have generally yet to achieve profitability, given their heavy investments upfront especially in research and the general pricing strategies adopted to quickly capture additional market share. It usually takes over ten years for audiovisual cloud service providers to achieve profitability.

- (b) *Decision to scale down certain business segments in response to changing market circumstances:* While we recorded strong revenue growth of 35.1% in 2021 under exceptionally favourable market circumstances primarily as a result of the sharp increase in cloud storage demand driven by the outbreak of COVID-19 and rapid growth in investment in private and public cloud storage by various industries which benefited our Kodo business, we made various decisions to adjust our business focus in response to the changing market circumstances in 2022. In particular, the travel restrictions associated with the prolonged resurgence of COVID-19 pandemic as well as the shortage in supply of certain semiconductor chips which are key components of our all-in-one servers we procured for some of our private cloud customers, which required domestic deployment of servers with audiovisual software and solutions pre-installed, caused a supply chain disruption to all-in-one server business, which constituted a significant part of our Kodo business. In light of the above events, we made the decision in 2022 to scale down our all-in-one server business. As a result, our revenue from our Kodo business decreased from RMB650.8 million in 2021 to RMB320.4 million in 2022 and our total revenue and gross profit decreased accordingly.

SUMMARY

- (c) *Non-recurring items:* We have incurred certain one-off expenses during the Track Record Period, such as consulting and other professional service fees of RMB40.8 million in 2021 mainly in connection with our previous listing attempt on NASDAQ in 2021. We also incurred severance payments associated with the streamline of our employee structure in 2021, 2022, 2023 and the three months ended March 31, 2024 of RMB10.1 million, RMB36.6 million, RMB9.2 million and RMB0.2 million, respectively, and we incurred listing expenses of RMB18.6 million and RMB7.5 million in 2023 and for the three months ended March 31, 2024, respectively. In addition, we recognized fair value losses on convertible redeemable preference shares in 2021, 2022, 2023 and the three months ended March 31, 2024 of RMB96.5 million, RMB83.8 million, RMB156.1 million and RMB111.5 million, respectively. All these had an adverse impact on our financial performance during the Track Record Period.

Path to profitability

Through years of development, we have achieved substantial market share and leading position in the audiovisual PaaS industry, particularly the relatively new audiovisual APaaS industry. According to iResearch, we are the third largest audiovisual PaaS provider and the second largest audiovisual APaaS provider in China in terms of revenue in 2023. Our adjusted net loss (non-IFRS measure) reduced from RMB118.7 million in 2022 to RMB115.6 million in 2023 and from RMB30.7 million for the three months ended March 31, 2023 to RMB24.2 million for the three months ended March 31, 2024, and our adjusted net loss margin (non-IFRS measure) reduced from 10.3% in 2022 to 8.7% in 2023 and 7.1% for the three months ended March 31, 2024, respectively. The improvement was primarily as a result of the continuous recovery of our MPaaS business, continued growth of our APaaS business, and reduction of our costs and expenses as a percentage of our revenue attributing to our cost control efforts. Specifically, we plan to further enhance our financial performance by:

(i) Focusing on and Deepening Our APaaS Business

We intend to further penetrate and deepen our presence in the various application scenarios of our APaaS business to capture the opportunities in the fast-growing audiovisual APaaS market. We plan to further expand our APaaS business by upgrading and iterating our low-code platform and providing more value-added services under various scenarios, such as a television broadcasting filming and production cloud solution under the smart new media scenario and an agricultural monitoring solution under the visual networking scenario, to our existing and new customers.

SUMMARY

We also experienced a significant bump in spending by our new APaaS paying customers from RMB8,079 in 2021 to RMB244,978 in 2023 and RMB424,853 for the three months ended March 31, 2024, which is attributable to a few major factors, including (i) the feature of APaaS solutions as one-stop solutions providing easy-to-access and comprehensive capabilities to meet customers' various scenario-based demands, (ii) the constant accumulation of market confidence on and therefore willingness to spend on APaaS solutions, and (iii) our marketing and customer education efforts, for example, by adopting more proactive customer relationship management strategies to provide personalized customer support and cross-selling products and solutions or upgrading customers' profiles, which are conducive to nurturing customer loyalty and inducing higher spending. We expect our APaaS customer base, in particular, the number of new APaaS customers as well as their average spending, to further expand as our APaaS business reaches a mature development stage and more of our APaaS solutions become commercialized.

(ii) Maintaining and Continuously Strengthening Our Competitive Advantages in Our MPaaS Business

We have developed a strong MPaaS business through our decade of experience in the audiovisual cloud industry in China and we will focus on maintaining such competitive advantages in light of the intensifying market competition. We have a proven track record of stability and reliability in our service offering and built a good reputation among our customers. For example, we offer multi-region disaster recovery capability to reduce operation risks from failures in any single data center. Our MPaaS products are also equipped with various security protections against isolated incidents and security failures.

We plan to consolidate the competitive edges of our QCDN products which is the major battleground with IaaS enterprises. Specifically, we have (i) strengthened our business relationship with the top Internet enterprises in China, which are typically the largest customers of our QCDN product, to further consolidate our competitive edges; (ii) provided different pricing methods (e.g. based on actual usage or service package) to cater to the different business needs and distribution pattern of our customers; and (iii) engaged in the research and development of QCDN products, for example, the integration of CDN nodes and AI computing power to provide more competitive CDN products in the future.

We have always placed strong emphasis on the continuous innovation and research and development efforts to expand the service offerings and improve our existing product portfolio. In terms of MPaaS development strategy, we plan to further consolidate and deepen our edge in MPaaS capabilities to reduce access cost of customers, optimize supply chain resources and improve R&D efficiency.

SUMMARY

(iii) Expanding Our Customer Base and Building Long-term Relationship with Our Customers

We successfully expanded our customer base during the Track Record Period. The number of MPaaS paying customers increased from 68,808 in 2021 to 83,970 in 2022, and further increased to 92,480 in 2023 and from 62,311 for the three months ended March 31, 2023 to 62,563 for the three months ended March 31, 2024. We aim to cultivate user habits in using our products and services and expand our customer base. As of March 31, 2024, we had over 1,500,000 registered users, among which 643,857 were active users ^(Note 1). We intend to build long-term relationship with our existing customers and attract more registered users and convert them or the companies they represent into paying customers. We expect our expanded customer base will lead to increasing economies of scale, which in turn helps improve our overall profitability.

- (a) *Expand across more business scenarios of our customers and actively identify market needs.* We plan to create more solutions in the five major scenarios of our APaaS business which in turn could increase our customer base and/or their spending. We are actively identifying and exploring unmet customer needs through various online and offline channels, including reputable industry conferences, insights from existing customers, in various industries. Apart from the reputable industry conferences we have participated before, we are looking to organize or participate in over 30 exhibitions, trade fairs and industry conferences over the next five years.
- (b) *Promote the conversion of registered users to paying customers.* We have been focusing on multiple strategies in accelerating the decision-making process of our customers and lowering the payment thresholds to encourage our non-paying registered users to convert to paying customers. Cost-effective products with lower payment thresholds, first-purchase discounts or free trials will be pushed and promoted to the non-paying customers to encourage them to spend money on our products, so as to further expand our paying customer base.

Note:

- (1) The number of active users represents the number of users which have used at least one of our products or otherwise contributed to usage of our platform during the relevant period. For the avoidance of doubt, such active users include users who engage in trial use of our products and may or may not be our paying customers.

SUMMARY

(iv) Effectively Managing Costs and Expenses

During the Track Record Period, we incurred substantial operating expenses, including selling and marketing expenses, administrative expenses and research and development costs, to scale up our business, develop new solutions and enhance our brand recognition. We intend to further optimize our operating expenses by achieving economies of scale and improving sales efficiency and effectiveness. Going forward, we intend to efficiently manage costs and expenses as a percentage of total revenue and further benefit from operating leverage. Specifically:

Selling and marketing expenses

In 2021, 2022, 2023 and the three months ended March 31, 2024, our selling and marketing expenses amounted to RMB193.0 million, RMB147.5 million, RMB139.1 million and RMB27.4 million, respectively, representing 13.1%, 12.9%, 10.4% and 8.0% of our revenue during the same periods, respectively. Notwithstanding the cost control efforts and personnel adjustment, we expect to continue to benefit increasingly from the effect of our enhanced brand awareness which we have built. Specifically, we intend to improve our sales and marketing efficiency by adopting the following measures:

- a) We have and will continue to participate in reputable industry conferences which help us better demonstrate our latest products and services offerings, as well as research innovations, and attract more developers and customers to our platform;
- b) We actively explore various marketing channels, whether traditional and alternative, to further improve our marketing efficiency. We adopt search engine optimization as our marketing strategy to improve the quality and quantity of traffic to our platform;
- c) We have implemented advanced and efficient systems in the management of our customers. Apart from the Customer Relationship Management (CRM) system, we have also introduced the data platform operated by GuanData and implemented a multi-tier customer follow-up strategy primarily depending on the revenue contribution and industry features of our customers.

Administrative expenses

Our administrative expenses accounted for 8.1%, 9.7%, 10.2% and 9.0% of our total revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. We intend to optimize our administrative expenses by enhancing our standard of management, streamlining our internal workflows, and leveraging technology to drive convenience, cost-efficiency and productivity.

We have conducted and will continue to conduct comprehensive review of our operations, including R&D, sales and marketing and client support processes, to streamline our business processes with a focus on core procedures to increase efficiency and cost-effectiveness.

SUMMARY

KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,
	2021	2022	2023	2024
	%	%	%	%
Gross margin	19.8	19.9	21.0	20.6
Adjusted net loss margin (non-IFRS measure)	(7.2)	(10.3)	(8.7)	(7.1)

RISK FACTORS

A summary of certain key risk factors we face include: (i) the market in which we participate is competitive, and if we do not compete effectively, our business, operating results and financial condition could be harmed; (ii) we have experienced fluctuations in our revenue and if we fail to effectively develop our business, our business, results of operations and financial condition could be adversely affected; (iii) we have recorded net losses, net current liabilities, net liabilities and net operating cash outflow during the Track Record Period; (iv) security breaches and attacks against our systems and network, and any failure to otherwise protect personal, confidential and proprietary information, could damage our reputation and negatively impact our business, as well as materially and adversely affect our financial condition and results of operations; and (v) if we fail to maintain and enhance the functions, performance, reliability, design, security, and scalability of our products and services to meet our customers' evolving needs, we may lose our customers.

If any of the above key risk factors materialises, there may be a material and adverse effect on our business, financial condition, results of operations and prospects. You should read the entire section headed "Risk Factors" in this prospectus before you decide to invest in the Offer Shares.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any administrative penalties, bankruptcy or receivership proceedings), which we believe would have a material adverse effect on our business, results of operations or financial condition. As of the Latest Practicable Date, we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors, which we believe would have a material adverse effect on our business, results of operations or financial condition.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that we believe would have a material adverse effect on our business, results of operations or financial condition.

SUMMARY

RECENT DEVELOPMENTS

Recent Business Developments

Subsequent to the Track Record Period and up to the Latest Practicable Date, our business operation remained stable. We achieved improvement in revenue, gross profit and adjusted net loss (non-IFRS measure) in 2023 compared to 2022 and for the three months ended March 31, 2024 compared to the same period in 2023 and we expect to continue to improve overall in 2024 as our MPaaS and APaaS businesses continue to develop with their current momentum. Having said that, we still expect to record net losses in 2024, primarily due to fair value losses on convertible redeemable preferred shares, share-based payments and listing expenses expected to be incurred and in light of the competitive market environment and our financial performance improvement initiatives as set out in the section headed “Business — Business Sustainability and Path to Profitability” continues to take effect.

Recent Regulatory Developments

CSRC filings

On June 17, 2024, CSRC has issued a notification on our Company’s completion of the PRC filing procedures for the listing of Shares on the Stock Exchange and the Global Offering. As advised by our PRC Legal Advisor, our Company has completed all necessary filings with CSRC prior to the Global Offering and the Listing.

AI Measures

On July 10, 2023, the Cyberspace Administration of China (the “CAC”) promulgated the AI Measures, effective on August 15, 2023. The AI Measures impose compliance requirements for providers of generative artificial intelligence services (the “AI Providers”) to the general public within the territory of PRC. The AI Measures provide, among other things, that AI Providers of text, image, audio or video to the general public shall assume the responsibilities as the producers of the AI-generated content thereon. In the event that AI Providers finds any illegal content or any user uses generative artificial intelligence services to engage in illegal activities, AI Providers shall warn the user, restrict the use, suspend or terminate the provision of services, keep relevant records, report the same to the related competent authority or take other measures. Any AI Providers with attribute of public opinions or capable of social mobilization shall conduct security assessment, and complete the formalities for algorithm filing, change or deregistration in accordance with the relevant regulations. For details, see “Regulatory Overview — Regulations Relating to Generative Artificial Intelligence Services.” As of the Latest Practicable Date, we are still developing generative artificial intelligence service, and has not yet provided such services to any third parties. Our PRC Legal Advisor is of the view that we comply with the AI Measures in all material respects. For details, see “Business — Compliance With AI Measures.” Our Directors believe that the AI Measures will not materially affect our current and future business operations and financial performance, on the grounds that: (i) our PRC Legal Advisor’s opinion mentioned above; (ii) we have taken and will continue to take sufficient measures to comply with the AI Measures and relevant regulations and such measures will not have any material adverse effect on our business and financial performance; and (iii) we will continue to closely monitor market practice and any further interpretation of the AI Measures.

SUMMARY

No Material Adverse Change

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2024, being the end date of our latest audited financial statements, and there has been no event since March 31, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

DIVIDENDS

The declaration, amount and payment of dividends are subject to the discretion of our Directors and depend on our financial condition, earnings and capital requirements as well as contractual and legal restrictions and our ability to receive dividend payments from our subsidiaries in addition to other factors. Declaration and payment of dividends are also subject to any applicable laws and the Articles of Association. The dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared by our Board or paid in the future. Currently, our Group does not have a fixed dividend policy and does not have a predetermined dividend distribution ratio. During the Track Record Period, we did not declare or pay any dividend.

As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of net liabilities or accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business. As advised by our PRC Legal Advisor, according to PRC laws and regulations, our PRC subsidiaries are permitted to pay dividends out of their accumulated after-tax profits, if any, as determined under PRC accounting standards, upon approval of their respective shareholders, provided that (i) our PRC subsidiaries shall make up their losses of previous years when conducting outward remittance; and (ii) PRC subsidiaries shall make appropriations from their after-tax profits as determined under PRC accounting standards to non-distributable reserve funds. Therefore, our PRC subsidiaries with positive accumulated after-tax profits, having offset losses from previous years and made requisite appropriations to reserve funds, may declare dividends to their respective shareholder(s). Please see the section headed "Financial Information – Dividends" for details.

GLOBAL OFFERING STATISTICS⁽¹⁾

	Based on the minimum indicative Offer Price of HK\$2.74 per Offer Share	Based on the maximum indicative Offer Price of HK\$2.86 per Offer Share
Market capitalization of our Shares ⁽²⁾	HK\$5,470.8 million	HK\$5,710.4 million
Pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share ⁽³⁾	HK\$0.28	HK\$0.30

SUMMARY

Notes:

- (1) All statistics in this table does not take into account any Shares which may be allotted and issued pursuant to the exercise of Over-allotment Option, or any Shares which may be issued pursuant to the exercise of options which may be granted under the Pre-IPO Share Plan and Post-IPO Share Option Scheme, or any Shares 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 in the section headed “Share Capital” in this prospectus.
- (2) The calculation of market capitalization is based on 1,996,644,474 Shares expected to be in issue immediately after completion of the Capitalization Issue and the Global Offering.
- (3) The pro forma adjusted consolidated net tangible assets of our Group attributable to owners of our Company per Share is calculated after making the adjustments referred to in the paragraph headed “Unaudited Pro Forma Financial Information — A. Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets” in Appendix II to this prospectus and based on the 1,996,644,474 Shares expected to be in issue immediately after completion of the Capitalization Issue and the Global Offering.

USE OF PROCEEDS

Based on the Offer Price of HK\$2.80 per Offer Share, being the mid-point of the Offer Price range of HK\$2.74 to HK\$2.86 per Offer Share, we estimate that we will receive net proceeds from the Global Offering of HK\$374.7 million (equivalent to approximately RMB341.2 million), assuming that there is no exercise of the Over-allotment Option. We intend to use the net proceeds for the following purposes: (i) approximately 38.0% of the net proceeds, or approximately HK\$142.4 million, is expected to be used for penetrating and deepening our presence in the application scenarios of our APaaS business and developing and expanding our customer base; (ii) approximately 20.0% of the net proceeds, or approximately HK\$74.9 million, is expected to be used for expanding our overseas business; (iii) approximately 12.0% of the net proceeds, or approximately HK\$45.0 million, is expected to be used for enhancing our research and development capabilities and improving our technology infrastructure; (iv) approximately 20.0% of the net proceeds, or approximately HK\$74.9 million, is expected to be used for selected mergers, acquisitions, and strategic investments; and (v) approximately 10.0% of the net proceeds, or approximately HK\$37.5 million, is expected to be used for working capital and general corporate purposes. For further information, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We are applying for the Listing under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test, among other things, with reference to (i) our revenue for the year ended December 31, 2023, being RMB1,334.0 million, which is over HK\$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the Listing, which, based on the low end of the indicative Offer Price, exceeds HK\$4 billion as required by Rule 8.05(3) of the Listing Rules.

SUMMARY

LISTING EXPENSES

The total listing expenses borne or to be borne by us are estimated to be approximately RMB66.2 million (equivalent to approximately HK\$72.6 million) (comprising (i) underwriting commission of approximately RMB21.2 million, and (ii) non-underwriting related expenses of approximately RMB45.0 million, which consist of fees and expenses of legal advisors and reporting accountants of approximately RMB26.9 million and other fees and expenses of approximately RMB18.1 million), accounting for approximately 16.2% of the gross proceeds of the Global Offering, assuming an Offer Price of HK\$2.80 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised. We expect that approximately RMB41.8 million of listing expenses have been/will be charged to our statements of profit or loss and other comprehensive income, in which RMB18.6 million and RMB7.5 million have been charged for the year ended December 31, 2023 and the three months ended March 31, 2024, respectively, and approximately RMB24.3 million will be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operation for the year ending December 31, 2024.

DEFINITIONS

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

“Accountants’ Report”	:	the accountants’ report of our Company, the text of which is set out in Appendix I to this prospectus
“affiliate(s)”	:	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“AFRC”	:	Accounting and Financial Reporting Council
“AI Measures”	:	the Interim Measures for the Management of Generative Artificial Intelligence Service (《生成式人工智能服務管理暫行辦法》)
“Articles” or “Articles of Association”	:	the amended and restated articles of association of the Company conditionally adopted on September 25, 2024 and will come into effect upon Listing (as amended, supplemented or otherwise modified from time to time), a summary of which is set out in Appendix III to this prospectus
“associate(s)”	:	has the meaning ascribed thereto under the Listing Rules
“Beijing Kongshan”	:	Beijing Kongshan Information Technologies Co., Ltd.* (北京空山信息技術有限公司), a limited liability company incorporated in the PRC on September 6, 2011 and one of the Consolidated Affiliated Entities indirectly controlled by our Company through the Contractual Arrangements
“Beijing Kongyu”	:	Beijing Kongyu Information Technology Co., Ltd.* (北京空雨信息技術有限公司), an indirect wholly-owned subsidiary of our Company incorporated in the PRC on November 11, 2020
“Board”	:	the board of Directors
“BOCOM Asset Management”	:	BOCOM International Asset Management Limited, a company incorporated in Hong Kong, Pre-IPO Investor and an Independent Third Party

DEFINITIONS

“BOCOM Fund”	:	Qiniu BOCOM International No.1 Equity Fund, a contractual privately offered fund formed under the laws of the PRC, a Pre-IPO Investor and an Independent Third Party
“Business Day”	:	a day that is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	:	the British Virgin Islands
“CAC”	:	Cyberspace Administration of China (中華人民共和國國家互聯網信息辦公室)
“CAGR”	:	compound annual growth rate
“Capitalization Issue”	:	the issue of 1,632,795,088 new Shares to be made upon capitalization of an amount of US\$163,279.5088 standing to the credit of the share premium account of our Company, as described in the section headed “Statutory and General Information — 1. Further Information about our Company — D. Resolutions of the Shareholders of our Company dated September 25, 2024”
“Capital Market Intermediaries”	:	the capital market intermediaries as named in “Directors and Parties Involved in the Global Offering”
“Cayman Companies Act” or “Companies Act”	:	the Companies Act (As Revised) of the Cayman Islands (as amended, supplemented or otherwise modified from time to time)
“CBC”	:	CBC Cloud Investment Limited, a company incorporated in the BVI, a Pre-IPO Investor and an Independent Third Party
“CCASS”	:	the Central Clearing and Settlement System established and operated by HKSCC
“China”, “Mainland China” or “PRC”	:	the People’s Republic of China, except where the context requires otherwise and only for the purposes of this prospectus, excluding Hong Kong Special Administrative Region of the People’s Republic of China, Macau Special Administrative Region of the People’s Republic of China, and Taiwan Region
“close associate(s)”	:	has the meaning ascribed thereto under the Listing Rules
“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”	:	Qiniu Limited (七牛智能科技有限公司*), a company incorporated in the BVI on May 23, 2011 and re-domiciled and continued in the Cayman Islands with limited liability on June 14, 2023
“connected person(s)”	:	has the meaning ascribed thereto under the Listing Rules
“connected transaction(s)”	:	has the meaning ascribed thereto under the Listing Rules
“Consenting Shareholders”	:	means Magic Logistics, MPCs, Dustland, Qiming Funds, CBC, Shanghai Shentai and Jumbo Sheen
“Consolidated Affiliated Entity(ies)”	:	the entity(ies) we indirectly control through the Contractual Arrangements, namely Beijing Kongshan, Qiniu Information, and Qiniu Shenzhen
“Contractual Arrangements”	:	the series of contractual arrangements, as the case may be, entered into by and among Shanghai Kongshan, Consolidated Affiliated Entities and the Registered Shareholders on May 11, 2023 and June 21, 2024. See “Contractual Arrangements” in this prospectus for details
“Controlling Shareholders”	:	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Xu and Dream Galaxy
“core connected person(s)”	:	has the meaning ascribed thereto under the Listing Rules
“CSRC”	:	China Securities Regulatory Commission (中國證券監督管理委員會)
“Designated Bank”	:	in relation to any HKSCC Participant, any bank in Hong Kong designated by that HKSCC Participant and approved by HKSCC for money settlement purposes
“Director(s)”	:	the director(s) of the Company
“Dream Galaxy”	:	Dream Galaxy Holdings Limited, a company incorporated in the BVI on January 30, 2023 which is wholly owned by Mr. Xu

DEFINITIONS

“Dustland”	:	Dustland Ltd., a company incorporated in the BVI on January 30, 2023 which is wholly owned by Mr. Lyu
“EAR”	:	the U.S. Export Administration Regulations
“EIT”	:	enterprise income tax
“EIT Law”	:	the PRC Enterprise Income Tax Law (《中華人民共和國企業所得稅法》), as amended, supplemented or otherwise modified from time to time
“Entity List”	:	the list maintained by the U.S. Department of Commerce identifying foreign entities believed to be involved, or pose a significant risk of being or becoming involved, in activities contrary to the national security or foreign policy interests of the United States and which are prohibited from acquiring some or all items subject to the U.S. Export Administration Regulations
“EverestLu”	:	EverestLu Holding Limited (永祿控股有限公司), a company incorporated in Hong Kong, a Pre-IPO Investor and an Independent Third Party
“Extreme Conditions”	:	the occurrence of “extreme conditions” as announced by the Hong Kong Government
“FG Venture”	:	FG Venture L.P., an exempted limited partnership organized in the Cayman Islands, a Pre-IPO Investor and an Independent Third Party
“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 (as defined in the General Rules of HKSCC)
“FVTPL”	:	fair value through profit or loss
“GDP”	:	Gross Domestic Product
“General Rules of HKSCC”	:	General Rules of HKSCC published by the Stock Exchange and as amended from time to time
“Global Offering”	:	the Hong Kong Public Offering and the International Offering

DEFINITIONS

“Golden Valley”	:	Golden Valley Holdings Limited, a company incorporated in Samoa, a Pre-IPO Investor and an Independent Third Party
“Governmental Authority(ies)”	:	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
“Group”, “our Group”, “our”, “we” or “us”	:	our Company and all of our subsidiaries and our Consolidated Affiliated Entities, or any one of them as the context may require or, where the context refers to any time prior to its incorporation, the business which its predecessors or the predecessors of its present subsidiaries, or any one of them as the context may require, were or was engaged in and which were subsequently assumed by it
“Harvest Yuanxiang”	:	Harvest Yuanxiang (Cayman) Limited, a company incorporated in the Cayman Islands, a Pre-IPO Investor and an Independent Third Party
“ HK eIPO White Form ”	:	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website at www.hkeipo.hk
“ HK eIPO White Form Service Provider ”	:	the HK eIPO White Form service provider designated by our Company as specified on the designated website at www.hkeipo.hk
“HKSCC”	:	the Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	:	HKSCC Nominees Limited, a wholly owned subsidiary of the HKSCC
“HKSCC Operational Procedures”	:	the Operational Procedures of HKSCC, containing the practices, procedures and administrative or other requirements relating to HKSCC’s services and the operations and functions of Systems, as from time to time in force
“HKSCC Participant”	:	a participant admitted for the time being by HKSCC as a participant of CCASS

DEFINITIONS

“Hong Kong” or “HK”	:	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK dollars” or “HK\$”	:	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	:	the 15,975,000 Offer Shares initially being offered by us for subscription pursuant to the Hong Kong Public Offering, subject to reallocation as described in the section headed “Structure of the Global Offering”
“Hong Kong Public Offering”	:	the offer for subscription of the Hong Kong Offer Shares to the public in Hong Kong subject to and in accordance with the terms and conditions described in this prospectus
“Hong Kong Share Registrar”	:	Tricor Investor Services Limited
“Hong Kong Underwriters”	:	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting — Hong Kong Underwriters”
“Hong Kong Underwriting Agreement”	:	the underwriting agreement dated September 27, 2024 relating to the Hong Kong Public Offering and entered into by the Company, Mr. Xu, Dream Galaxy, the Joint Sponsors, the Overall Coordinators, the Hong Kong Underwriters and the Capital Market Intermediaries, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Hong Kong Underwriting Agreement” in this prospectus
“IFRS”	:	International Financial Reporting Standards, as issued by the International Accounting Standards Board
“Independent Third Party” or “Independent Third Parties”	:	a person or entity who is not a connected person of our Company under the Listing Rules to the knowledge of our Directors after all reasonable enquiries
“International Offer Shares”	:	the 143,775,000 Offer Shares initially being offered by us for subscription under the International Offering together, where relevant, with any additional Shares that may be allotted and issued pursuant to the exercise of the Over-allotment Option, and subject to reallocation as described in the section headed “Structure of the Global Offering”

DEFINITIONS

“International Offering”	:	the conditional placing by the International Underwriters of the International Offer Shares at the Offer Price outside the United States (including to professional, institutional and other investors within Hong Kong) in offshore transactions in reliance on Regulation S or another available exemption from registration requirement of the U.S. Securities Act
“International Underwriters”	:	the underwriters of the International Offering listed in the International Underwriting Agreement
“International Underwriting Agreement”	:	the underwriting agreement relating to the International Offering and to be entered into on or around the Price Determination Date by the Company, Mr. Xu, Dream Galaxy, the Joint Sponsors, the Overall Coordinators, the International Underwriters and the Capital Market Intermediaries
“Jiaxing Kongshan”	:	Kongshan Network Technology (Jiaxing) Co., Ltd.* (空山網絡科技(嘉興)有限公司), an indirect wholly-owned subsidiary of our Company incorporated in the PRC on January 26, 2024
“Joint Bookrunners”, “Joint Global Coordinators”, “Joint Lead Managers”	:	the joint bookrunners, the joint global coordinators, and the joint lead managers as named in “Directors and Parties Involved in the Global Offering”
“Joint Sponsors”	:	the joint sponsors as named in “Directors and Parties Involved in the Global Offering”
“Jumbo Sheen”	:	Jumbo Sheen Amber LP, an exempted limited partnership registered in the Cayman Islands, a Pre-IPO Investor and an Independent Third Party
“Latest Practicable Date”	:	September 21, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
“Listing”	:	listing of the Shares on the Stock Exchange
“Listing Date”	:	the date, expected to be on or about October 16, 2024, on which the Shares will be listed and dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	:	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)

DEFINITIONS

“M&A Rules”	:	the Provisions on Merger and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》), as amended, supplemented or otherwise modified from time to time
“Magic Logistics”	:	Magic Logistics Investment Limited, a company incorporated in the BVI, a Pre-IPO Investor and our substantial shareholder
“Main Board”	:	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Matrix HK”	:	Matrix Partners China II Hong Kong Limited, a company incorporated in Hong Kong and an Independent Third Party
“Memorandum of Association” or “Memorandum”	:	the amended and restated memorandum of association of our Company, conditionally adopted on September 25, 2024 and will come into effect upon Listing (as amended from time to time), a summary of which is set out in Appendix III to this prospectus
“MIIT”	:	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MOFCOM”	:	Ministry of Commerce of the PRC (中華人民共和國商務部)
“MPCs”	:	MPC II L.P. (formerly known as Matrix Partners China II, L.P.) and MPC II-A L.P. (formerly known as Matrix Partners China II-A, L.P.), both of which are limited partnerships incorporated in the Cayman Islands, our Pre-IPO Investors and Independent Third Parties
“Mr. Lyu”	:	Mr. Lyu Guihua (呂桂華), a non-executive Director
“Mr. Xu”	:	Mr. Xu Shiwei (許式偉), an executive Director and the chairman of the Board
“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)
“Offer Price”	:	HK\$2.86 per Offer Share (exclusive of brokerage of 1%, SFC transaction levy of 0.0027%, AFRC transaction levy of 0.00015% and Stock Exchange trading fee of 0.00565%)

DEFINITIONS

“Offer Shares”	:	the Hong Kong Offer Shares and the International Offer Shares, together, where relevant, with any additional Shares to be issued by our Company pursuant to the exercise of the Over-allotment Option
“Overall Coordinators”, “Sponsor-Overall Coordinators”	:	the overall coordinators and sponsor-overall coordinators as named in “Directors and Parties Involved in the Global Offering”
“Over-allotment Option”	:	the option to be granted by us to the International Underwriters exercisable by the Overall Coordinators on behalf of the International Underwriters under the International Underwriting Agreement, to require us to allot and issue up to 23,962,000 additional Shares at the Offer Price, representing up to 15% of the total number of Offer Shares initially available under the Global Offering to, among others, cover over-allocations in the International Offering, if any
“PBOC”	:	People’s Bank of China (中國人民銀行)
“Post-IPO Share Option Scheme”	:	the share option scheme conditionally adopted by the Shareholders on September 25, 2024. See “Appendix IV — Statutory and General Information — 5. Share Option Schemes — B. Post-IPO Share Option Scheme” for a summary of the principal terms
“PRC Government Authority(ies)”	:	the central government of the PRC and all governmental subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context requires, any of them
“PRC Legal Advisor”	:	King & Wood Mallesons, the legal advisor to our Company as to PRC laws
“Pre-IPO Investment(s)”	:	the pre-IPO investment(s) in our Company undertaken by the Pre-IPO Investor(s). See “History, Development and Corporate Structure” in this prospectus for details
“Pre-IPO Investor(s)”	:	Taobao China, Magic Logistics, MPCs, Qiming Funds, EverestLu, CBC, FG Venture, Golden Valley, Harvest Yuanxiang, Shanghai ZJ, Shanghai ZJ Venture, Titanium Ventures, Shanghai Shentai, BOCOM Asset Management, BOCOM Fund, Jumbo Sheen or any one of them

DEFINITIONS

- “Pre-IPO Share Plan” : the Pre-IPO Share Plan adopted by our Company on January 14, 2013 (as supplemented and amended on June 13, 2014, July 12, 2017, October 25, 2018 and May 11, 2023). See “Appendix IV — Statutory and General Information — 5. Share Option Schemes — A. Pre-IPO Share Plan” for a summary of the principal terms
- “premium customer” : paying customer contributing revenue of RMB1,000,000 or above for the relevant year (i.e. for the year ended December 31)
- “Price Determination Agreement” : the agreement to be entered into between our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) on the Price Determination Date to record and fix the Offer Price
- “Price Determination Date” : the date, expected to be on or around October 14, 2024 (Hong Kong time) on which the Offer Price is to be determined (Hong Kong time)
- “Qiming Annex” : Qiming Venture Partners III Annex Fund, L.P., an exempted limited partnership organized in the Cayman Islands, a Pre-IPO Investor and an Independent Third Party
- “Qiming Funds” : Qiming Annex, Qiming MD and Qiming Venture, collectively
- “Qiming MD” : Qiming Managing Directors Fund III, L.P., an exempted limited partnership organized in the Cayman Islands, a Pre-IPO Investor and an Independent Third Party
- “Qiming Venture” : Qiming Venture Partners III, L.P., an exempted limited partnership organized in the Cayman Islands, a Pre-IPO Investor and an Independent Third Party
- “Qiniu HK” : Qiniu (China) Limited (七牛(中國)有限公司), a wholly-owned subsidiary of our Company incorporated in Hong Kong with limited liability on June 2, 2011
- “Qiniu Information” : Shanghai Qiniu Information Technologies Co., Ltd.* (上海七牛信息技術有限公司), a limited liability company incorporated in the PRC on August 3, 2011 and one of the Consolidated Affiliated Entities indirectly controlled by our Company through the Contractual Arrangements

DEFINITIONS

“Qiniu Shenzhen”	:	Qiniu (Shenzhen) Cloud Computing Co., Ltd.* (七牛(深圳)雲計算有限公司), a limited liability company incorporated in the PRC on May 6, 2022 and one of the Consolidated Affiliated Entities indirectly controlled by our Company through the Contractual Arrangements
“R&D”	:	research and development
“Registered Shareholders”	:	the registered shareholders of each of Beijing Kongshan and Qiniu Information, namely Mr. Xu and Mr. Lyu. See “Contractual Arrangements” in this prospectus for details
“Regulation S”	:	Regulation S under the U.S. Securities Act
“RMB” or “Renminbi”	:	Renminbi, the lawful currency of the PRC
“SAFE”	:	State Administration of Foreign Exchange of the PRC (中華人民共和國外匯管理局)
“SAFE Circular 37”	:	Circular concerning Foreign Exchange Administration of Overseas Investment and Financing and Round-trip Investment Conducted by Domestic Residents through Overseas Special Purpose Vehicle (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》)
“SAMR”	:	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 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)
“SAT”	:	State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
“Securities and Futures Commission” or “SFC”	:	the Securities and Futures Commission of Hong Kong
“SFO”	:	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time)
“Shanghai Kongshan”	:	Kongshan Network Technologies (Shanghai) Co., Ltd.* (空山網絡科技(上海)有限公司), a wholly-owned subsidiary of our Company incorporated in the PRC on January 6, 2012

DEFINITIONS

“Shanghai Shentai”	:	Shanghai Shentai Investment Management Partnership (LLP)* (上海樂泰投資管理合夥企業(有限合夥)), a limited liability partnership organized in the PRC, a Pre-IPO Investor and an Independent Third Party
“Shanghai ZJ”	:	Shanghai (Z.J.) Holdings Limited (上海張江控股有限公司), a company incorporated in the Cayman Islands, a Pre-IPO Investor and an Independent Third Party
“Shanghai ZJ Venture”	:	Shanghai Zhangjiang Science & Technology Venture Capital Co., Ltd* (上海張江科技創業投資有限公司), a company incorporated in the PRC, a Pre-IPO Investor and an Independent Third Party
“Share(s)” or “Ordinary Share(s)”	:	ordinary share(s) with nominal value of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	:	holder(s) of the Share(s)
“Singapore dollars”, “S\$” or “SGD”	:	Singapore dollars, the lawful currency of Singapore
“Stabilizing Manager”	:	Shenwan Hongyuan Securities (H.K.) Limited
“State Council”	:	State Council of the People’s Republic of China (中華人民共和國國務院)
“Stock Borrowing Agreement”	:	the agreement expected to be entered into between Dream Galaxy and the Stabilizing Manager and/or its affiliates, pursuant to which the Stabilizing Manager may, on its own or through its affiliates, request Dream Galaxy to make available to the Stabilizing Manager up to 23,962,000 Shares to cover, inter alia, over-allocation in the International Offering
“Stock Exchange”	:	The Stock Exchange of Hong Kong Limited
“subsidiary”	:	has the meaning ascribed thereto under the Listing Rules
“substantial shareholder(s)”	:	has the meaning ascribed thereto under the Listing Rules
“Superstify Holdings”	:	Superstify Technology Holdings Limited, a wholly-owned subsidiary of our Company incorporated in the BVI on June 14, 2022
“Superstify Technology”	:	Superstify Technology PTE. LTD., an indirect wholly-owned subsidiary of our Company incorporated in Singapore on June 21, 2022

DEFINITIONS

“Superstify VN”	:	SUPERSTIFY TECHNOLOGY COMPANY LIMITED* (CÔNG TY TNHH KỸ THUẬT SUPERSTIFY), an indirect wholly-owned subsidiary of our Company incorporated in Vietnam on December 1, 2022
“Systems”	:	CCASS, FINI or any other platform, facility or system established, operated and/or otherwise provided by or through HKSCC
“Takeovers Code” or “Hong Kong Takeovers Code”	:	the Code on Takeovers and Mergers and Share Buy-backs, as published by the SFC (as amended, supplemented or otherwise modified from time to time)
“Taobao China”	:	Taobao China Holding Limited, a company incorporated in Hong Kong, a Pre-IPO Investor and our substantial shareholder
“Titanium Ventures”	:	Titanium Ventures Fund II, L.P. (formerly known as Telstra Ventures Fund II, L.P.), a Guernsey (Channel Islands) registered limited partnership, a Pre-IPO Investor and an Independent Third Party
“Track Record Period”	:	the years ended December 31, 2021, 2022, 2023 and the three months ended March 31, 2024
“U.S. dollars”, “US\$” or “USD”	:	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	:	the U.S. Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
“Underwriters”	:	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	:	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	:	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“VAT”	:	value-added tax
“VAT License”	:	value-added telecommunication license
“Viculus Holdings”	:	Viculus Technology Holdings Limited, a wholly-owned subsidiary of our Company incorporated in the BVI on July 13, 2022

DEFINITIONS

“Viculus Technology”	:	Viculus Technology PTE. LTD., an indirect wholly-owned subsidiary of our Company incorporated in Singapore on July 28, 2022
“Vietnamese dong” or “VND”	:	Vietnamese dong, the lawful currency of Vietnam
“WarpDrive Technology”	:	WarpDrive Technology PTE. LTD., an indirect wholly-owned subsidiary of our Company incorporated in Singapore on May 19, 2021
“WTO”	:	World Trade Organization
“%”	:	percent

Certain amounts and percentage figures included in this prospectus have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

The English names of PRC laws, regulations, governmental authorities, institutions, and of companies or entities established in the PRC included in this prospectus are translations of their Chinese names or vice versa and are included for identification purposes only. In the event of inconsistency, the Chinese versions shall prevail.

* *For identification purposes only*

GLOSSARY OF TECHNICAL TERMS

The following is a glossary of certain terms used in this prospectus in connection with us and/or our business. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

“5G”	the 5th generation mobile network, a new global wireless standard after 1G, 2G, 3G, and 4G networks
“8K”	a resolution format of pixel dimensions of 7,680 x 4,320
“AI”	artificial intelligence, an area of computer science that focuses on simulating human intelligence by machines
“AIGC”	AI generated content
“all-in-one server”	server procured for customers, typically private cloud customers, which have been configured and implemented with the Group’s proprietary software and audiovisual solutions
“Android”	an operating system developed and maintained by Google Inc. which is used in touchscreen technology including smartphones and tablets
“APaaS”	application platform as a service
“API”	application programming interface, a computer programming approach for facilitating exchange of information and executing instructions between different computer systems
“app”	mobile application
“AR”	augmented reality, an interactive experience of a real-world environment where the objects that reside in the real world are enhanced by computer-generated perceptual information
“architecture”	the structure under which an information system’s hardware, software, data and communication capabilities are put together
“BERT”	Bidirectional Encoder Representations from Transformers, a machine learning technique for natural language processing
“CAGR”	compound annual growth rate
“CDN”	content delivery network, geographically distributed network of proxy servers and their data centers
“centralized storage”	storage of data in large centralized data centres

GLOSSARY OF TECHNICAL TERMS

“cloud”	a network of remote servers hosted on the Internet and used to store, manage, process data, and offer algorithms in place of local servers or personal computers
“cloud edge resource scheduling platform”	a one-stop resource scheduling platform at cloud edge which consolidates the monitoring and scheduling QCDN, object storage and computing resources
“convolutional neural network”	a class of deep neural networks, most commonly applied to analyzing visual imagery
“deep learning”	a machine learning technique that constructs artificial neural networks with multiple layers to extract features from the raw input
“Diffusion”	deep generative models that work by adding noise to the available training data and then reversing the process to recover the data
“DPaaS”	data platform as a service
“EB”	exabyte, which is approximately 1,000,000,000 gigabytes
“edge”	hardware or services that brings computation and data storage closer to where the data is produced
“edge storage”	storage of data close to its source or the end-user devices
“erasure code”	one of the methods of data protection through which data is broken into sectors, which are then expanded and encoded with redundant data pieces and stored across different storage media, thus adding redundancy to the system that tolerates failures
“GAN”	generative adversarial network, a machine learning model in which two neural networks compete with each other by using deep learning methods to become more accurate in their predictions
“GPT”	Generative Pre-trained Transformer, a type of artificial intelligence language model
“GPU”	graphic processing unit
“GRU”	gated recurrent units, a gating mechanism in recurrent neural networks

GLOSSARY OF TECHNICAL TERMS

“HD”	high definition
“HLS”	HTTP live streaming
“IaaS”	infrastructure as a service, a form of cloud computing that provides virtualized computing resources over the Internet
“IDC”	Internet data center
“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including iPhones, iPods and iPads
“IoT”	internet of things, which refers to the internet working of physical devices, smart devices, and other items embedded with electronics, sensors, actuators, and network connectivity which enable these devices or items to collect and exchange data
“large language model”	a deep learning algorithm that can recognize, summarize, translate, predict and generate text and other forms of content based on knowledge gained from massive datasets
“latency”	an expression of the amount of time required for data to transfer from one point to another
“LLaMA”	a large language model developed by Meta AI
“low code”	an approach of building applications through a visual user interaction interface with minimal hand coding
“Mbps”	megabits per second
“metaverse”	the convergence of physical, augmented, and virtual reality in a shared online space
“MPaaS”	media platform as a service
“NeRF”	Neural Radiance Fields, can be used to generate realistic-looking images from low-resolution inputs and to detect objects in images
“OCR”	optical character recognition
“OKR”	Objectives and Key Results, a collaborative goal-setting methodology used by teams and individuals to set challenging, ambitious goals with measurable results

GLOSSARY OF TECHNICAL TERMS

“open source”	a source code that is made freely available for possible modification and redistribution
“PaaS”	platform as a service, a category of cloud computing services that provides a platform and environment to allow developers to build applications over the Internet
“PaLM”	Pathways Language Model, a large language model developed by Google Inc.
“PC”	personal computer
“Pili”	Qiniu’s proprietary live video cloud
“pro code”	a development platform designed for professional developers, aiming to support them in creating, deploying, and managing applications using advanced programming languages and tools
“QoE”	Qiniu’s proprietary audiovisual quality evaluation system
“QRTC”	Qiniu’s proprietary real-time communication
“QVM”	Qiniu virtual machine
“R&D”	research and development
“redundancy rate”	redundancy rate for erasure coding measures how much redundant data pieces are required to recover failed original data
“RTC”	real-time communication
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“SDK”	software development kit, a set of software development tools in one installable package that can be used to create and develop applications
“SME”	small and medium enterprises
“Transformer”	a neural network that learns context and thus meaning by tracking relationships in sequential data like the words in this sentence
“UHD”	ultra high definition

GLOSSARY OF TECHNICAL TERMS

“UI”	user interface
“Vlog”	video log
“VoD”	video on demand
“VR”	virtual reality, the computer generated simulation of a three-dimensional image or environment that can be interacted with in a seemingly real or physical way
“zero code”	an approach of building applications through various user interactions that require no coding input

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 and intentions, 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 materialize 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 facing the Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business strategies and plans to achieve these strategies;
- changes to the political and regulatory environment in the industry and markets in which we operate;
- our expectations with respect to our ability to acquire and maintain regulatory licenses or permits;
- changes in competitive conditions and our ability to compete under these conditions;
- future developments, trends and conditions in the industry and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- the actions of and developments affecting our major customers and suppliers;
- our ability to attract and retain qualified employees and key personnel;
- our financial conditions and performance;
- our capital expenditure plans;
- our ability to control or reduce costs;
- our dividend policy; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

Additional factors that could cause actual performance or achievement to differ materially include but are not limited to those discussed in the section headed “Risk Factors” and elsewhere in this prospectus. In some cases, we use 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” and similar expressions to identify forward-looking statements. In particular, we use these forward-looking statements in the “Business” and “Financial Information” sections of 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.

We caution you not to place undue reliance on these forward-looking statements which are based on current plans and estimates, and speak only as of 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.

Accordingly, you should not place undue reliance on any forward-looking statements in this prospectus. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

An investment in our Shares involves significant risks. You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks. Any of the following risks could materially and adversely affect our business, financial condition, and results of operations. The market price of our Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment.

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

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

The market in which we participate is competitive, if we do not compete effectively, our business, operating results and financial condition could be harmed.

The audiovisual cloud service market is rapidly evolving and competition is becoming increasingly fierce. In particular, IaaS providers have entered the audiovisual PaaS market and are competing with us. The principal competitive factors in our market include research and development capabilities, industry know-how, continuous capital investment, product portfolio, among others. Some of our existing competitors might have substantial competitive advantages, including larger scale, longer operating history, greater brand recognition, more established relationships with customers, suppliers and partners, and greater financial, research and development, marketing and other resources. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In addition, some competitors may offer products, solutions and services that address one or more number of functions at lower prices, with greater depth than our products, solutions and services or in different geographies. Our existing and potential competitors may develop and market new products, solutions and services with functionality comparable to ours, and this could force us to decrease prices in order to remain competitive. In addition, emerging and enhanced technologies are likely to further intensify competition of our industry. Intensified competition may result in price reduction of our products and solutions, a decrease in our profit margins, loss of market share and increased difficulty in market penetration, which may have a material adverse effect on our business, prospects, financial conditions and results of operation. In particular, the entry of IaaS providers into the PaaS market has contributed to the price reduction of CDN products. According to iResearch, CDN price decreased by 16% from 2021 to 2022 and there was a slow down in the decline of CDN price, which decreased by around 5% from 2022 to 2023. Please refer to the sections headed “Industry Overview — Competitive Landscape” and “Business — Competition” in this prospectus for details of the competitive landscape of the market that we operate in. If we are unable to compete successfully against our current or potential competitors, our business, financial condition, and results of operations may be materially and adversely impacted.

RISK FACTORS

We have experienced fluctuations in our revenue during the Track Record Period and if we fail to effectively develop our business, our results of operations and financial condition could be adversely affected.

We have experienced fluctuations in our revenue during the Track Record Period. Our total revenue has decreased by 22.0% from RMB1,471.0 million in 2021 to RMB1,147.3 million in 2022, and increased by 16.3% to RMB1,334.0 million in 2023. Our revenue increased by 26.4% from RMB270.9 million for the three months ended March 31, 2023 to RMB342.4 million for the three months ended March 31, 2024. The decrease in our total revenue in 2022 is primarily due to the decrease in revenue generated from our MPaaS products, partially offset by the increase in revenue generated from APaaS solutions attributable to our expanding APaaS business in line with industry development and market demand. Please refer to the section headed “Financial Information — Period-to-Period Comparison of Results of Operation” in this prospectus for details.

Our business, growth and prospects are significantly affected by the audiovisual PaaS industry, in particular, the growth in the audiovisual APaaS industry, which is a fairly new market in China. This growth has placed and may continue to place significant demands on our managerial, administrative, operational, financial and other resources. Furthermore, we intend to grow by expanding our business, increasing market penetration of our existing products and solutions and developing new ones. To maintain our growth, we need to attract more customers, hire more qualified R&D staff and other staff, scale up our offerings and strengthen our technology infrastructure. If we fail to efficiently manage the expansion of our business, our costs and expenses may increase faster than we planned and we may not successfully attract a sufficient number of customers and users in a cost-effective manner, respond to competitive challenges, or otherwise execute our business strategies.

Moreover, our results of operations may fluctuate in the future due to a variety of factors, many of which are outside of our control, and the variability and unpredictability of such factors could result in our failure to meet or exceed our financial expectations for a given period. As a result, our past results may not be indicative of our future performance.

RISK FACTORS

We have recorded net losses, net current liabilities, net liabilities and net operating cash outflow during the Track Record Period.

We have incurred losses in the past. For the three years ended December 31, 2023 and the three months ended March 31, 2024, we had net losses of RMB219.7 million, RMB212.8 million, RMB324.1 million and RMB148.0 million, and adjusted net losses (non-IFRS measure) of RMB105.7 million, RMB118.7 million, RMB115.6 million and RMB24.2 million, respectively. We were loss-making during the Track Record Period as we strategically prioritized expansion and market share growth instead of short-term profitability given the audiovisual cloud service market, especially the audiovisual APaaS market, is at its early development stage in China. We still expect to record net losses in 2024, in light of the competitive market environment and our financial performance improvement initiatives as set out in the section headed “Business – Business Sustainability and Path to Profitability” continues to take effect. As of December 31, 2021, 2022, 2023 and March 31, 2024, we had net current liabilities of RMB2,601.4 million, RMB3,016.7 million, RMB3,250.4 million and RMB3,383.8 million, respectively, and we recorded net liabilities of RMB2,238.4 million, RMB2,676.2 million, RMB3,015.4 million and RMB3,164.3 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively. Our net current liabilities and net liabilities during the Track Record Period were primarily due to the convertible redeemable preferred shares and/or our operating loss. During the Track Record Period, our cash used in operating activities was principally for cost of sales including network and bandwidth costs and server and storage costs, selling and marketing expenses, administrative expenses and research and development expenses. Our Group recorded net operating cash outflow of RMB91.5 million, RMB71.3 million, RMB3.8 million and RMB6.3 million for the three years ended December 31, 2023 and the three months ended March 31, 2024, respectively, which was primarily attributable to net operating loss and negative changes in working capital. There is no assurance that we will not experience periods of net operating cash outflow in the future. If we continue to record net operating cash outflow in the future, our working capital may be constrained which may adversely affect our business and financial condition.

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

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

RISK FACTORS

If we fail to maintain and enhance the functions, performance, reliability, design, security, and scalability of our products and services to meet our customers' evolving needs, we may lose our customers.

The market for audiovisual cloud services in China is constantly changing with innovations. Our success has been based on our dedication to the development of our innovative products and solutions. Our ability to continue to attract and retain customers and increase sales depends largely on our ability to continue improving and enhancing the functions, performance, reliability, design, security, and scalability of our platform.

We may experience difficulties in developing new technologies as it is costly and time-consuming, which in turn could delay or prevent the development, introduction or implementation of new products and solutions. While we have invested a significant amount of time and money in audiovisual cloud service development to date, we may not have sufficient resources to invest at the same level going forward. To the extent we are unable to improve and enhance the functions, performance, reliability, design, security, and scalability of our platform in a manner that timely and effectively responds to our customers' evolving needs and market competition, we may lose our customers and our business, financial condition, results of operations, and prospects may be materially and adversely affected.

If we fail to maintain and grow our customer base, keep our customers engaged through our products and solutions by adapting and responding effectively to rapidly changing technology, evolving industry standards and changing regulations, our business growth may not be sustainable and our business may be materially and adversely affected.

To achieve sustainable growth of our business, we must continuously attract new customers, retain existing customers and increase their incremental spending on our products and solutions. To keep pace with our customers' evolving demands, we need to improve our existing products and solutions, and launch new products and solutions, on a timely basis. If we fail to accurately identify our customers' demands or preferences or continuously provide them with products and solutions that add value to their businesses, we may fail to expand our customer base and our existing customers may be reluctant to increase their spending on our platform, and as a result, the growth of our business may be stalled. If the leading players in the industry expand into the market segment that we operate in, we may fail to retain our existing customers and our market share may diminish.

The audiovisual cloud service market is subject to rapid technological changes, evolving industry standards, regulations and customer needs, requirements and preferences. The success of our business will depend, in part, on our ability to adapt and respond to these changes on an effective and timely basis. If we fail to upgrade products and solutions that satisfy customers and end-users and provide enhancements and new features for existing products that keep pace with rapid technological and industry changes, our business, operating results and financial condition could be adversely affected. If new technologies emerge that are able to deliver competitive products, solutions and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact our ability to compete effectively.

RISK FACTORS

Our platform must integrate with a variety of network, hardware, mobile and software platform and technologies, and we need to continuously modify and enhance our products and solutions to adapt to changes and innovation in these technologies. Any failure of our products and solutions to function effectively with evolving technologies could reduce the demand for our products and solutions. If we are unable to respond to these changes in a cost-effective and timely manner, our products and solutions may become less marketable and less competitive or obsolete, and our business, operating results and financial condition could be adversely affected.

In addition, our future success largely depends on our ability to upgrade our products and solutions. Despite our efforts in researching and developing technology-driven products and solutions, we cannot assure you that our products and solutions will sustain the current level of popularity. Customers may not choose or continue to use our products and solutions if they become outdated or if our competitors offer superior solutions. As a result, our business may not grow at a rate we anticipate or at all, which may, in turn, materially and adversely affect our business, results of operations, financial condition and prospects.

If our products and solutions do not achieve sufficient market acceptance, our business and competitive position will suffer.

To meet our customers' rapidly evolving demands, we invest substantial resources in research and development to enhance our products and solutions, as well as in improving our platform. When we develop or acquire new or enhanced products and solutions, we typically incur expenses and expend resources upfront to develop, market, promote and sell the new offerings. Therefore, when we develop or acquire and introduce new or enhanced products and solutions, they must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market. Our new products and solutions, or enhancements and changes to our existing products and solutions, could fail to attain the expected market acceptance for many reasons, including, among others:

- Failure to predict market demand accurately in terms of functionality and a failure to supply products and solutions that meet this demand in a timely manner;
- Defects, errors, or disruptions;
- Negative publicity about our platform's performance or effectiveness;
- Changes in the legal or regulatory requirements, or increased legal or regulatory scrutiny, adversely affecting our platform;
- Emergence of competitors that achieve market acceptance before we do;
- Delays in releasing enhancements to our platform to the market; and
- Introduction or anticipated introduction of competing products or solutions by our competitors.

RISK FACTORS

If our new products and solutions, or any enhancements, do not achieve adequate acceptance in the market, or if products and solutions developed by others achieve greater acceptance in the market, our business and competitive position could be harmed.

If our expansion into new industry verticals for our solutions is not successful, our business, prospects and growth momentum may be materially and adversely affected.

Our products and solutions are specifically designed to address the diversified needs of our customers across different industry verticals. Through our extensive platform resources and years of technology accumulation, we have a track record of successful expansion into and becoming a leader in new industry verticals. We cannot assure you, however, that we will be able to maintain this momentum in the future. Expanding into new industry verticals involves new risks and challenges. Our lack of familiarity with new industry verticals may make it more difficult for us to keep pace with the evolving customer needs and preferences. In addition, there may be one or more existing market leaders in any industry vertical that we decide to expand into. Such companies may be able to compete more effectively than us as they may have better resources than us and are able to leverage their experience in doing business in that market as well as their deeper industry insight and greater brand recognition among customers. We will need to comply with new laws and regulations applicable to these businesses, the failure of which would adversely affect our reputation, business, results of operations and financial condition. Expansion into any new industry vertical may place significant strain on our management and resources, and failure to expand successfully could have a material adverse effect on our business and prospects.

To support our business growth, we continue to invest heavily in our research and development efforts, the expenses of which may negatively impact our profitability and cash flow, and may not generate the results we expect to achieve.

Our technological capabilities are critical to our success, and we have been continuously investing heavily in our research and development efforts. Our R&D costs incurred were approximately RMB143.4 million, RMB128.7 million, RMB128.0 million and RMB33.6 million, respectively, for the years ended December 31, 2021, 2022, 2023 and the three months ended March 31, 2024, accounting for approximately 31.4%, 33.2%, 31.8% and 36.6% of our operating expenses (comprising selling and marketing expenses, administrative expenses and research and development costs), for each of the corresponding periods. The industry in which we operate is subject to rapid technological changes and is evolving quickly in terms of technological innovation. In particular, “AIGC + audiovisual APaaS” is expected to become a new form of audiovisual APaaS in the future according to iResearch. We need to invest significant resources, including financial and human resources, in research and development in order to make our products and solutions innovative and competitive and keep abreast with the development of the industry such as the incorporation of AIGC technology. As a result, we expect that our research and development expenses may continue to increase.

RISK FACTORS

Furthermore, development activities are inherently uncertain, and we might encounter practical difficulties in commercializing our development results. Our significant expenditures on research and development may not generate corresponding benefits. Given the fast pace with which the technology has been and will continue to be developed, we may not be able to timely upgrade our technologies in an efficient and cost-effective manner, or at all. New technologies in our industry could render our platform, our products and solutions that we are developing or expect to develop in the future obsolete, not commercially viable or unattractive, thereby limiting our ability to recover related development costs, which could result in a decline in our revenues, profitability and market share.

If our products and services experience material errors, defects or security issues, we may lose our customers, fail to honor our obligations in respect of our contract liabilities, and incur significant remedial costs.

Despite repeated testing, our products and solutions by their nature may contain technical errors, defects or security issues that are difficult to detect and rectify, particularly when first introduced or when new versions or upgrades are implemented. Due to the complexity of our products and solutions, we may not be able to fix these errors, defects and security issues in a timely manner or at all. We may incur significant expenses rectifying any material error or defect and compensating our customers who are affected by such error or defect. In addition, if we fail to provide the prescribed products or solutions to our customers in time or at all due to such material errors, defects or security issues, we may not be able to honor our obligations in respect of our contract liabilities, which amounted to RMB125.9 million, RMB105.4 million, RMB115.2 million and RMB107.4 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively.

Given that many of our customers use our products and solutions in critical parts of their businesses, any error, defect or service interruption of our products or services could result in significant losses for our customers. Our customers may seek significant compensation from us for any losses they incur as a result of such errors. Such claims, even if unsuccessful, could be costly, time-consuming and distracting to management, result in a diversion of significant resources, and have an adverse effect on our business, operating results and financial condition. Moreover, our customers may share information about their poor experiences in the community, resulting in negative publicity about us. Such negative publicity could damage our reputation and hurt our future sales.

Our brand is integral to our success. If we fail to effectively maintain, promote and enhance our brand, and conduct our sales and marketing activities in a cost-effective manner or we are subject to limitations in promoting our products and solutions, our business and competitive advantage may be harmed.

We believe that maintaining, promoting and enhancing our brand is critical to maintain and expand our business. Maintaining, promoting and enhancing our brand depend largely on our ability to continue to provide well-designed, useful, reliable, and innovative products and solutions, which we cannot assure you we will do successfully.

RISK FACTORS

We believe the importance of brand recognition will increase as competition in our market increases. In addition to our ability to provide reliable and useful products and solutions at competitive prices, the successful promotion of our brand will also depend on the effectiveness of our marketing efforts. We primarily market our products and solutions through our sales and marketing force, and a number of free traffic sources including developers' word-of-mouth referrals. Our efforts to market our brand have incurred significant costs and expenses during the Track Record Period and we intend to continue such efforts in maintaining and expanding our business. We cannot assure you, however, that our selling and marketing expenses will lead to increasing revenue, and even if they did, such increases in revenue might not be sufficient to offset the expenses incurred.

Due to the technical nature of our products and solutions, we mainly rely on our sales and marketing forces to conduct marketing activities and drive sales of our products and solutions. If we fail to conduct our sales and marketing activities in a cost-effective way, we may incur considerable marketing expenses, which could adversely affect our business and operating results. Additionally, our brand promotion and marketing activities may not be well received by customers and potential customers, and may not result in the levels of sales that we anticipate. Meanwhile, marketing approaches and tools in the market for MPaaS products and APaaS solutions in China are evolving, which may further require us to enhance our marketing approaches and experiment with new marketing methods to keep pace with industry developments and customer preferences. Failure to introduce new marketing approaches in an efficient and effective manner could reduce our market share and materially and adversely affect our financial condition, results of operations and profitability.

We partially rely on third-party service providers to conduct our business and any interruption or delay in such third parties or our own failure may impair our customers' experience.

We partially rely on third-party service providers with respect to our business. For example, we use various third-party cloud-hosting providers or other generic IT services to provide cloud infrastructure, including data center facilities, for our platform. Customers need to be able to access our platform at any time, without interruption or degradation of performance, and we provide some customers with service-level commitments with respect to uptime. Any limitation on the capacity of our data centers or cloud infrastructure could impede our ability to onboard new customers or expand the usage of our existing customers, host our products or serve our customers, which could adversely affect our business, financial condition and results of operations. In addition, any incident affecting our data centers or cloud infrastructure that may be caused by cyberattacks, natural disasters, fire, flood, severe storm, earthquake, power loss, outbreaks of contagious diseases, telecommunications failures, terrorist or other attacks, or other events beyond our control could negatively affect our platform. A prolonged service disruption affecting our data centers or technology infrastructure for any of the foregoing reasons would negatively impact our ability to serve our customers and could damage our reputation with current and potential customers, expose us to liability, cause us to lose customers or otherwise harm our business. We may also incur significant costs for using alternative providers or taking other actions in preparation for, or in response to, events that damage the third-party hosting services we use.

RISK FACTORS

Furthermore, these third-party service providers may not continue to be available to us on commercially reasonable terms, or at all. If we lose our right to use any of these service providers, it could lead to significant increase in our expenses or otherwise result in a delay or disruption in our solutions until equivalent technology is developed by us, or obtained from another third party, and integrated into our solutions. If performance of the third parties that we work with proves unsatisfactory, or if any of them violates its contractual obligations to us, we may need to replace such third party service providers and/or take other remedial actions, which could result in additional costs and materially and adversely affect our offerings to customers. Moreover, the financial condition of our third-party service providers may deteriorate over the course of our contract term, which may also impact the ability of such third party service providers to continue providing their services to us.

Our products and solutions rely on the stable performance of servers, and any disruption to our servers due to internal and external factors could diminish demand for our products and solutions, harm our business, our reputation and results of operations and subject us to liability.

We rely in part upon the stable performance of servers for provision of our products and solutions. Those servers may incur disruptions due to internal and external factors, such as inappropriate maintenance, defects in the servers, cyberattacks, human errors or other events out of our control. For example, our Kodo business was affected by the COVID-19 in 2022 which caused a serious supply chain disruption to our all-in-one server business. The number of our delivery orders for all-in-one server decreased from 228 in 2021 to 60 in 2022. Such disruptions could result in negative publicity, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, we may need to expend additional resources to help with recovering. In addition, we may not carry adequate insurance to compensate us for any losses that may result from claims arising from disruption in servers. As a result, our reputation and our brand could be harmed, and our business, results of operations and financial condition may be adversely affected.

Given that many of our customers use our products and solutions in processes that are critical to their businesses, any error, defect, security vulnerability or service interruption in our products and solutions could result in losses to our users. Such error, defect, security vulnerability or service interruption could be attributable to the network stability of our suppliers or service abnormalities of our system. Our customers may seek significant compensation from us for any losses they suffer or cease conducting business with us altogether. We cannot assure you that provisions limiting our exposure to claims, which we typically include in agreements with our customers, would be enforceable, adequate or would otherwise protect us from liabilities or damages with respect to any particular claim. Even if unsuccessful, a claim brought against us by any of our customers would likely be time-consuming, costly to defend and may have a material adverse impact on our reputation and brand, making it harder for us to sell our products and solutions.

RISK FACTORS

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

The COVID-19 pandemic has spread across the world and has created unique global and industry-wide challenges during the Track Record Period. New COVID-19 variants have also emerged, potentially extending the period during which COVID-19 will negatively impact the global economy. Our total revenue has decreased by 22.0% from approximately RMB1,471.0 million in 2021 to approximately RMB1,147.3 million in 2022 partially as a result of the COVID-19 pandemic.

During the COVID-19 pandemic, in an attempt to limit the spread of the virus, governments around the world have implemented numerous measures, such as travel restrictions, quarantines and shutdowns, which affected the business of the downstream customers. Our customers and suppliers are also directly or indirectly affected by COVID-19 related restrictions. These measures have impacted, and may further impact, our workforce and operations, the operations of our customers and suppliers and other business partners. There continues to be uncertainties associated with the COVID-19 pandemic, including with respect to the ultimate spread of the virus, the severity of the disease, the duration of the outbreak, the possibility of successive waves of outbreaks, further actions that may be taken by Governmental Authorities around the world to contain the virus or to treat its impact, and the scope and length of the resulting economic downturn.

Our business benefited from the increase in the demand for online audiovisual services including online videos, live streaming and video conferences as a result of the COVID-19 outbreak in early 2020, which partly contributed to the significant boost of our business during 2021. However, the effect of such increased demand was only temporary. The slowdown of our business growth in 2022 was also partly due to the resurgence of COVID-19 in China in 2022.

The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments.

Any discontinuation, reduction or delay of any government grants would have an adverse impact on our business and our results of operations.

During the Track Record Period, we recorded government grants of RMB14.8 million, RMB15.2 million, RMB22.5 million and RMB0.3 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. The government grants mainly relate to financial assistance from local governments in China for our research and development activities and additional input value-added tax credit, which are subjected to the discretion of the relevant government authorities and could be non-recurring.

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

RISK FACTORS

The supply restrictions, trade controls or sanctions on semiconductor chips may disrupt the operations of our suppliers and in turn adversely affect our business, results of operations, and financial condition.

Semiconductor chips are used in the audiovisual cloud industry. There has been a global shortage in the supply of semiconductor chips resulting from the COVID-19 pandemic, increased demand for consumer electronics, and disruption in semiconductor chip production due to labor shortage. Moreover, since mid-2022, the U.S. administration announced new rules and export controls policy on AI and semiconductor technologies in China. The restrictions block U.S. AI computer chip companies from selling U.S.-built advanced chips, chip design software, semiconductor manufacturing equipment and components for AI and supercomputing to China. These restrictions have affected the supply of semiconductor chips to China to a certain extent.

There is no assurance that our suppliers will be able to obtain sufficient quantities of semiconductor chips and other major components for their operations at a reasonable cost, or at all. Although to the best of our knowledge, our suppliers did not experience supply restrictions, trade controls or sanctions of semiconductor chips or other major components which materially affected their business during the Track Record Period and up to the Latest Practicable Date, there is no assurance that they will not be materially affected by supply restrictions, trade controls or sanctions on semiconductor chips or other major components in the future. If our suppliers are unable to source the necessary semiconductor chips or other major components on acceptable terms, or at all, our suppliers' production and delivery could be disrupted, which in turn, could have an adverse effect on our business, results of operations and financial condition.

Sanctions, export controls and other economic or trade restrictions imposed on Chinese companies may affect our business, financial condition and results of operations.

The U.S. government has added many Chinese companies and institutions to the Entity List under the Export Administration Regulations, and imposed targeted economic and trade restrictions on them that, if not waived, will limit their access to U.S.-origin goods and technologies, as well as goods and technologies that contain a significant portion of U.S.-origin goods and technologies. The United States has also in certain circumstances threatened to impose further export control, sanctions, trade embargoes, additional import tariffs and other heightened regulatory requirements on China and China-based companies. These sanctions, additional tariffs and actions have raised concerns that there may be increasing regulatory challenges or enhanced restrictions against China and other China-based technology companies in a wide range of areas. In addition, a number of other countries and jurisdictions, including the European Union and Australia, have adopted various export control and economic or trade sanction regimes.

RISK FACTORS

Our services to customers on the Entity List mainly include public and private cloud services, all of which only involve software domestically developed in China. Transactions with such customers accounted for less than 4% of our total revenues in each of 2021, 2022, 2023 and the three months ended March 31, 2024. Based on our assessment of the nature, the transaction amount, the compliance measures that we have undertaken pursuant to our internal control policy, we have not ceased our services to such customers. Our legal advisor confirmed that, absent a very significant change in the Group's business or operations, there is no foreseeable risk that our Company or any member of our Group would be added to the Entity List, the SDN List, the UVL or the NS-CMIC List. Nonetheless, given the important role played by Chinese high-tech companies on the Entity List in the global supply chain or in China for industries including telecommunications, information technology infrastructure and artificial intelligence, prolonged restrictions against such companies could cause a material negative impact to all such industries, which may in turn materially and adversely affect our business, financial condition and results of operations. Similarly, we cannot predict whether the countries in which we operate or may operate in the future, could become subject to new or additional restrictions or actions imposed by the United States or other governments. Depending on the likelihood, type, effect and duration of any such restrictions or actions which may be implemented in the future, our business operations, research and development activities and financial condition and performance may be adversely affected.

Any adverse movements in the fair value of financial assets could adversely affect our results of operations, especially with respect to fair value measurements for certain of our financial assets that involve the use of unobservable inputs.

Some of our financial assets are measured at fair value, such as our investments in unlisted entities. The fair value of financial assets through profit or loss was RMB121.7 million, RMB152.9 million, RMB98.2 million and RMB89.4 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively. In 2021, 2022, 2023 and for the three months ended March 31, 2024, our net fair value changes on financial assets at fair value through profit or loss were a gain of RMB37.2 million, a gain of RMB30.9 million, a loss of RMB54.7 million and a loss of RMB8.9 million, respectively. The determination of fair value of relevant financial assets requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. In addition, fair value changes of financial assets at FVTPL could adversely affect our financial condition and results of operation. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of the relevant financial assets. These factors include, but are not limited to, foreign exchange rate, general economic condition, changes in market interest rates and stability of the capital markets. An upward change in the fair value, which reflects unrealized capital gain of our financial assets at the relevant reporting period end, largely depends on the market conditions and performance of the investment targets and does not generate cash inflow until such financial assets are disposed of. The changes in fair value of our financial assets could be partially resulted from the valuation uncertainty due to the use of unobservable inputs. We cannot assure you that changes in financial market conditions will continue to create fair value gains on our financial assets at previous levels or at all. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our financial condition and results of operation.

RISK FACTORS

The fair value of our convertible redeemable preferred shares have been arrived at on the basis of valuation requiring judgment and assumptions and involving the use of unobservable input.

For financial reporting purposes, fair value measurements of our financial liabilities are categorized into level 1, 2 or 3, based on, among other things, the observability and significance of the inputs used in the valuation technique. The fair value of financial liabilities classified in levels 1 and 2 is determined based on observable inputs, while the determination of the fair value of level 3 financial liabilities is based on valuation techniques and various assumptions of inputs that are unobservable which inherently involve a certain degree of uncertainty. The fair value of the convertible redeemable preferred shares of the Group were classified as level 3. For details, please refer to Notes 3, 28 and 37 to the Accountants' Report in Appendix I to this prospectus.

Our fair value changes on the convertible redeemable preferred shares were a loss of RMB96.5 million in 2021, a loss of RMB83.8 million in 2022, a loss of RMB156.1 million in 2023 and a loss of RMB111.5 million for the three months ended March 31, 2024, respectively. The fair value of the convertible redeemable preferred shares measured at fair value have been arrived at on the basis of valuation requiring judgment and assumptions and involving the use of unobservable input, and are subject to a range of factors beyond our control. These factors include, but are not limited to, general economic conditions, changes in market interest rates, and stability of the capital markets. The valuation may involve a significant degree of judgment and assumptions which are inherently uncertain, and may result in material adjustment. If the fair value of the convertible redeemable preferred shares measured at fair value were to fluctuate, our business, results of operations and financial condition could be materially and adversely affected.

If the adoption of our products by our customers are slower than we expected, our business, results of operations and financial condition may be adversely affected.

Our business has relied on the adoption of our products by a broad array of customers. Our ability to further increase our customer base, and achieve broader market acceptance of our products will depend, in part, on our ability to effectively organize, focus and train our sales and marketing personnel. Our ability to achieve significant revenue growth in the future will depend, in part, on our ability to recruit, train and retain a sufficient number of experienced sales professionals. Our recent hires and planned hires may not become as productive and efficient as we expect and we may be unable to hire or retain sufficient numbers of qualified individuals in the future in the markets where we do business.

As we seek to increase the adoption of our products by our customers, we may incur higher costs and longer sales cycles. The decision to adopt our products may require the review and approval of multiple departments including product, operation, financial and legal departments. In addition, while customers may quickly deploy our products on a limited basis before they will commit to deploying our products at scale, they often require extensive education about our products and significant customer support time, engage in protracted pricing negotiations and seek to secure readily available development resources. If the adoption of our products by our customers are slower than we expected, our business, results of operations and financial condition may be adversely affected.

RISK FACTORS

If we fail to provide high quality customer services, our brand, business, and results of operations may be harmed.

We believe our focus on customer services and support is critical in attracting new customers, retaining existing customers and growing our business. We have invested in training our customer support team and improving the quality of our customer services. However, our customer services team may not be able to maintain a high standard going forward for reasons such as budgetary constraints and employee losses, which could adversely affect our reputation and ability to retain and bring in customers. As a result, our brand, business and results of operations may be harmed.

We employ a pricing model and strategy that subjects us to various challenges that could make it difficult for us to derive sufficient value from our customers.

We generally charge cloud service customers based on usage, and to a lesser extent, on a project basis. Such pricing model requires us to undertake significant projections and planning on our costs. If our projections and plans differ significantly from those actually incurred, our business and financial performance could be harmed. We do not know whether our current or potential customers or the market in general will continue to accept this pricing model going forward and, if it fails to gain acceptance, our business could be harmed. In addition, if our competitors adopt new pricing models that become more attractive to customers, our business could be harmed.

Our pricing models also face challenges from evolving market changes. As the market for our solutions grows, as our competitors introduce new solutions that compete with ours or reduce their prices, or as we enter into new verticals or international markets, we may be unable to attract new customers or retain existing customers based on our historical pricing models. Moreover, we may have to keep the price of our products and solutions on par with our competitors to remain in our competitive position. If we are not able to advance our technologies and effectively control costs, our business, results of operation and financial condition may be negatively affected.

We may not be able to maintain the pricing terms for our products and solutions or enhance our customer retention rates going forward.

We may need to decrease prices of our products and solutions to stay competitive. As the markets for our products and solutions mature, or as new competitors introduce new products or solutions that compete with ours, we may be unable to attract new customers at the same price or based on the same pricing model as we have adopted historically. Moreover, certain customers, may demand greater price concessions. As a result, in the future we may be required to reduce our prices, which could materially and adversely affect our revenue, profitability, financial position, and cash flow.

RISK FACTORS

In addition, our customers have no obligation to renew their contracts for our products and solutions. Our customers may reduce purchase of our products or renew on pricing terms less favorable to us. For example, among the top five customers during each year of the Track Record Period, we recorded decrease in revenue from Customer A, Customer E and Customer-Supplier D during the Track Record Period due to less favourable commercial terms. Our historical customer retention rates may not be indicative of our customer retention rates in the future. Our customers' retention rates may decline or fluctuate as a result of a number of factors, including their dissatisfaction with our pricing or our products and solutions, their ability to continue their operations and spending levels, and the availability of new products from the competitors at competitive prices. If our customers do not renew their purchases of our products and solutions on similar terms or if we cannot enhance or maintain our customer retention rates going forward, our revenue may decline, and our business could suffer.

State-owned enterprise customers may choose to use other cloud services, such as state-backed cloud systems, and decrease their use of our products and solutions.

Some of our customers are state-owned enterprises. To our best knowledge and based on public information, the aggregate revenue attributable to our premium customers that are state-owned enterprises in 2021, 2022, 2023 and the three months ended March 31, 2024 was RMB31.0 million, RMB33.4 million, RMB99.2 million and RMB5.2 million, accounting for 2.1%, 2.9%, 7.4% and 1.5% of the total revenue for the same periods, respectively. State-owned enterprises may migrate their data to state-backed cloud systems instead of ours or choose to other cloud service providers for commercial, compliance or other reasons, and decrease their use of our products and solutions. To the best of the knowledge and belief of our Directors, none of the Group's state-owned enterprise customers have historically migrated their data to state-backed cloud systems. Additionally, we may face intense competition and pricing pressure in the open tendering processes in state-owned enterprises' procurement process. If we cannot succeed in our competitive tenders, our client base and revenue may decrease, and our business and results of operation may be adversely affected.

We are exposed to credit risk from our customers and the recoverability of our trade and notes receivables is subject to uncertainties. If we fail to collect trade and notes receivables from our customers in a timely manner, our business operations and financial results may be materially and adversely affected.

We normally allow a credit period of 30 to 90 days to our customers, and are therefore exposed to credit risk from our customers. We had trade and notes receivables of RMB260.6 million, RMB191.2 million, RMB285.1 million and RMB305.2 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively. Our trade and notes receivable turnover days were 55, 77, 71 and 84 in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. For further details, see "Financial Information — Discussion of Certain Key Consolidated Statements of Financial Position Items."

RISK FACTORS

Although we conduct credit evaluations on our customers prior to delivery of our products and services, a customer's ability to make payments on a timely basis depends on various factors such as general economic and market conditions and the customer's cash flow position, which are out of our control. Delays or defaults in receiving payments from our customers may adversely affect our financial performance, cash flow position and our ability to meet our working capital requirements. There is no assurance that our customers will pay us on a timely basis or at all, or that we will be able to efficiently manage the level of bad debt arising from staged payments. As the amount of provisions made on our trade receivables are recorded as impairment losses, if we are not able to effectively manage the credit risk associated with our trade receivables, our results of operations will be materially and adversely affected.

We may, in the future, grow and expand our international operations, which may expose us to significant risks.

We may, in the future, further expand our operations and customer base worldwide. We currently have subsidiaries in Hong Kong, Singapore and Vietnam and we plan to focus on emerging markets in Southeast Asia and the Middle East. During the Track Record Period, our subsidiaries in Hong Kong and Singapore have limited operations and revenue, and the subsidiary in Vietnam has not commenced operation. For details of the incorporation of our overseas subsidiaries, please refer to the section "History, Development and Corporate Structure — Corporate Development" in this prospectus. We may adapt to and develop strategies to address international markets but there is no guarantee that such efforts will have the desired effect. As a result, we may be required to devote significant management attention and financial resources worldwide. In connection with such expansion, we may face difficulties including increased competition, uncertain enforcement of our intellectual property rights, unfamiliar market conditions, credit and collectability risk on our trade receivables, and the complexity of compliance with Chinese and foreign laws and regulations, potential adverse movement of currency exchange rates, tariffs and trade barriers, a variety of regulatory or contractual limitations on our ability to operate, political risks and a geographically and culturally diverse workforce and customer base. Failure to overcome any of these difficulties could harm our business.

In some cases, compliance with the laws and regulations of one country could violate the laws and regulations of another country. We cannot assure you that we are able to fully comply with the legal requirements of each foreign jurisdiction and successfully adapt our business models to local market conditions.

RISK FACTORS

We use software licensed from third parties to provide our products and solutions. Failure to maintain these licenses or any error in such software could adversely affect our business.

We incorporate certain software licensed from third parties into our products and solutions to offer attractive user experience and drive customer acceptance of our products and services. For example, we use intelligent software and tools licensed from third parties so that we can provide tailored services to our end customers to meet their specific needs. We anticipate that we will continue to rely on such third-party software in the future. Although we believe that commercially reasonable alternatives to the third-party software we currently use are available, it may be difficult or costly to find such alternatives, and there is no guarantee that the licensing terms for such alternatives will be similar to or more favorable than the ones we currently use.

Integrating new third-party software into our existing software system may consume a significant amount of our time and resources. Our products and solutions depend on successful operation of third-party software in conjunction with our products and solutions, so any undetected errors or defects in the third-party software could impair our products and solutions, and thus adversely affect our customer experience.

The loss of, or a significant reduction in usage by, one or more of our major customers would result in lower revenue and could harm our business.

Our future success is dependent on establishing and maintaining successful relationships with a diverse set of customers. During the Track Record Period, we are subjected to certain level of concentration risk as we generated a significant portion of our revenue from sales to our major customers. In each of 2021, 2022, 2023 and the three months ended March 31, 2024, our top five customers accounted for approximately 22.7%, 25.5%, 34.3% and 38.5% of our revenue for the respective year. During the same periods, our largest customer accounted for approximately 11.3%, 8.1%, 11.8% and 16.1% of our revenue for the respective year. In addition, our top five customers varied during the Track Record Period. We also experienced decrease in demand from some of our major customers during the Track Record Period. We cannot guarantee that our major customers will continue to work with us or will not reduce their business with us. The loss of one or more major customers or a reduction in usage by any major customers could significantly reduce our revenue. If we fail to maintain existing customers or develop relationships with new customers, our business would be harmed.

RISK FACTORS

The intensifying competition, change in sector trend and landscape and government policies may have a direct impact on the industries where our customers operate their businesses, and negatively affect the stability of our customers, which may subsequently have negative impact on our business.

A significant portion of our revenue were derived from customers engaged in a few industries, some of which are emerging and highly competitive, such as the audiovisual industry. Any change in the competitive landscape, market trend or user behaviors in such sectors may have a negative impact on our customers, thus harm their ability to make payments and maintain or increase their usage of our products and solutions. In addition, some of these industries are highly regulated by the Government Authorities which are empowered to issue and implement laws and regulations governing various aspects of these industries. As the laws and regulations are evolving, changes to the current laws and regulations may increase the uncertainty of the future cooperation with our customers. If these laws and regulations associated with their interpretation restrict or negatively impact the industries where our customers operate, our business may be adversely affected as well.

Our reliance on a limited number of suppliers for certain essential products and services could adversely affect our ability to manage our business effectively and subsequently harm our business.

We rely on a limited number of suppliers for certain essential products and services to operate our network and provide products and solutions to our customers. During the Track Record Period, we are subjected to certain level of concentration risk as we procured a significant portion of our products and services, such as network and bandwidth, server and storage and Internet data center services from our major suppliers. In each of 2021, 2022, 2023 and the three months ended March 31, 2024, our top five suppliers accounted for approximately 63.5%, 52.4%, 25.7% and 28.6% of our total purchases for the respective year. During the same periods, our largest supplier accounted for approximately 36.1%, 16.3%, 5.9% and 8.0% of our total purchases for the respective year. We may experience shortages in components or delays in delivery as a result of natural disasters, increased demand in the industry or our suppliers' lacking sufficient qualifications to supply the servers or other products or services.

Our reliance on these suppliers exposes us to risks, including reduced control over costs and constraints based on the then current availability, terms, and pricing of these products and services. We generally do not have any long-term contracts guaranteeing supply with these suppliers. If our supply of certain products and services is disrupted or delayed, there can be no assurance that additional supplies or services can serve as adequate replacements or that supplies will be available on terms that are favorable to us, if at all. Moreover, even if we can identify adequate replacements on substantially similar terms, our business could be adversely affected until those efforts were completed. Any disruption or delay in the supply of products and services may cause delay or other constraints on our operations that could damage our customer relationships.

RISK FACTORS

We may fail to obtain or maintain all required licenses, permits and approvals to operate our business.

Our business and operations have been subject to extensive regulations. We are required to obtain and maintain applicable licenses, permits and approvals from different regulatory authorities in order to conduct our existing or future business especially in connection with our provision of value-added telecommunication services. We have expanded the authorized scope of our value-added telecommunication licenses (“**VAT Licenses**”) to cover all business activities we conduct; however there can be no assurance that we have included and will include all value-added telecommunication business conducted by us into the authorized scope of our VAT Licenses in a timely manner, and that the relevant PRC Governmental Authority will not interpret certain value-added telecommunication services in a different way from ours. As we have been continually expanding into new business operations in the area of value-added telecommunication services, and the interpretation and application of existing PRC laws and regulations and possible new laws and regulations relating to the telecommunication services are constantly being revised and developed, we cannot assure you that we will obtain all the approvals, permits or licenses required for conducting our business in China or areas where we operate going forward, or will be able to maintain our existing approvals, permits or licenses or obtain new ones. The PRC Governmental Authority may require us to obtain additional licenses, permits or approvals so that we can continue to operate our existing or future businesses or otherwise prohibit our operation of the types of businesses to which the new requirements apply. In addition, new regulations or new interpretations of existing regulations may increase our costs of doing business and prevent us from efficiently delivering services and expose us to potential penalties and fines. Lastly, we cannot assure you that our existing licenses will be renewed or be revoked due to violations of relevant licensure maintenance requirements. If the PRC Governmental Authorities consider that we historically operated, or are operating without proper or adequate approvals, licenses or permits, especially during the development of our new business lines, or new laws and regulations are promulgated that require us to obtain additional approvals or licenses, the PRC Governmental Authorities have the power, among other things, to order timely rectification, which we may not be able to make on time, impose fines, confiscate our income, revoke our business licenses, and require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these actions may have a material adverse effect on our business, results of operations and financial condition.

RISK FACTORS

Complying with evolving laws and regulations regarding cybersecurity, information security, privacy and data protection and other related laws and requirements may be expensive and render us to make related changes to our business. Many of these laws and regulations are subject to change and interpretation, and any failure or perceived failure to comply with these laws and regulations could result in negative publicity, legal proceedings, or otherwise harm our business.

Laws and regulations governing cybersecurity, information security, privacy and data protection, the use of the Internet as a commercial medium, the use of data in artificial intelligence and machine learning, and data sovereignty requirements are rapidly evolving, extensive, complex, and include inconsistencies and uncertainties in different jurisdictions. Based on our business operation, we are subject to numerous laws and regulations relating to cybersecurity, information security, privacy and data protection. For example, according to the PRC National Security Law, the State shall establish institutions and mechanisms for national security review and regulation, conduct national security review on certain matters which affect or may affect the national security, such as key technologies and IT products and services. In addition, regulatory requirements regarding the protection of personal information are constantly evolving and can be subject to differing interpretations or significant change, which may increase our responsibilities in that regard. An example of such evolving regulatory requirements is the PRC Cybersecurity Law (《中華人民共和國網絡安全法》) which became effective in June 2017. The PRC Cybersecurity Law created China’s first national-level data protection framework for “network operators”, which may potentially include all organizations in China that provide services over the Internet or through other types of information network. Numerous regulations, guidelines and other measures have been and are expected to be adopted under the PRC Cybersecurity Law. For more details, see “Regulatory Overview — Regulations Relating to Cybersecurity and Data Security” and “— Regulations Relating to Privacy Protection” for more information.

These and other similar legal and regulatory developments could contribute to legal and economic changes, affect how we design, market and sell our products and services, how our customers process and share data and how we process and use data, which could negatively impact demand for our products and services. We may incur substantial costs to comply with such laws and regulations, to meet the demands of our customers relating to their own compliance with applicable laws and regulations, and to establish and maintain internal compliance policies.

RISK FACTORS

Export control and economic or trade restrictions that were imposed on our business partners may affect our business, financial conditions and results of operations.

The U.S. administration has recently taken various steps that impose restrictions on business dealings and trade with China, including but not limited to restricting transfer of data and protecting intellectual property. Our business and prospects may be negatively affected by changes in governmental policies such as sanctions and export controls administered by U.S. Governmental Authorities, including those imposed as a result of changes in the political or economic relations between China and the United States and other geopolitical challenges. As a result of the executive orders issued by the U.S. President, transactions by any United States person in publicly traded securities of certain Chinese companies are restricted, and the U.S. stock exchanges are prohibited from allowing trading of equity securities of such companies. These and other similar restrictions may negatively affect our business prospects. There is no assurance that the Governmental Authorities in the United States will not further restrict U.S.-based companies from dealing with Chinese companies like us, which could adversely impact on our business. Such measures may further escalate the tensions between the two countries, which may have negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. As a result of any major economic downturn, our business, financial condition and results of operations could be adversely affected.

The U.S. government has added several Chinese companies and institutions to the Entity List under the EAR, and imposed targeted economic and trade restrictions on them that, if not waived, will limit their access to U.S.-origin goods and technologies, as well as goods and technologies that contain a significant portion of U.S.-origin goods and technologies. While we have conducted business with some of these entities, we have no reason to believe that we have violated the imposed restrictions because we do not export, re-export, or transfer any U.S.-origin products, technology, components or software that are subject to the EAR to any entities listed on the Entity List. Nonetheless, given the important role played by such Chinese high-tech companies on the Entity List in the global supply chain or in China for technology industries, prolonged restrictions against such companies could cause a material negative impact to all such industries, which may in turn materially and adversely affect our business, financial condition and results of operations. Similar or more expansive restrictions that may be imposed on our business partners or their suppliers by the U.S. or other jurisdictions in the future may materially and adversely affect such business partners or their suppliers, which would in turn affect our business.

Although we have adopted procedures to comply with U.S. trade laws and regulations, such laws and regulations are complex and likely subject to frequent changes, and the interpretation and enforcement of the relevant regulations involve substantial uncertainties, which may be driven by political and/or other factors that are out of our control or heightened by national security concerns. Such potential restrictions, as well as any associated inquiries or investigations or any other government actions, may be difficult or costly to comply with and may, among other things, delay or impede the development of our technology, products and solutions, hinder the stability of our supply chain, and may result in negative publicity, require significant management time and attention and subject us to fines, penalties or orders that we cease or modify our existing business practices, any of which may have a material and adverse effect on our business, financial condition and results of operations.

RISK FACTORS

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

Our trade secrets, trademarks, copyrights, patents, and other intellectual property rights are critical to our success. We rely on, and expect to continue to rely on, confidentiality agreements and noncompete agreements with our employees and third parties to protect our intellectual properties. However, events beyond our control may pose threats to our intellectual property rights and the integrity of our products and brand. Effective protection of our trademarks, copyrights, domain names, patent rights, and other intellectual property rights is expensive and challenging. While we have taken measures to protect our intellectual property rights, including implementing a set of comprehensive internal policies to establish robust management over our intellectual property rights, and deploying a special team to guide, manage, supervise and monitor our daily work regarding intellectual property rights, we cannot assure you that such efforts are adequate to guard against any potential infringement and misappropriation. In addition, our intellectual property rights may be declared invalid or unenforceable by the courts as a result of litigation against any third party. We cannot assure you that any of our intellectual property rights applications will ultimately proceed to registration or will result in registration with adequate scope for our business or be renewed timely. Some of our pending applications or registrations may be successfully challenged or invalidated by others. If our intellectual property rights applications are not successful, we may have to use different intellectual property rights for our affected products or services, or seek to enter into arrangements with any third parties who may have prior registrations, applications or rights, which might not be available on commercially reasonable terms, if at all. If we fail to protect or enforce our intellectual property rights, our competitors may copy or reverse-engineer our products and services without authorization and compete with us. As a result, our customers and business partners may devalue our services, and our ability to compete effectively may be impaired, which could have a material adverse effect on our business, financial condition and results of operations.

Similarly, to protect our unpatented proprietary information and technology, such as trade secrets, we rely on our agreements with employees and third parties that contain restrictions on the use and disclosure of such information or technology. For example, our employees and third parties are required to keep confidential of any unpatented proprietary information and technology during the contract term and after the termination of the employment agreement. In addition, the agreements with our employees and third parties explicitly provide for all rights and obligations regarding the ownership and protection of intellectual property rights. These agreements may be inadequate or may be breached, either of which could potentially result in unauthorized use or disclosure of our trade secrets and other proprietary information to third parties, including our competitors. As a result, we may lose our competitive advantages derived from such intellectual property. Significant impairments on our intellectual property rights may result in a material and adverse effect on our business.

RISK FACTORS

We may become subject to intellectual property disputes, which are costly and may subject us to significant liability and increased costs of business.

We compete in markets where there are a large number of patents, copyrights, trademarks, trade secrets, and other intellectual and proprietary rights, as well as disputes regarding infringement of these rights. Our competitors and other third parties may, whether rightly or falsely, bring legal claims against us for infringing on their intellectual property rights. The intellectual property laws in China, which cover the validity, enforceability and scope of protection of intellectual property rights, are evolving, and litigation is becoming a more popular means to resolve commercial disputes. We are exposed to a higher litigation risk. Any intellectual property lawsuits against us, whether successful or not, may harm our brand and reputation.

Defending intellectual property claims is costly and can impose a significant burden on our management and resources. Any intellectual property litigation to which we become a party may require us to do one or more of the following:

- Cease selling, licensing, or using products or features that incorporate the intellectual property rights that we allegedly infringe, misappropriate, or violate;
- Make substantial payments for legal fees, settlement payments, or other costs or damages, including indemnification of third parties;
- Obtain a license or enter into a royalty agreement, either of which may not be available on reasonable terms or at all, in order to obtain the right to sell or use the relevant intellectual property; or
- Redesign the allegedly infringing products to avoid infringement, misappropriation, or violation, which could be costly, time-consuming, or impossible.

Further, there is no guarantee that we can obtain favorable judgment in all legal cases, in which case we may need to pay damages or be forced to cease using certain technologies or content that are critical to our products and solutions. Any resulting liabilities or expenses or any changes to our products or solutions that we have to make to limit future liabilities may have a material adverse effect on our business, results of operations, and prospects.

We and our management may from time to time be subject to claims, disputes, lawsuits and other legal and administrative proceedings.

We are currently not party to any material legal or administrative proceedings. However, in light of the nature of our business, we and our management may be subject to potential claims or disputes. We and our management have been, and may from time to time in the future be, subject to or involved in various claims, disputes, lawsuits and other legal and administrative proceedings. Lawsuits and litigations may cause us to incur defense costs, utilize a significant portion of our resources and divert management's attention from our day-to-day operations, any of which could harm our business. Claims arising out of actual or alleged violations of law, breach of contract or torts could be asserted against us by customers, business partners, suppliers, competitors, employees or governmental entities in investigations and legal proceedings.

RISK FACTORS

Any failure to comply with the relevant PRC laws and regulations relating to social insurance and housing provident funds may have an adverse impact on our financial condition and results of operation.

According to the PRC Social Insurance Law and the Regulations on the Administrative Measures of Housing Funds, employers are required, together with their employees or separately, to pay the social insurance premiums and housing funds for their employees. Employers that fail to make adequate social insurance and housing fund contributions may be subject to fines and legal sanctions. We engaged third-party human resources agencies to pay social insurance premium and housing funds for some of our employees. This is because such employees worked outside of the cities where the related operating entities are registered and third-party human resources agencies were engaged to pay social insurance premium and housing provident funds for such employees in cities where they worked. If the relevant PRC authorities determine that this third-party agency arrangement does not satisfy the requirements under the relevant PRC laws and regulations, that we shall make supplemental contributions, that we are not in compliance with labor laws and regulations, or that we are subject to fines or other legal sanctions, such as order of timely rectification, and our business, financial condition and results of operation may be adversely affected.

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

We are dependent on the continuous services of our senior management and other key employees. If we fail to attract, retain and motivate qualified personnel, our business could be materially and adversely affected.

Our future performance depends on the continued services and contributions of our senior management to oversee and execute our business plans and to identify and pursue new opportunities and innovations. Any loss of service of our senior management or other key employees can significantly delay or prevent us from achieving our strategic business objectives, and adversely affect our business, financial condition and operating results. From time to time, there may be changes in our senior management team, resulting from the hiring or departure of executives, which could also disrupt our business. Hiring suitable replacements and integrating them into our existing teams also requires significant amount of time, training and resources, and may impact our existing corporate culture.

RISK FACTORS

Negative publicity and allegations involving us, our shareholders, directors, officers, employees, associates, customers and suppliers may affect our reputation and, as a result, our business, financial condition, and results of operations may be negatively affected.

We, our shareholders, directors, officers, employees, associates, customers and suppliers may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could change market perception that we are a trustworthy audiovisual cloud service provider. In addition, to the extent our employees, customers and suppliers were in compliance with any laws or regulations, we may also suffer negative publicity or harm to our reputation or we may be subjected to investigation or penalty by the relevant government authorities. As a result, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity and potential lawsuit, and may not be able to diffuse them to the satisfaction of our investors, customers and government authorities. We may have to incur significant expenses and divert our management's time and attention in order to remedy the effects of these negative reports or allegations, which may materially and adversely affect our results of operations.

Future strategic acquisitions and investments may fail and may result in material and adverse impact on our financial condition and results of operations.

We may, in the future, acquire businesses that we believe can improve our products and solutions, enhance our technological capacities, and expand our customer coverage. Our ability to implement our acquisition strategy will depend on our ability to identify suitable targets, our ability to reach agreements with them on commercially reasonable terms, and within a desired timeframe, and the availability of financing to complete acquisitions, as well as our ability to obtain any required shareholder or government approvals. Our strategic acquisitions and investments could subject us to uncertainties and risks, including high acquisition and financing costs, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve our intended objectives, benefits or revenue-enhancing opportunities, uncertainty of entering into markets in which we have limited or no experience, costs associated with and difficulties in integrating acquired businesses, and diversion of our resources and management attention. Our failure to address these uncertainties and risks may have a material adverse effect on our business, financial condition, and results of operations. Even if we are able to successfully acquire or invest in suitable businesses, we cannot assure you that we will achieve our expected returns on such acquisitions or investments through successful integration. As of the Latest Practicable Date, we had not identified or pursued any acquisition or investment targets. If we fail to achieve our expected returns on such acquisitions or investments in the future, our business, financial conditions, results of operations and prospects may be materially and adversely affected.

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

RISK FACTORS

We have granted share-based awards in the past under our share incentive plan, will adopt the Post-IPO Share Option Scheme and may continue to grant share-based awards in the future, which may result in increased share-based compensation expenses and have an adverse effect on our future profitability.

We adopted the Pre-IPO Share Plan in January 2013 for the purpose of granting share-based compensation awards to our officers, directors, employees and other eligible persons to incentivize their performance and align their interests with ours. For the three years ended December 31, 2023 and the three months ended March 31, 2024, we recorded share-based payments of RMB17.5 million, RMB10.3 million, RMB33.8 million and RMB4.7 million, respectively. As of the Latest Practicable Date, an aggregate of 14,654,577 share options have been granted to 122 of our employees pursuant to the Pre-IPO Share Plan. See “Appendix IV. Statutory and General Information — 5. Share Option Schemes — A. Pre-IPO Share Plan” for more information.

We believe the granting of share-based compensation awards is of significant importance to our ability to attract and retain key personnel and employees, and we may continue to grant share-based compensation awards in the future. As a result, our expenses associated with share-based compensation may increase, which may have a material and adverse effect on our financial condition and results of operations. Our ability to attract or retain highly skilled employees may be adversely affected by declines in the perceived value of our equity or equity awards. Furthermore, there are no assurances that the number of shares reserved for issuance under our share incentive plan will be sufficient to grant equity awards adequate to recruit new employees and to compensate existing employees. In case we decide to reserve and issue additional shares under our share incentive plan, your shareholding in our Company will be further diluted by such issuance.

We face certain risks relating to the properties that we lease, our rights to use some of our leased properties could be challenged by property owner or other third parties, and we may be subject to fines as a result of unregistered leases which may adversely affect our business operations and financial condition.

We have leased certain properties used for our office, registered address and other uses in China. Some of the lessors of our leased properties in China failed to provide us with valid title certificates and ownership certificates. Therefore, we cannot assure you that such lessors are entitled to lease the relevant properties to us. If the lessors are not entitled to lease the properties to us and the owners of such properties or any other interested third parties decline to ratify the lease agreements between us and the respective lessors, we may not be able to enforce our rights to lease such properties under the respective lease agreements against the owners. If our lease agreements are claimed as null and void by third parties who are the real owners of such leased properties, we could be required to vacate the properties. Moreover, certain of our leased properties are subject to mortgage and therefore, in case the mortgagees enforce the mortgage, we may not be able to continue using such leased properties. We cannot assure you that suitable alternative locations are readily available on commercially reasonable terms, or at all, and if we are unable to relocate our operations in a timely manner, our operations may be interrupted.

RISK FACTORS

The lease agreements for some of our leased properties have not been registered with the PRC Governmental Authorities as required by the PRC laws. Although the failure to do so does not in itself invalidate the leases, we may be ordered by the PRC Governmental Authorities to rectify such noncompliance and, if such noncompliance were not rectified within a prescribed period of time, we may be subject to fines imposed by PRC Governmental Authorities ranging from RMB1,000 and RMB10,000 for each of our lease agreements that have not been registered with the relevant PRC Governmental Authorities. As of the Latest Practicable Date, we are not aware of any regulatory or governmental actions, claims or investigations being contemplated or any challenges by third parties to our use of our leased properties the lease agreements of which have not been registered with the relevant PRC Governmental Authorities. However, we cannot assure you that the PRC Governmental Authorities will not impose fines on us due to our failure to register any of our lease agreements, which may negatively impact our financial condition.

Furthermore, we may not be able to extend or renew such leases on commercially reasonable terms, if at all. For instance, we compete with other businesses for premises at certain locations. Rental payments may significantly increase as a result of the high demand for the leased properties. Moreover, we may not be able to extend or renew such leases upon expiration of the current term and may therefore be forced to relocate the affected operations. This could disrupt our operations and result in significant relocation expenses.

If we fail to implement and maintain an effective risk management and internal control systems, we may be unable to accurately report our results of operations or prevent fraud, and investor confidence may be materially and adversely affected.

We seek to establish risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that are appropriate for our business operations, and seek to continue to improve these systems. For further information, see “Business — Risk Management and Internal Control.” Our risk management and internal controls depend on their effective implementation by our employees. Due to the significant size of our operations, we cannot assure you that such implementation will not involve any human errors or mistakes, which may lead to inaccurate reporting of our results of operations. We may also fail to prevent fraud from our employees. As we are likely to offer a broader and more diverse range of products and solutions in the future, the diversification of our service offerings will require more enhanced risk management and internal control capabilities. If we fail to timely adapt our risk management and internal control policies and procedures to our changing business, our business, results of operations and financial condition could be materially and adversely affected.

RISK FACTORS

Any non-compliance with applicable anti-bribery and anti-corruption laws and other forms of illegal acts and misconduct by our business partners or our employees may materially and adversely affect our reputation and operations.

Our business operations are subject to various laws and regulations, including anti-bribery and anti-corruption laws and regulations, which prohibit companies and their intermediaries from making improper payments or other benefits to government or other parties for the purpose of obtaining or retaining business. In addition, we have limited ability to control or anticipate the actions of our customers, either during their use of our products or services or otherwise. We explicitly prohibit our customers from using our cloud products or services for illegal activities. If our customers engage in illegal, fraudulent or inappropriate conduct or use our cloud products or services as a conduit for illegal activities, we may be subjected to investigation or penalty from the relevant government authorities. In addition, other customers and the public may not consider our cloud products or services to be safe, and we may receive negative publicity and under certain circumstances, we may be subject to significant legal liabilities under applicable laws and regulations.

In addition, while we have adopted and implemented internal controls and procedures to monitor both internal and external compliance with anti-bribery and anti-corruption laws, regulations and policies, we cannot guarantee that such internal controls and procedures will always be effective in preventing non-compliance and exculpating us from penalties or liabilities that may be imposed by relevant Governmental Authorities due to violations committed by our employees or our business partners. We may be subject to investigations and proceedings by Governmental Authorities for alleged infringements of these laws if our compliance processes or internal control systems are not conducted or are not operating properly. These proceedings may result in fines or other liabilities and could have a material adverse effect on our reputation, business, financial condition and results of operations. If any of our subsidiaries, employees or other persons engage in fraudulent, corrupt or other unfair business practices or otherwise violate applicable laws, regulations or internal control policies, we could become subject to one or more enforcement actions or otherwise be found to be in violation of such laws, which may result in penalties, fines or sanctions and in turn adversely affect our reputation, business, financial condition and results of operations.

Any future occurrence of force majeure events, natural disasters or outbreaks of contagious diseases, may materially and adversely affect our business, financial condition and results of operations.

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

RISK FACTORS

Moreover, any future occurrence of severe natural disasters in the jurisdictions where we operate may materially and adversely affect its economy and therefore our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases, or the measures in response to such contagious diseases, will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

We may not have sufficient insurance coverage to cover our potential liability or losses, and 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. As of the Latest Practicable Date, we had not obtained 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 impractical for our business. However, any uninsured business disruptions may result in our incurring substantial costs and the diversion of resources, which could have an adverse effect on our business and results of operations.

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

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

- Our market position and competitiveness in the industries in which we operate;
- Our future profitability, overall financial condition, results of operations and cash flows;
- General market conditions for capital-raising activities by our competitors in China; and
- International economic, political and other conditions.

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

RISK FACTORS

The estimates of market opportunity, forecasts of market growth included in this prospectus may prove to be inaccurate, and any real or perceived inaccuracies may harm our reputation and negatively affect our business.

Market opportunity estimates and growth forecasts included in this prospectus are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any particular number or percentage of addressable companies or end users covered by our market opportunity estimates will purchase our products and services at all or generate any particular level of revenue for us. Even if the market in which we compete meets the size estimates and growth forecasted in this prospectus, our business could fail to grow for a variety of reasons, including reasons outside of our control, such as competition in our industry.

Prospective investors should be aware that an upward change in the fair value, which reflects unrealized capital gain of our financial assets at the relevant reporting period end, largely depends on the market conditions and performance of the investment targets and does not generate cash inflow until such financial assets are disposed of. The changes in fair value of our financial assets could be partially resulted from the valuation uncertainty due to the use of unobservable inputs. We cannot assure you that changes in financial market conditions will continue to create fair value gains on our financial assets at previous levels or at all. If any of these events occur, our business, results of operations, financial condition and prospects may be adversely affected.

We face inventory obsolescence, shortage or excess risks.

Our inventory consists of (i) hard disks and fittings and (ii) servers. Although we believe we are able to carry fewer purchased hardware and components and lower our inventory risk through close coordination with our customers and our contract manufacturers, we may strategically keep a higher level of stock for certain key hardware to preempt possible industry-wide shortages. As of December 31, 2021, 2022, 2023 and March 31, 2024, we had inventories of RMB44.0 million, RMB39.1 million, RMB25.8 million and RMB7.5 million, respectively.

Maintaining an optimal level of inventory is important for the success of our business. However, we are exposed to inventory obsolescence and inventory shortage risks as a result of a variety of factors beyond our control, including, changes of customer needs and the inherent uncertainty of the success of product launches. We regularly track our inventory to keep it at a level sufficient to fulfill customers' orders. We also proactively assess changes in market conditions and pre-store strategic components in anticipation of potential supply shortage. However, we cannot assure you that we can accurately predict these trends and events and avoid under-stocking or over-stocking inventory, or that our inventory management measures will be implemented effectively so that we will not have significant levels of inventory obsolescence, shortage or excess. As a result of unforeseen or sudden events, we may experience slow movement of our inventories, fail to utilize or sell our inventories swiftly, or face the risk of inventory obsolescence, and our business, results of operations, financial condition and prospects may be adversely affected.

RISK FACTORS

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC Governmental Authorities recognise that the contractual arrangements for operating of our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the contractual arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the Internet and other related businesses, such as the provision of value-added communication services.

We were incorporated as a business company in the BVI and re-domiciled and continued in the Cayman Islands as an exempted company with limited liability, and Shanghai Kongshan, our PRC subsidiary, is considered foreign-invested enterprises. To comply with PRC laws and regulations, we conduct substantially all of our business in China through our Consolidated Affiliated Entities based on the Contractual Arrangements which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of our Consolidated Affiliated Entities, (ii) receive all of the economic benefits from the Consolidated Affiliated Entities that are potentially significant to the Consolidated Affiliated Entities; and (iii) have an exclusive option to purchase all or part of the equity interests in the Consolidated Affiliated Entities held by the relevant shareholders when and to the extent permitted by PRC law, or request any relevant shareholders to transfer any or part of the equity interest in the Consolidated Affiliated Entities to another person or entity designated by us at any time at our discretion. Because of these contractual arrangements, we are the primary beneficiary of the Consolidated Affiliated Entities, and consolidate their financial results into ours. Our Consolidated Affiliated Entities hold certain licenses, approvals and assets that are essential to our business operations.

RISK FACTORS

We believe that our corporate structure and the Contractual Arrangements comply with the current applicable PRC laws and regulations. Our PRC Legal Advisor, based on its understanding of the relevant laws and regulations, is of the opinion that each of the agreements under the Contractual Arrangements through which we control the Consolidated Affiliated Entities is valid, legal and binding. However, we cannot assure you that PRC Governmental Authorities, including the MOFCOM, the MIIT or other competent authorities would agree that our corporate structure or any of the above Contractual Arrangements comply with PRC licensing, registration or other regulatory requirements, with existing policies or with requirements or policies that may be adopted in the future. There are no specific PRC laws and regulations governing the contractual arrangement and the court, arbitration institute and the relevant Governmental Authorities in Cayman Islands, Hong Kong or other countries and regions may have broad discretion in interpreting these laws and regulations. If our corporate structure and Contractual Arrangements are deemed by Governmental Authorities having competent authority to be illegal, either in whole or in part, we may lose control of our Consolidated Affiliated Entities and have to modify such structure to comply with regulatory requirements. However, there can be no assurance that we can achieve this without material disruption to our business. Further, if our corporate structure and the Contractual Arrangements are found to be in violation of any existing or future laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violations including, without limitation:

- Revoking our business and operating licenses;
- Discontinuing or restricting our operations;
- Imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- Imposing conditions or requirements with which our PRC subsidiaries or our Consolidated Affiliated Entities may not be able to comply;
- Requiring us to restructure our ownership structure or operations, including terminating the contractual arrangements with our Consolidated Affiliated Entities;
- Restricting or prohibiting our use of the proceeds of the global offering to finance our business and operations in China; or
- Taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations, and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear what impact the PRC government actions would have on us and on our ability to consolidate the financial results of our Consolidated Affiliated Entities in our consolidated financial statements, if the PRC Governmental Authorities find our corporate structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of the Consolidated Affiliated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from the Consolidated Affiliated Entities, we may not be able to consolidate the Consolidated Affiliated Entities into our consolidated financial statements in accordance with IFRS, thus significantly adversely affect our results of operations.

RISK FACTORS

The interpretation and implementation of the Foreign Investment Law may impact the viability of our current corporate structure, corporate governance and business operations.

The variable interest entity structure has been adopted by many PRC-based companies, including us, to obtain necessary licenses and permits in the industries that are currently subject to foreign investment prohibition in China. The MOFCOM published a discussion draft of the proposed Foreign Investment Law in January 2015, or the 2015 Draft FIL, according to which, variable interest entities that are controlled via contractual arrangements would also be deemed as foreign-invested entities, if they are ultimately “controlled” by foreign investors.

The Foreign Investment Law (《中華人民共和國外商投資法》) (the “**FIL 2019**”), which was approved by the National People’s Congress of the PRC on March 15, 2019 and its implementing regulations do not explicitly 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 shall be observed by the market 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, 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 FIL 2019, please refer to the section headed “Contractual Arrangements — Development in the PRC Legislation on Foreign Investment” in this prospectus.

We rely on contractual arrangements with our Consolidated Affiliated Entities and their shareholders for substantially all of our business operations, which may not be as effective as direct ownership in providing operational control.

We have relied and expect to continue to rely on contractual arrangements with our Consolidated Affiliated Entities and their shareholders to operate our business in China. These contractual arrangements, however, may not be as effective as direct ownership in providing us with control over our Consolidated Affiliated Entities. For example, our Consolidated Affiliated Entities and their shareholders could breach their contractual arrangements with us by, among other things, failing to conduct the operations of our Consolidated Affiliated Entities in an acceptable manner or taking other actions that are detrimental to our interests.

RISK FACTORS

If we had direct ownership of our Consolidated Affiliated Entities in China, we would be able to exercise our rights as a shareholder to effect changes in the board of directors of our Consolidated Affiliated Entities, which in turn could implement changes, subject to any applicable fiduciary obligations, at the management and operational level. However, under the current contractual arrangements, we rely on the performance by our Consolidated Affiliated Entities and their shareholders of their obligations under the contracts to exercise control over our Consolidated Affiliated Entities. If any dispute relating to these contracts remains unresolved, we will have to enforce our rights under these contracts through the operations of applicable law and arbitration, litigation and other legal proceedings and therefore will be subject to uncertainties in the applicable legal system. Please refer to the paragraph headed “Any failure by our Consolidated Affiliated Entities or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on part of our business.” in this section.

Any failure by our Consolidated Affiliated Entities or their shareholders to perform their obligations under our contractual arrangements with them would have a material and adverse effect on part of our business.

If our Consolidated Affiliated Entities or their shareholders fail to perform their respective obligations under the contractual arrangements, we could be limited in our ability to enforce the contractual arrangements that give us effective control over our business operations in China and may have to incur substantial costs and expend additional resources to enforce such arrangements. We cannot assure you that our Consolidated Affiliated Entities or any other related parties have performed or will perform all the obligations under the Contractual Arrangements in a timely manner, including, among others, the registration of the equity pledge with the relevant PRC Government Authorities, which would affect adversely our effective control over the Consolidated Affiliated Entities, our ability to conduct our business and our financial condition and results of operation. We may also have to rely on appropriate legal remedies, including seeking specific performance or injunctive relief, and contractual remedies, which we cannot assure you will be sufficient or effective. For example, if the shareholders of our Consolidated Affiliated Entities were to refuse to transfer their equity interests in our Consolidated Affiliated Entities to us or our designee when we exercise the purchase option pursuant to these contractual arrangements, or if they were otherwise to act in bad faith toward us, then we may have to take legal actions to compel them to perform their contractual obligations.

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, Shanghai Kongshan or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in the Consolidated Affiliated Entities held by the relevant shareholders at a nominal price, unless relevant Governmental 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.

RISK FACTORS

The equity transfer may be subject to the approvals from and filings with the MIIT, the SAMR 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 shareholders of our Consolidated Affiliated Entities will pay the equity transfer price they receive to Shanghai Kongshan or its designated person(s) under the contractual arrangements. The amount to be received by Shanghai Kongshan may also be subject to enterprise income tax. Such tax amounts could be substantial.

Our contractual arrangements are governed by PRC law. Accordingly, these contracts would be interpreted in accordance with PRC law, and any disputes would be resolved in accordance with PRC legal procedures, which could be different from those of other jurisdictions.

All the agreements under our contractual arrangements are governed by PRC law and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. There are limited precedents and formal guidance as to how contractual arrangements in the context of a Consolidated Affiliated Entity should be interpreted or enforced under PRC law, which may thus limit our ability to enforce these contractual arrangements. In addition, under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and if the losing parties fail to carry out the arbitration awards within a prescribed time limit, the prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would require additional expenses and delay. In the event we are unable to enforce these contractual arrangements, or if we suffer significant delay or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected. Please refer to the paragraph headed “The PRC legal system may be different from your home jurisdiction.” in this section.

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

We have designated individuals who are PRC nationals to be the shareholders of our Consolidated Affiliated Entities holding 100% equity interests. These individuals may have conflicts of interest with us. Each of our Consolidated Affiliated Entities is directly or indirectly 73.5% owned by Mr. Xu and 26.5% owned by Mr. Lyu. Conflicts of interest may arise between Mr. Xu and Mr. Lyu as indirect shareholders and directors of our Company and as shareholders and directors of our Consolidated Affiliated Entities. We rely on these individuals to abide by the laws of the Cayman Islands which impose fiduciary duties upon directors and officers of our company. Such duties include the duty to act bona fide in what they consider to be in the best interest of our company as a whole and not to place themselves in a position in which there is a conflict between their duties to our company and their personal interests. PRC laws also provide that a director or a management officer owes a loyalty and fiduciary duty to the company he or she directs or manages. We cannot assure you that when conflicts arise, shareholders of our Consolidated Affiliated Entities will act in the best interest of our company or that conflicts will be resolved in our favor. These individuals may breach or cause the Consolidated Affiliated Entities to breach the existing contractual arrangements. If we cannot resolve any conflicts of interest or disputes between us and these shareholders, we would have to rely on legal proceedings, which may be expensive, time-consuming and disruptive to our operations. There is also substantial uncertainty as to the outcome of any such legal proceedings.

RISK FACTORS

Contractual arrangements we have entered into with our Consolidated Affiliated Entities may be subject to scrutiny by the PRC tax authorities. A finding that we owe additional taxes could negatively affect our financial condition and the value of your investment.

Under applicable PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements in relation to our Consolidated Affiliated Entities 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 Consolidated 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 Consolidated Affiliated Entities for PRC tax purposes, which could in turn increase their tax liabilities without reducing our PRC subsidiaries' tax expenses. In addition, the PRC tax authorities may impose late payment fees and other administrative sanctions on our Consolidated Affiliated Entities for the adjusted but unpaid taxes according to the applicable regulations. Our financial position could be materially and adversely affected if our Consolidated Affiliated Entities' tax liabilities increase or if they are required to pay late payment fees and other penalties.

We may lose the ability to use and benefit from assets held by our Consolidated Affiliated Entities that are material or supplementary to the operation of our business if any of our Consolidated Affiliated Entities goes bankrupt or become subject to dissolution or liquidation proceeding.

As part of our contractual arrangements with our Consolidated Affiliated Entities, such entity may in the future hold certain assets that are material or supplementary to the operation of our business. If any of our Consolidated Affiliated Entities goes bankrupt and all or part of its assets become subject to liens or rights of creditors, we may be unable to continue some or all of our business activities we currently conduct through the contractual arrangement, which could materially and adversely affect our business, financial condition and results of operations. Under the contractual arrangements, our Consolidated Affiliated Entities may not, in any manner, sell, transfer, mortgage or dispose of their assets or legal or beneficial interests in the business without our prior consent. If any of our Consolidated Affiliated Entities undergoes voluntary or involuntary liquidation proceeding, unrelated creditors may claim rights to some or all of these assets, thereby hindering our ability to operate part of our business, which could materially and adversely affect our business, financial condition and results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE JURISDICTIONS WE OPERATE

Changes in regulatory policies where the Company operates could have impact on our business, financial condition and results of operations.

Substantially all of our assets and operations are located in China. As a result, our business is subject to risks associated with doing business there, including but not limited to future regulatory, policy and legislative developments and increasingly strengthening intellectual property protection system in China, each of which could adversely impact our business, results of operations and financial condition.

RISK FACTORS

The PRC Governmental Authority has implemented measures emphasizing the utilization of market forces for economic reform and the establishment of improved corporate governance in business enterprises, and such measures and policies relating to such measures are evolving and subject to change.

Changes or development in economic conditions in China, in the policies of the PRC Governmental Authority or in the laws and regulations in China could adversely affect our business and results of operations, lead to a reduction in demand for our products and services and adversely affect our competitive position. The PRC Governmental Authority has implemented various measures to encourage economic growth and guide the allocation of resources. We cannot assure you that all measures which benefit the overall Chinese economy will have a positive effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations.

The PRC legal system may be different from your home jurisdiction.

The PRC legal system is a civil law system based on written statutes rather than the common law system, which is reliance on a system of case precedent.

In the late 1970s, the PRC Governmental Authority began to promulgate a comprehensive system of laws and regulations governing economic matters in general. The overall effect of legislation over the past three decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, since the legal system continues to rapidly evolve, in particular, PRC laws and regulations concerning the audiovisual cloud service industry are developing and evolving. Although we have taken measures to comply with the laws and regulations that are applicable to our business operations and avoid conducting any non-compliant activities under the applicable laws and regulations, the PRC Governmental Authority may promulgate new laws and regulations regulating the audiovisual cloud service industry in the future. We cannot assure you that our behaviours would not be deemed to violate any new PRC laws or regulations relating to audiovisual cloud services. Moreover, developments in the audiovisual cloud service industry may lead to changes in PRC laws, regulations and policies or in the interpretation and application of existing laws, regulations and policies that may limit or restrict audiovisual cloud service market players like us, which could materially and adversely affect our business and operations.

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

Our business depends on the performance and reliability of the Internet infrastructure in China. We may not have access to alternative networks in the event of disruptions, failures or other problems with China's Internet infrastructure.

RISK FACTORS

In addition, with the rapid development of China's Internet industry, the demand for Internet infrastructure and the use of telecommunication networks is increasing. The failure of telecommunications network operators to provide us with the requisite bandwidth could also interfere with the speed and availability of our websites. We have no control over the costs of the services provided by the telecommunications operators. If the prices that we pay for telecommunications and Internet services rise significantly, our profit margins could be adversely affected. In addition, if Internet access fees or other charges to Internet users increase, our user traffic may decrease, which in turn may significantly decrease our revenues.

Service of process upon us or our management that reside in China or to enforce against them or us in China of any judgment obtained from foreign courts shall be subject to PRC laws, regulations and international and regional treaties to which China has entered into.

We were incorporated as a company limited by shares with limited liability under the BVI Business Companies Act (As Revised) in the BVI and re-domiciled and continued in the Cayman Islands as an exempted company with limited liability. We conduct almost all of our operations in China, and almost all of our assets are located in China. In addition, some of our senior executive officers reside within China for a significant portion of the time and are PRC nationals. Service of process upon us or our management that reside in China or to enforce against them or us in China of any judgment obtained from foreign courts by investors shall be subject to PRC laws, regulations and international and regional treaties to which China has entered into. According to the Civil Procedure Law of PRC (《中華人民共和國民事訴訟法》), if a legally effective judgment or ruling made by a foreign court requires recognition and enforcement by any PRC court, the party concerned may directly apply for recognition and enforcement to the intermediate PRC court with jurisdiction. Alternatively, the foreign court may, pursuant to the provisions of an international treaty concluded between or acceded to by the foreign state or region and the PRC or in accordance with the principle of reciprocity, request the PRC court to recognize and enforce the judgment or ruling. China has not joined international treaties with all countries and regions. However, Mainland China and Hong Kong have signed a series of arrangements for mutual recognition and enforcement of civil and commercial judgments under contractual jurisdiction, such as:

On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the “**Arrangement**”), pursuant to which a party with an enforceable final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in China. Similarly, a party with an enforceable final judgment rendered by a Chinese court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a Chinese court is expressly designated as the court having sole jurisdiction for the dispute.

RISK FACTORS

On January 18, 2019, the Supreme People’s Court and the government of the Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the “**New Arrangement**”), which seeks to establish a mechanism with further clarification on and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between Hong Kong Special Administrative Region and the China. The New Arrangement discontinued the requirements for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People’s Court and the completion of the relevant legislative procedures in the Hong Kong Special Administrative Region. On 10 November 2023, the Hong Kong Special Administrative Region government published the “Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Ordinance” and the “Mainland Judgments in Civil and Commercial Matters (Reciprocal Enforcement) Rules” in the Gazette and the Supreme People’s Court published 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 on January 25, 2024 (《最高人民法院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》), confirming the New Arrangement came into effect since 29 January 2024. Although the effectiveness of the New Arrangement will greatly enhance the convenience for mutual recognition and enforcement of judgments made by courts in the two places, we still cannot guarantee that all foreign court judgments made against us or our management in China will be effectively enforced.

In addition, on January 9, 2021, the MOFCOM promulgated the Measures for Blocking Improper Extraterritorial Application of Foreign Laws and Measures (《阻斷外國法律與措施不當域外適用辦法》), or Order No.1, pursuant to which, where a citizen, legal person or other organization of China is prohibited or restricted by foreign legislation and other measures from engaging in normal economic, trade and related activities with a third State (or region) or its citizens, legal persons or other organizations, he/it shall truthfully report such matters to the MOFCOM within 30 days. Upon assessment and being confirmed that there exists unjustified extraterritorial application of foreign legislation and other measures, the MOFCOM could issue a prohibition order to the effect that, the relevant foreign legislation and other measures are not accepted, executed, or observed, but such a citizen, legal person or other organization of China may apply to the MOFCOM for an exemption from compliance with such prohibition order.

RISK FACTORS

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a Cayman Islands holding company and we may rely on dividends and other distributions on equity from our PRC subsidiaries for our cash requirements, including for services of any debt we may incur. Our PRC subsidiaries' ability to distribute dividends is based upon their distributable earnings. Current PRC regulations permit our PRC subsidiaries to pay dividends to their respective shareholders only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, each of our PRC subsidiaries are required to set aside at least 10% of its after-tax profits each year, if any, to fund a statutory reserve until such reserve reaches 50% of each of their registered capitals. These reserves are not distributable as cash dividends. If our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. Any limitation on the ability of our PRC subsidiaries to distribute dividends or other payments to their respective shareholders could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our businesses, pay dividends or otherwise fund and conduct our business.

The PBOC and the SAFE have implemented a series of measures in 2017, including further regulating China-based companies to remit foreign currency for overseas acquisitions, dividend payments and shareholder loan repayments. For instance, the Circular on Promoting the Reform of Foreign Exchange Management and Improving Authenticity and Compliance Review, or the SAFE Circular 3, issued on January 26, 2017, provides that the banks shall, when dealing with dividend remittance transactions from domestic enterprise to its offshore shareholders of more than US\$50,000, review the relevant board resolutions, original tax filing form and audited financial statements of such domestic enterprise based on the principal of genuine transaction. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other distributions to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

RISK FACTORS

In addition, the EIT Law and its implementation rules provide that a withholding tax at a rate of 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless reduced under treaties or arrangements between the PRC Governmental Authority and governments of other countries or regions where the non-PRC resident enterprises are tax resident. Pursuant to the tax agreement between Mainland China and the Hong Kong Special Administrative Region, the withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Under administrative guidance, a Hong Kong resident enterprise must meet the following conditions, among others, in order to apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Nonresident enterprises are not required to obtain preapproval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, our Hong Kong subsidiary may be able to benefit from the 5% withholding tax rate for the dividends it receives from our PRC subsidiaries, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations.

However, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future. Accordingly, there is no assurance that the reduced 5% will apply to dividends received by our Hong Kong subsidiary from our PRC subsidiaries. This withholding tax will reduce the amount of dividends we may receive from our PRC subsidiaries.

The custodians or authorized users of our controlling non-tangible assets, including chops and seals, may fail to fulfill their responsibilities, or misappropriate or misuse these assets.

Under the PRC law, legal documents for corporate transactions, including agreements and contracts are executed using the chop or seal of the signing entity or with the signature of a legal representative whose designation is registered and filed with relevant PRC market regulation authorities. In order to secure the use of our chops and seals, we have established internal control procedures and rules for using these chops and seals. In any event that the chops and seals are intended to be used, the responsible personnel will submit the application which will then be verified and approved by authorized employees in accordance with our internal control procedures and rules. In addition, in order to maintain the physical security of our chops, we generally have them stored in secured locations accessible only to authorized employees. Although we monitor such authorized employees, the procedures may not be sufficient to prevent all instances of abuse or negligence. There is a risk that our employees could abuse their authority, for example, by entering into a contract not approved by us or seeking to gain control of one of our subsidiaries or Consolidated Affiliated Entities. If any employee obtains, misuses or misappropriates our chops and seals or other controlling nontangible assets for whatever reason, we could experience disruption to our normal business operations. We may have to take corporate or legal action, which could involve significant time and resources to resolve and divert management from our operations.

RISK FACTORS

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental regulation of currency conversion may restrict or delay us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiaries and making loans to our Consolidated Affiliated Entities, which could adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiaries and our Consolidated Affiliated Entities. We may make loans to our PRC subsidiaries and Consolidated Affiliated Entities subject to the approval from PRC Governmental Authorities and limitation of amount, or we may make additional capital contributions to our PRC subsidiaries in China.

Any loans to our PRC subsidiaries in China are subject to PRC regulations and foreign exchange loan registrations. For example, loans by us to our PRC subsidiaries in China to finance their activities cannot exceed statutory limits and must be registered with the local counterpart of SAFE. In addition, a foreign invested enterprise shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of a foreign invested enterprise shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the construction or the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming the Administration of Foreign Exchange Settlement of Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》), or SAFE Circular 19, effective from June 2015, in replacement of the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, the Notice from the State Administration of Foreign Exchange on Relevant Issues Concerning Strengthening the Administration of Foreign Exchange Businesses, and the Circular on Further Clarification and Regulation of the Issues Concerning the Administration of Certain Capital Account Foreign Exchange Businesses. Although SAFE Circular 19 allows RMB capital converted from foreign currency-denominated registered capital of a foreign-invested enterprise to be used for equity investments within China, it also reiterates the principle that RMB converted from the foreign currency-denominated capital of a foreign-invested company may not be directly or indirectly used for purposes beyond its business scope. Thus, it is unclear whether SAFE will permit such capital to be used for equity investments in China in actual practice. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or SAFE Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in SAFE Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to non-associated enterprises. Violations of SAFE Circular 19 and SAFE Circular 16 could result in administrative penalties. SAFE Circular 19 and SAFE Circular 16 may affect our ability to transfer any foreign currency we hold, including the net proceeds from the Global Offering, to our PRC subsidiaries, which may adversely affect our liquidity and our ability to fund and expand our business in China.

RISK FACTORS

On October 23, 2019, SAFE issued the Circular on Further Promoting Cross-border Trade and Investment Facilitation (《關於進一步促進跨境貿易投資便利化的通知》), or Circular 28, which took effect on the same day. Circular 28, subject to certain conditions, allows foreign-invested enterprises whose business scope does not include investment, or non-investment foreign-invested enterprises, to use their capital funds to make equity investments in China.

In addition, our PRC subsidiaries are also required to withhold a 10% (or 7% if paid to a Hong Kong resident who qualifies for the benefits of the tax treaty between China and Hong Kong) tax on interest paid under any cross-border shareholder loan. Prior to the payment of any interest and principal on any such shareholder loan, our PRC subsidiaries must present evidence of registration with SAFE regarding any such shareholder loan and may be required to provide evidence of payment of withholding tax on the interest payable on that.

In light of the various requirements imposed by PRC regulations on loans to and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on a timely basis, if at all, with respect to future loans to our PRC subsidiaries or Consolidated Affiliated Entities or future capital contributions by us to our wholly foreign-owned subsidiaries in China. As a result, uncertainties exist as to our ability to provide prompt financial support to our PRC subsidiaries or Consolidated Affiliated Entities when needed. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds we expect to receive from the Global Offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our PRC subsidiaries to liability or penalties, limit our ability to inject capital into our PRC subsidiaries, limit our PRC subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In July 2014, SAFE promulgated the SAFE Circular 37, to replace the Notice on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 75, which ceased to be effective upon the promulgation of SAFE Circular 37. SAFE Circular 37 requires PRC residents (including PRC individuals and PRC corporate entities) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

RISK FACTORS

SAFE Circular 37 requires registration with, and approval from, PRC Governmental Authorities in connection with direct or indirect control of an offshore entity by PRC residents. The term “control” under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by PRC residents in the offshore special purpose vehicles, or SPVs, by means of acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. In addition, any PRC resident who is a direct or indirect shareholder of an SPV is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change. On February 13, 2015, the SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

These regulations may have a significant impact on our present and future structuring and investment. We intend to structure and execute our future offshore acquisitions in a manner consistent with these regulations and any other relevant legislation. However, we cannot provide any assurances that we will be able to comply with, qualify under, or obtain any approvals required by the regulations or other legislation. Furthermore, we cannot assure you that any PRC shareholders of our company or any PRC company into which we invest will be able to comply with those requirements. Any failure or inability by such individuals or entities to comply with SAFE regulations may subject us to fines or legal sanctions, such as restrictions on our cross-border investment activities or our PRC subsidiaries’ ability to distribute dividends to, or obtain foreign exchange-denominated loans from, our company or prevent us from making distributions or paying dividends. As a result, our business operations and our ability to make distributions to you could be materially and adversely affected.

Furthermore, as the interpretation and implementation of these foreign exchange regulations has been constantly evolving, we cannot guarantee ongoing compliance with such foreign exchange regulations. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

RISK FACTORS

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside in China for a continuous period of not less than one year who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be the PRC subsidiaries of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. In addition, SAFE Circular 37 stipulates that PRC residents who participate in a share incentive plan of an overseas non-publicly listed special purpose company may register with SAFE or its local branches before they obtain the incentive shares or exercise the share options. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been or will be granted incentive shares or options are or will be subject to these regulations. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, and there may be additional restrictions on the ability of them to exercise their stock options or remit proceeds gained from sale of their stock into the PRC.

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

Under the EIT Law and its implementation rules, an enterprise established outside of the PRC with a “de facto management body” within the PRC is considered a resident enterprise, and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term “de facto management body” as the body that exercises full and substantial control over, and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or the Circular 82, which provides certain specific criteria for determining whether the “de facto management body” of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those that are not controlled by PRC enterprises or PRC enterprise groups like us, the criteria set forth in the circular may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its “de facto management body” in China, and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC, (ii) decisions relating to the enterprise’s financial and human resource matters are made, or are subject to approval by organizations or personnel in the PRC, (iii) the enterprise’s primary assets, accounting books, and records, company seals, and board and shareholder resolutions are located or maintained in the PRC, and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

RISK FACTORS

We believe our company is not a PRC resident enterprise for PRC tax purposes. However, the tax-resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term “de facto management body.” As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply in our case. If the PRC tax authorities determine that our Company, or any of our subsidiaries outside of China, is a PRC resident enterprise for PRC enterprise income tax purposes, then our Company or such subsidiary could be subject to PRC tax at a rate of 25% on its world-wide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Moreover, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, gains realized on the sale or other disposition of our ordinary shares may be subject to PRC tax, and dividends we pay may be subject to PRC withholding tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), if such gains or dividends are deemed to be from PRC sources. It is unclear whether non-PRC shareholders of our company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in our Shares.

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

During the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, while the net proceeds from the Global Offering will be in Hong Kong dollars. The value of the RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the relevant Governmental Authority’s policies, and depends, to a large extent, on domestic and international economic and political developments, as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in a decrease in the value of our proceeds from the Global Offering in RMB. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, our Shares in Hong Kong dollars. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Moreover, we are also currently required to obtain the SAFE’s approval before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, and results of operations and prospects, and could reduce the value of, and dividends payable on, the Shares in Hong Kong dollars.

Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend declared by our PRC subsidiaries. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

RISK FACTORS

For the three years ended December 31, 2021, 2022, 2023 and the three months ended March 31, 2024, we recorded foreign exchange differences in our consolidated statements of profit or loss were a loss of RMB0.2 million, a loss of RMB2.5 million, a loss of RMB1.0 million and a loss of RMB0.1 million, respectively. For the same periods, our exchange differences on translation of foreign operations recognized in other comprehensive income were a gain of RMB56.0 million, a loss of RMB233.1 million, a loss of RMB48.9 million and a loss of RMB5.6 million, respectively, which is primarily a result of translation of financial statements of our overseas parent company and subsidiaries into the presentation currency of our domestic subsidiaries, which is RMB.

The PRC Governmental Authority’s regulation of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

The PRC Governmental Authority imposes regulations on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenue in RMB. Under our current corporate structure, our Company in the Cayman Islands relies on dividend payments, indirectly from our PRC subsidiaries, to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without prior approval from SAFE by complying with certain procedures under PRC foreign exchange regulation. However, approval from, or registration with, appropriate governmental authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses, such as the repayment of loans denominated in foreign currencies. If the foreign exchange regulation system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders.

The direct or 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 PRC laws and regulations.

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

RISK FACTORS

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 China involving Chinese Taxable Assets, or whether the Chinese tax authorities classify such transactions by applying Circular 7. Therefore, the Chinese tax authorities may deem any transfer of our Shares by those of our Shareholders that are non-resident enterprises, or any future acquisitions by us outside of China 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 our Shareholders are deemed as a PRC resident enterprise or PRC resident individual, any transfers of equity interests in us related to such Shareholders may trigger tax obligations or liabilities of us or such Shareholders. We cannot assure you that all such Shareholders have fulfilled, or will strictly fulfill their tax obligations or liabilities in a timely manner. If we fail to comply with Circular 7, SAT Circular 37 and other laws and regulations, 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 operations.

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

The SAFE has promulgated several regulations that require PRC residents and PRC corporate entities to register with, and obtain approval from, local branches of the SAFE in connection with their direct or indirect offshore investment activities. The SAFE Circular 37, was promulgated by the SAFE in July 2014, requiring PRC residents or entities to register with SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests. These regulations apply to our shareholders who are PRC residents, and may apply to any offshore acquisitions that we make in the future.

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

RISK FACTORS

We are committed to complying with, and to ensuring that our Shareholders who are subject to the regulations will comply with, the relevant SAFE rules and regulations. However, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. We cannot assure you that the SAFE or its local branches will release explicit requirements or interpret the relevant PRC laws and regulations otherwise. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas, or our cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or make other payments to us, or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, Mr. Xu and Mr. Lyu, have completed their foreign exchange registration. However, we may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC residents, and we cannot assure you that all of our shareholders and beneficial owners who are PRC residents will comply with our request to make, obtain or update, any applicable registrations, or comply with other requirements under SAFE Circular 37 or other related rules in a timely manner.

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

RISK FACTORS

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

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, the SAMR and the SAFE on August 8, 2006, effective on September 8, 2006 and amended on June 22, 2009, a foreign investor may be required to obtain necessary approvals when it (a) acquires the equity of a domestic non-foreign invested enterprise thereby converting the domestic enterprise into a foreign-invested enterprise; (b) subscribes for the increased capital of a domestic non-foreign invested enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (c) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise; or (d) purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. Where a domestic company or enterprise, or a domestic natural person, through an offshore entity established or controlled by it or him, acquires a domestic company which is related to or connected with it or him, approval from the MOFCOM is required. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of, or equity in, the PRC companies in exchange for the shares of offshore companies. Pursuant to the Manual of Guidance on Administration for Foreign Investment Access (《外商投資准入管理指引手冊》)(2008) promulgated by Foreign Investment Department of the MOFCOM, notwithstanding the fact that (i) the domestic shareholder of the domestic company is connected with the foreign investor or not, (ii) whether the foreign investor is an existing shareholder or a new investor, the M&A Rules shall not apply to the merger and acquisition of equity interests in a foreign-invested enterprise.

Our PRC Legal Advisor has advised us that, we are not required to submit an application to the CSRC for the aforementioned approval of the Global Offering or the Listing and trading of our Shares on the Stock Exchange under the M&A Rules. Our PRC Legal Advisor has further advised us that its opinions summarized above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules. However, we cannot assure you that the relevant PRC Governmental Authorities, including the MOFCOM and the CSRC, would reach the same conclusion as our PRC Legal Advisor. If the MOFCOM, the CSRC or other PRC regulatory agencies subsequently determine that we need to obtain necessary approval for the Global Offering, or if the MOFCOM, the CSRC or any other PRC Governmental Authorities promulgates interpretation or implementing rules before our listing that would require any necessary governmental approvals for the Global Offering, we may face sanctions by the MOFCOM, the CSRC or other PRC regulatory agencies. In such event, these regulatory agencies may impose fines and penalties on our operations in China, limit our operating privileges in China, delay or restrict the repatriation of proceeds from the Global Offering into the PRC, or take other actions that could have a material adverse effect on our business, financial condition, results of operations, and prospects, as well as the trading price of our Shares. The MOFCOM, the CSRC or other PRC regulatory agencies may also take actions requiring us to halt the Global Offering before settlement and delivery of the Shares offered by this prospectus.

RISK FACTORS

The M&A Rules and certain other regulations establish relevant procedures for some acquisitions of Chinese companies by foreign investors, which could intensify the difficulties for our acquisitions in China.

The M&A Rules and some other established regulations and rules concerning mergers and acquisitions, as well as additional procedures and requirements, further regulate the merger and acquisition activities by foreign investors, including requirements, in some instances, that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that the SAMR shall be notified in advance of any concentration of undertaking if certain thresholds are triggered. In addition, Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns, and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise “national security” concerns, are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

Our shareholders may not be able to institute legal actions against us or our management in Hong Kong, and it is relatively rare in practice for PRC courts to initiate legal actions against a listed company and the directors and senior management thereof in connection with overseas securities issuance and trading, therefore, our shareholders may not be able to find many cases for reference.

We were incorporated as a company limited by shares with limited liability under the BVI Business Companies Act (As Revised) in the BVI and re-domiciled and continued in the Cayman Islands as an exempted company with limited liability, and a large portion of our current operations are conducted in China. In addition, a majority of our current Directors and officers are nationals and residents of China. As a result, according to the laws and regulations in Hong Kong, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise.

In addition, the PRC law sets forth specific rules for instituting litigations with respect to overseas securities offerings and transactions, among others, (i) pursuant to the Law of the Application of Laws for Foreign Interest (《中華人民共和國涉外法律適用法》), disputes over negotiable securities shall be governed by the laws of the place where the rights of the securities are realized or by the laws of the place in closest connection to the securities, and (ii) the Securities Law (《證券法》) also stipulates that where overseas securities offerings and transactions disrupt the domestic market order of the PRC and impair the lawful rights and interests of domestic investors, the relevant provisions in the Securities Law are applicable and legal liabilities shall be pursued. However, it is relatively rare in practice for PRC courts to initiate legal actions against a listed company and the directors and senior management thereof in connection with overseas securities issuance and trading, therefore, our shareholders may not be able to find many cases for reference.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING

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

Prior to completion of the Global Offering, there has been no public market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the Global Offering. The Offer Price is the result of negotiations among our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters), which may not be indicative of the price at which our Shares will be traded following completion of the Global Offering. The market price of our Shares may drop below the Offer Price at any time after completion of the Global Offering. Moreover, each of our cornerstone investors is expected to enter into to a six-month lock-up agreement, which will restrict these Shareholders from selling their Shares and therefore, reduce the available public float for our Shares during the lock-up period, subject to customary exceptions. As a result, the absence of any sale of Shares by such persons during the lock-up period may cause, or at least contribute to, limited liquidity in the market for our Shares. This could affect the prevailing market price at which Shareholders are able to sell their Shares.

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

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility of the price of, and trading volumes for our Shares. The trading performances of the securities of these companies at the time of, or after, their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong, and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

You will experience immediate dilution and may experience further dilution in the future.

As the Offer Price of our Shares is higher than the consolidated net tangible assets per share immediately prior to the Global Offering, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our Shares may experience further dilution of their interest if we issue additional shares in the future to raise additional capital.

We have adopted the Pre-IPO Share Plan in January 2013, for further information, see “Appendix IV. Statutory and General Information — 5. Share Option Schemes — A. Pre-IPO Share Plan”. Any options or any other share-based compensations that we may grant from time to time (including pursuant to the Post-IPO Share Option Scheme) may result in an increase in our issued share capital, which in turn may result in a dilution of our shareholders’ shareholding interest in our Company and a reduction in earnings per Share.

RISK FACTORS

The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, substantial Shareholders and Pre-IPO Investors, could adversely affect the market price of our Shares.

Future sales of a substantial number of our Shares, especially by our Directors, substantial Shareholders and Pre-IPO Investors, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

We cannot assure you that our Directors, substantial Shareholders and Pre-IPO Investors will not dispose of any Shares they may own now or in the future.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. Please refer to the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in this prospectus for details of our plan to use net proceeds from the Global Offering. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

We may not be able to pay any dividends on our Shares.

Since our inception, we have not declared or paid any dividends on our Shares. We expect to continue to invest in technology and innovation to implement our growth strategies, which we believe will contribute to the value creation for customers, employees and Shareholders.

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

RISK FACTORS

Investors may experience difficulties in enforcing shareholder rights.

Our Company was incorporated as a company limited by shares with limited liability under the BVI Business Companies Act (As Revised) in the BVI and re-domiciled and continued in the Cayman Islands as an exempted company with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, the Cayman Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The rights of the Shareholders and the fiduciary duties of our Directors under Cayman Islands laws may differ in some respects as they would be under statutes or judicial precedents in Hong Kong or other jurisdictions where investors reside. As a result of all of the above, Shareholders may have more difficulty in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions.

We cannot assure you of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this prospectus.

This prospectus, particularly the sections headed “Business” and “Industry Overview” contains information and statistics relating to the market for audiovisual cloud services in China. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, the Overall Coordinators, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters or any other party involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this prospectus being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

RISK FACTORS

You should read the entire prospectus carefully and should not rely on any information contained in press articles or other media regarding us and the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of 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 authorized 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. You should rely solely upon the information contained in this prospectus, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Global Offering.

You should rely solely upon the information contained in this prospectus, the Global Offering and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Global Offering.

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

For the purpose of the Listing, we have sought the following waivers from the Stock Exchange and the SFC in relation to certain requirements from the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

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 normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Given that we are headquartered in the PRC with our principal business operation principally located, managed and conducted in the PRC and all of our executive Directors are not ordinarily resident in Hong Kong, it would be practically difficult and commercially unfeasible for us to either relocate two of our executive Directors to Hong Kong or to appoint two additional executive Directors who are ordinarily resident in Hong Kong in order to comply with 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, a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules on the following conditions:

- our Company will appoint two authorized representatives (the “**Authorized Representatives**”) pursuant to Rule 3.05 of the Listing Rules, namely, Mr. Xu Shiwei, an executive Director and Ms. Tam Sze Wai Sara, one of our joint company secretaries, who will act as our Company’s principal channel of communication with the Stock Exchange. Ms. Tam Sze Wai Sara is ordinarily resident in Hong Kong. Each of the Authorized Representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone and email. Each of the Authorized Representatives is authorized by our Board to communicate on behalf of our Company with the Stock Exchange. Our Company has been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance, and Ms. Tam Sze Wai Sara has been authorized to accept service of legal process and notice in Hong Kong on behalf of our Company;
- each of the Authorized Representatives has means to contact all members of our Board (including the independent non-executive Directors) and our senior management team promptly at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the Authorized Representatives and our Directors, our Company will implement a number of policies whereby (i) each Director shall provide his/her mobile phone number, office phone number and email address to the Authorized Representatives; (ii) in the event that such Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the Authorized Representatives; and (iii) all our Directors and the Authorized Representatives will provide their respective mobile phone numbers, office phone numbers and email addresses to the Stock Exchange. We shall promptly inform the Stock Exchange of any changes to the contact details of the Authorized Representatives and our Directors;

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

- Shenwan Hongyuan Capital (H.K.) Limited has been appointed as our Company’s compliance advisor, pursuant to Rule 3A.19 of the Listing Rules, to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the Authorized Representatives, as our Company’s additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules and publishes its annual report in respect of its first full financial year commencing after the Listing Date. The contact person of the compliance advisor will be fully available to answer enquiries from the Stock Exchange;
- each of our Directors (including independent non-executive Directors) who is not ordinarily resident in Hong Kong has confirmed that he/she possesses or can apply for valid travel documents to visit Hong Kong and would be able to meet with the Stock Exchange in Hong Kong upon reasonable notice; and
- our Company will also appoint other professional advisors (including its legal advisors in Hong Kong) after the Listing to assist our Company in addressing any enquiries which may be raised by the Stock Exchange and to ensure that there will be prompt and effective communication with the Stock Exchange.

APPOINTMENT OF JOINT COMPANY SECRETARIES

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

- a member of The Hong Kong Chartered Governance Institute;
- a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- a certified public accountant (as defined in the Professional Accountants Ordinance).

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

- length of employment with the issuer and other issuers and the roles he/she played;
- familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and The Codes on Takeovers and Mergers and Share Buy-backs;
- relevant training taken and/or to be taken in addition to the minimum requirements under Rule 3.29 of the Listing Rules; and

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

- professional qualifications in other jurisdictions.

We have appointed Mr. Zhang Yuanhao as one of our joint company secretaries. Mr. Zhang has been assisting the chairman of our Board in handling board matters and corporate matters for years but presently does not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules. Thus, Mr. Zhang may not be able to fulfill the requirements of the Listing Rules. Therefore, we have appointed Ms. Tam Sze Wai Sara, an associate of The Hong Kong Chartered Governance Institute (formerly The Hong Kong Institute of Chartered Secretaries), who fully meets the requirements under Rules 3.28 and 8.17 of the Listing Rules, to act as the other joint company secretary of our Company. Ms. Tam will provide assistance to Mr. Zhang for an initial period of three years from the Listing Date to enable Mr. Zhang to acquire the “relevant experience” under Note 2 to Rule 3.28 of the Listing Rules so as to fully comply with the requirements set forth under Rules 3.28 and 8.17 of the Listing Rules.

Further, both the compliance advisor and the Hong Kong legal advisor of our Company will assist Mr. Zhang in relation to Hong Kong corporate governance practices and regulatory compliance, ongoing compliance obligations under the Listing Rules and the applicable laws and regulations as and when required. In addition, Mr. Zhang will endeavor to attend relevant trainings and familiarize himself with the Listing Rules and duties required of a company secretary of an issuer listed on the Stock Exchange.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Listing Rules. Pursuant to Chapter 3.10 of the Guide For New Listing Applicants issued by the Stock Exchange, the waiver has been granted for an initial period of three years from the Listing Date (the “**Waiver Period**”), and has been granted on the conditions that (i) we engage Ms. Tam, who possesses all the requisite qualifications under Rule 3.28 of the Listing Rules, to assist Mr. Zhang in discharging his duties as a joint company secretary and in gaining the “relevant experience” as required under Note 2 to Rule 3.28 of the Listing Rules throughout the Waiver Period; and (ii) the waiver will be revoked immediately if there are material breaches of the Listing Rules by our Company or if Ms. Tam ceases to provide assistance to Mr. Zhang during the Waiver Period.

Before the expiration of the initial three-year period, the qualifications of Mr. Zhang will be re-evaluated to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Listing Rules can be satisfied and whether the need for on-going assistance will continue. It is expected that Mr. Zhang will be able to fulfill all the requirements stipulated at the end of the initial three-year period.

WAIVER AND EXEMPTION IN RELATION TO THE PRE-IPO SHARE PLAN

The Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance prescribes certain disclosure requirements in relation to the share options granted by our Company (the “**Share Option Disclosure Requirements**”):

- (a) Rule 17.02(1)(b) of the Listing Rules stipulates that all the terms of a scheme must be clearly set out in this prospectus. Our Company is also required to disclose in this prospectus full details of all outstanding options and their potential dilution effect on the shareholdings upon listing as well as the impact on the earnings per share arising from the exercise of such outstanding options.

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

- (b) Paragraph 27 of Appendix D1A to the Listing Rules requires our Company to set out in this prospectus particulars of any capital of any member of the Group that is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee.

- (c) Paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to disclose, amongst others, details of the number, description and amount of any shares in or debentures of our Company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the prospectus.

As of the Latest Practicable Date, the total number of valid share options granted under the Pre-IPO Share Plan is 14,654,577 options, and if exercised in full, representing approximately 7.2% of the issued share capital of our Company immediately before completion of the Capitalization Issue and the Global Offering or 131,891,193 Shares (as adjusted pursuant to Capitalization Issue) (the “**Adjusted Shares**”), representing approximately 6.6% of the issued share capital of our Company immediately upon completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option. For further details of our Pre-IPO Share Plan, please refer to the section headed “Statutory and General Information — 5. Share Option Schemes — A. Pre-IPO Share Plan” in Appendix IV to this prospectus.

We have applied to: (i) the Stock Exchange for a waiver from strict compliance with the disclosure requirements under Rule 17.02(1)(b) of, and paragraph 27 of Appendix D1A to, the Listing Rules; and (ii) the SFC for a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, respectively, regarding the Share Option Disclosure Requirements in connection with the disclosure of certain details relating to the options and certain grantees in this prospectus on the ground that the waiver and the exemption will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

- (a) among all the 122 persons who hold outstanding options under the Pre-IPO Share Plan (the “**Grantees**”), only one Grantee is our Director and four Grantees are members of our senior management. The rest 117 Grantees are employees of our Group who are not Directors, members of senior management or connected persons of our Company;

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- (b) our Directors consider that it would be unduly burdensome to disclose in the listing prospectus full details of all the options granted by us to each of the Grantees, which would significantly increase the cost and time required for information compilation and prospectus preparation of this prospectus for strict compliance with the Share Option Disclosure Requirements. For example, we would need to collect and verify the addresses of 122 Grantees to meet the disclosure requirement. Further, the disclosure of the personal details of each Grantee, including their names, addresses and the number of options granted, may require obtaining consents from the Grantees in order to comply with personal data privacy laws and principles, and it would be unduly burdensome for our Company to obtain such consents given the number of Grantees;
- (c) material information on the options has been disclosed in this prospectus to provide prospective investors with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings/(loss) per Share of the options in making their investment decision, and such information includes: (i) a summary of the major terms of the Pre-IPO Share Plan; (ii) the aggregate number of 14,654,577 shares (or 131,891,193 Adjusted Shares) subject to the options and the percentage of our Shares of which such number represents; (iii) the dilutive effect and the impact on earnings/(loss) per Share upon full exercise of the options immediately following completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Plan); (iv) full details of the options granted to the Directors, members of our senior management and connected persons (if any) of our Company, on an individual basis, are disclosed in this prospectus, and such details include all the particulars required under the Share Option Disclosure Requirements; (v) with respect to the options granted to other Grantees (other than those referred to in (iv) above), the following details will be disclosed in this prospectus, including the aggregate number of such Grantees and the number of 131,891,193 Adjusted Shares subject to the options, the consideration paid for the grant of the options and the exercise period and the exercise price for the options (as adjusted for the Capitalization Issue); and (vi) the particulars of the waiver and exemption granted by the Stock Exchange and the SFC. The above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Chapter 3.6 of the Guide For New Listing Applicants issued by the Stock Exchange;
- (d) the five Grantees who are Directors, members of senior management or connected persons of our Company, have been granted options under the Pre-IPO Share Plan to acquire an aggregate of 8,906,076 shares (or 80,154,684 Adjusted Shares, representing 4.0% of the issued share capital of the Company immediately after the completion of the Capitalization Issue and the Global Offering without taking into account Shares may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Plan), which is not material in the circumstances of our Company, and the exercise in full of such options will not cause any material adverse change in the financial position of our Company;

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- (e) Strict adherence to the disclosure requirements, including to disclose the names, addresses, and entitlements on an individual basis of 117 Grantees without reflecting the materiality of the information does not provide any additional meaningful information to the investing public; and
- (f) a full list of all the Grantees, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with “Appendix V — Documents Delivered to the Registrar of Companies and Available on Display — Document available for inspection” in this prospectus.

In light of the above, our Directors are of the view that the grant of the waiver and exemption sought under this application and the non-disclosure of the required information will not prejudice the interests of the investing public.

The Stock Exchange has granted to our Company a waiver from strict compliance with the Share Option Disclosure Requirements with respect to the options granted under the Pre-IPO Share Plan on the conditions that:

- (a) on an individual basis, full details of the outstanding options granted under the Pre-IPO Share Plan to each of the Directors, members of our senior management and connected persons (if any) of our Company, will be disclosed in “Appendix IV — Statutory and General Information — 5. Share Option Schemes — A. Pre-IPO Share Plan” as required under the Share Option Disclosure Requirements;
- (b) in respect of the options under the Pre-IPO Share Plan granted to the remaining Grantees (being the other Grantees who are not our Directors, senior management or connected persons of our Company), disclosure will be made, on an aggregate basis, categorized into lots based on the number of shares of the Company (before adjustment for the Capitalization Issue) underlying each individual grantee, being (1) 1 to 9,999; (2) 10,000 to 99,999; and (3) 100,000 to 999,999. For each lots of share, the following details are disclosed in this Prospectus, including (A) their aggregate number of grantees and number of shares of the Company (before adjustment for the Capitalization Issue) underlying the options granted under the Pre-IPO Share Plan, (B) the consideration (if any) paid for the grant of the options under the Pre-IPO Share Plan, and (C) the exercise period of the options and the exercise price of the options (as adjusted for the Capitalization Issue) granted under the Pre-IPO Share Plan;
- (c) the aggregate number of 14,654,577 shares of the Company (before adjustment for the Capitalization Issue) underlying the outstanding options granted under the Pre-IPO Share Plan and the percentage of our Company’s total issued share capital represented by such number of shares as of the Latest Practicable Date will be disclosed in this prospectus;
- (d) the dilution effect and impact on earnings/(loss) per Share upon the full exercise of the outstanding options under the Pre-IPO Share Plan will be disclosed in “Appendix IV — Statutory and General Information — 5. Share Option Schemes — A. Pre-IPO Share Plan”;

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- (e) a summary of the major terms of the Pre-IPO Share Plan will be disclosed in “Appendix IV — Statutory and General Information — 5. Share Option Schemes — A. Pre-IPO Share Plan”;
- (f) the particulars of this waiver will be disclosed in this prospectus which will be issued on or before Monday, September 30, 2024;
- (g) a list of all the Grantees (including those persons whose details have already been disclosed) containing all the particulars as required under the Share Option Disclosure Requirements will be made available for public inspection in accordance with “Appendix V — Documents Delivered to the Registrar of Companies and Available on Display — Document available for inspection”; and
- (h) SFC agreed to grant to our Company a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

The SFC has granted a certificate of exemption under section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to the conditions that:

- (a) on an individual basis, the full details of the options granted by the Company to the Directors, members of our senior management, connected persons (if any) of the Company, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be disclosed in this prospectus;
- (b) in respect of the options under the Pre-IPO Share Plan granted to the remaining Grantees (being the other Grantees who are not our Directors, senior management or connected persons of our Company), disclosure will be made, on an aggregate basis, categorized into lots based on the number of shares of the Company (before adjustment for the Capitalization Issue) underlying the outstanding options granted to each individual grantee, being (1) 1 to 9,999; (2) 10,000 to 99,999; and (3) 100,000 to 999,999. For each lots of share, the following details are disclosed in this Prospectus, including (A) their aggregate number of grantees and number of shares of the Company (before adjustment for the Capitalization Issue) underlying the options granted under the Pre-IPO Share Plan, (B) the consideration (if any) paid for the grant of the options under the Pre-IPO Share Plan, and (C) the exercise period of the options and the exercise price of the options (as adjusted for the Capitalization Issue) granted under the Pre-IPO Share Plan;
- (c) a full list of all the Grantees, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, be made available for public inspection in accordance with “Appendix V — Documents Delivered to the Registrar of Companies and Available on Display — Document available for inspection”; and
- (d) the particulars of the exemption will be disclosed in this prospectus which will be issued on or before Monday, September 30, 2024.

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WAIVERS IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

In order to conduct our business in the PRC in compliance with the applicable PRC laws and regulations, Shanghai Kongshan, our wholly-owned subsidiary, has entered into the Contractual Arrangements with the Consolidated Affiliated Entities and the Registered Shareholders. For further details of the Contractual Arrangements, please see “Contractual Arrangements” in this prospectus. Given that the Registered Shareholders, namely Mr. Xu and Mr. Lyu, are connected persons of our Company, the transactions contemplated under the Contractual Arrangements and the Intragroup Transactions (as defined in “Continuing Connected Transactions” in this prospectus) constitute continuing connected transactions of our Company upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement, circular and independent shareholders’ approval requirements pursuant to Rules 14A.105 of the Listing Rules, the requirement in relation to fixed term of not exceeding three years as set out under Rule 14A.52 of the Listing Rules and the requirement in relation to setting an annual cap in monetary term as set out under Rule 14A.53 of the Listing Rules for such continuing connected transactions.

We have entered into, and are expected to continue, certain transactions with Alibaba Cloud Computing Co., Ltd. which would constitute continuing connected transactions under the Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirements pursuant to Rules 14A.105 of the Listing Rules for such continuing connected transactions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. The Global Offering comprises the Hong Kong Public Offering of initially 15,975,000 Offer Shares and the International Offering of initially 143,775,000 Offer Shares (subject to, in each case, reallocation on the basis referred to under the section headed "Structure of the Global Offering" in this prospectus and, in case of the International Offering, to any exercise of the Over-allotment Option).

The Listing is sponsored by the Joint Sponsors and the Global Offering is managed by the Overall Coordinators. 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 the Price Determination Date. Further information regarding the Underwriters and the Underwriting Agreements are set out in the section headed "Underwriting" in this prospectus.

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 authorized 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 authorized by the Company, the Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, employees or advisors or any other party involved in the Global Offering.

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 of any date subsequent to the date of this prospectus.

Further information regarding the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

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.

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 authorized 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 authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Stock Exchange 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) and the Shares to be issued pursuant to the exercise of options granted under the Pre-IPO Share Plan and Post-IPO Share Option Scheme.

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, October 16, 2024. 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 of 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.

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

CSRC FILING

On June 17, 2024, CSRC has issued a notification on our Company's completion of the PRC filing procedures for the listing of Shares on the Stock Exchange and the Global Offering. In issuing this notification, the CSRC does not accept responsibility for the financial soundness of our Company, or for the accuracy of any of the statements made or opinions expressed in this Prospectus.

As advised by our PRC Legal Advisor, our Company has completed all necessary filings with CSRC prior to the Global Offering and the Listing.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors 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 Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, partners, agents, advisors 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.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out under the sections headed “Underwriting” and “Structure of the Global Offering” in this prospectus.

HONG KONG REGISTER OF MEMBERS AND HONG KONG STAMP DUTY

The Company’s principal register of members will be maintained by its principal share registrar, Maples Fund Services (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, Tricor 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 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 advisors for details of the settlement arrangements as such arrangements may affect their rights and interests.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

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.

EXCHANGE RATE CONVERSION

Solely for your convenience and reference only, this prospectus contains translations among certain Hong Kong dollars into Renminbi, of US dollars into Renminbi, of U.S. dollars into Hong Kong dollars, and of Singapore dollars to Hong Kong dollars. No representation is made, and no representation should be construed as being made, that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all. Unless indicated otherwise the translation of Hong Kong dollars into Renminbi, of U.S. dollars into Renminbi, of U.S. dollars into Hong Kong dollars, and of Singapore dollars into Hong Kong dollars, and vice versa, in this prospectus was made at the following rates:

HK1.00 to RMB0.91234
US1.00 to RMB7.11360
US1.00 to HK\$7.79750
SGD1.00 to HK\$5.96725

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

LANGUAGE

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only, and 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, or have been rounded to a set number of decimal places. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential address	Nationality
DIRECTORS		
Executive Directors		
Mr. Xu Shiwei (許式偉)	Room 1002, No.7, Lane 801 Sakura Road, Huamu Town Pudong New District Shanghai, PRC	Chinese
Ms. Chen Yiling (陳伊玲)	Room 1803, No. 8, Lane 1515 Zhangyang Road Pudong New District Shanghai, PRC	Chinese
Non-executive Director		
Mr. Lyu Guihua (呂桂華)	No. 76, Lane 2655 Yinggang East Road Qingpu District Shanghai, PRC	Chinese
Independent Non-executive Directors		
Mr. Wei Shaojun (魏少俊)	Flat 303, Gate 1, Building 11 Dongshengyuan Apartment Haidian District Beijing, PRC	Chinese
Mr. Zhou Zheng (周正)	Flat F, 21/F, My Central 23 Graham Street Central, Hong Kong	Chinese
Dr. Shi Qing (史清)	Room 702, No. 40, Lane 191 Tangxing Road Pudong New District Shanghai, PRC	Chinese

See “Directors and Senior Management” in this prospectus for further details.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Shenwan Hongyuan Capital (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

BOCOM International (Asia) Limited
9th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Sponsor-Overall Coordinators

Shenwan Hongyuan Securities (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

BOCOM International Securities Limited
15th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Overall Coordinators

Shenwan Hongyuan Securities (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

BOCOM International Securities Limited
15th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

Joint Global Coordinators

Shenwan Hongyuan Securities (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

BOCOM International Securities Limited
15th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Bookrunners

Shenwan Hongyuan Securities (H.K.) Limited
Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

BOCOM International Securities Limited
15th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited
62/F, The Center
99 Queen's Road Central
Hong Kong

GF Securities (Hong Kong) Brokerage Limited
27/F, GF Tower
81 Lockhart Road, Wan Chai
Hong Kong

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road, Central
Hong Kong

ABCI Capital Limited
11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Zheshang International Financial Holdings Co., Limited
1703-1706, 17/F, Infinitus Plaza
199 Des Voeux Road Central, Sheung Wan
Hong Kong

China Merchants Securities (HK) Co., Limited
48/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Lead Managers

SDICS International Securities (Hong Kong) Limited

39/F, One Exchange Square, Central
Hong Kong

Shenwan Hongyuan Securities (H.K.) Limited

Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

BOCOM International Securities Limited

15th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

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

GF Securities (Hong Kong) Brokerage Limited

27/F, GF Tower
81 Lockhart Road, Wan Chai
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road, Central
Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

Zheshang International Financial Holdings Co., Limited

1703-1706, 17/F, Infinitus Plaza
199 Des Voeux Road Central, Sheung Wan
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

SDICS International Securities (Hong Kong) Limited

39/F, One Exchange Square, Central
Hong Kong

Futu Securities International (Hong Kong) Limited

34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

Livermore Holdings Limited

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

Tiger Brokers (HK) Global Limited

1/F, No. 308 Des Voeux Road Central, Sheung Wan
Hong Kong

Capital Market Intermediaries

Shenwan Hongyuan Securities (H.K.) Limited

Level 6, Three Pacific Place
1 Queen's Road East
Hong Kong

BOCOM International Securities Limited

15th Floor, Man Yee Building
68 Des Voeux Road Central
Hong Kong

Huatai Financial Holdings (Hong Kong) Limited

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

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

GF Securities (Hong Kong) Brokerage Limited

27/F, GF Tower
81 Lockhart Road, Wan Chai
Hong Kong

CMB International Capital Limited

45/F, Champion Tower
3 Garden Road, Central
Hong Kong

ABCI Capital Limited

11/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

ABCI Securities Company Limited

10/F, Agricultural Bank of China Tower
50 Connaught Road Central
Hong Kong

**Zheshang International Financial Holdings Co.,
Limited**

1703-1706, 17/F, Infinitus Plaza
199 Des Voeux Road Central, Sheung Wan
Hong Kong

China Merchants Securities (HK) Co., Limited

48/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

CMBC Securities Company Limited

45/F, One Exchange Square
8 Connaught Place, Central
Hong Kong

**SDICS International Securities (Hong Kong)
Limited**

39/F, One Exchange Square, Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Futu Securities International (Hong Kong) Limited

34/F, United Centre
No. 95 Queensway, Admiralty
Hong Kong

Livermore Holdings Limited

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

Tiger Brokers (HK) Global Limited

1/F, No. 308 Des Voeux Road Central, Sheung Wan
Hong Kong

Legal Advisors to our Company

as to Hong Kong law

Jia Yuan Law Office

7/F and 17/F
No. 238 Des Voeux Road Central
Sheung Wan
Hong Kong

as to PRC law

King & Wood Mallesons

17th Floor, One ICC, Shanghai ICC
999 Huaihai Middle Road
Xuhui District
Shanghai, PRC

as to Cayman Islands and BVI laws

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

as to Singapore laws

Opal Lawyers LLC

30 Cecil Street
#10-01/02 Prudential Tower
Singapore 049712

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

**Legal Advisors to the Joint Sponsors
and the Underwriters**

as to Hong Kong law
Jingtian & Gongcheng LLP
Suites 3203-3207, 32/F
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

as to PRC law
Jingtian & Gongcheng
45/F, K. Wah Centre
1010 Huaihai Road(M), Xuhui District
Shanghai, PRC

Auditor and Reporting Accountants

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

Shanghai iResearch Co. Ltd.
3/F, Building H, Xuhui Wanke Centre
No.9333 Hu Min Road, Xu Hui District
Shanghai, PRC

Receiving Bank

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

Sub-receiving Bank

China CITIC Bank International Limited
80 Floor, International Commerce Centre
1 Austin Road West, Kowloon
Hong Kong

CORPORATE INFORMATION

Registered office	PO Box 309, Ugland House Grand Cayman KY1-1104 Cayman Islands
Headquarters and Principal Place of Business in the PRC	Floors 1-4, Building Q No.66 Boxia Road Pudong New District Shanghai, PRC
Principal place of business in Hong Kong	5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Company's website	www.qiniu.ltd <i>(information contained in this website does not form part of this prospectus)</i>
Joint company secretaries	Mr. Zhang Yuanhao Floors 1-4, Building Q No.66 Boxia Road Pudong New District Shanghai, PRC Ms. Tam Sze Wai Sara 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorized representatives	Mr. Xu Shiwei Room 1002, No.7, Lane 801 Sakura Road, Huamu Town Pudong New District Shanghai, PRC Ms. Tam Sze Wai Sara 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Audit committee	Mr. Zhou Zheng (<i>Chairman</i>) Dr. Shi Qing Mr. Wei Shaojun

CORPORATE INFORMATION

Remuneration committee	Dr. Shi Qing (<i>Chairman</i>) Mr. Xu Shiwei Mr. Zhou Zheng Mr. Wei Shaojun
Nomination committee	Mr. Xu Shiwei (<i>Chairman</i>) Mr. Zhou Zheng Dr. Shi Qing Mr. Wei Shaojun
Compliance advisor	Shenwan Hongyuan Capital (H.K.) Limited Level 6, Three Pacific Place 1 Queen's Road East, Hong Kong
Principal Share Registrar	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong Share Registrar	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Principal banks	Bank of Jiangsu Co., Ltd., Shanghai Changning Branch 686-1 Lin, Gubei Road Changning District Shanghai, PRC Shanghai Pudong Development Bank, Yangpu Branch 1296 Xuchang Road Yangpu District Shanghai, PRC China Merchants Bank Co., Ltd., Shanghai Branch Changle Sub-branch 801 Changle Road Xuhui District Shanghai, PRC Bank of China, Shanghai, Pudong Branch 838 Zhang Yang Road Pudong New District Shanghai, PRC

INDUSTRY OVERVIEW

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

SOURCE OF INFORMATION

In connection with the Global Offering, we commissioned iResearch to conduct research and analysis of, and produce a report (the “**iResearch Report**”) on, the audiovisual cloud service market in China. Founded in 2002, iResearch is a PRC-based independent market research institution that provides professional industry analysis, data insights, market research, strategic consulting and digital solutions to clients. We have agreed to pay a commission fee of RMB600,000 for the iResearch Report.

During the preparation of the iResearch Report, iResearch performed both primary and secondary research, and obtained knowledge, statistics, information and industry insights on the industry trends of the audiovisual cloud service market in China. Primary research was conducted via interviews with key industry experts and leading industry participants. Secondary research involved analyzing data from various publicly available data sources, such as the PRC National Bureau of Statistics, other government departments and various industry associations, publications and studies by industry experts, public company annual and quarterly reports, iResearch’s other research reports, online resources and data from iResearch’s research database.

iResearch’s projection on the size of the related markets in China takes into consideration various factors, including (i) historical market size data, (ii) the public filings of, and other publicly available information regarding the audiovisual cloud service market, (iii) the projections of other industry experts, and (iv) views and estimates of industry developments. iResearch has prepared the iResearch Report on the assumptions that (i) the social, economic and political environments of China will remain stable during the forecast period, which ensures a sustainable and steady development of the audiovisual cloud service market, (ii) the data quoted from authoritative agencies remain unchanged, (iii) related key industry drivers remain relevant and applicable in the forecast period, and (iv) there will be no subversive changes to the related industries.

Except as otherwise noted, all the data and forecasts in this section are derived from the iResearch Report. Our Directors have confirmed, to the best of their knowledge, after making reasonable enquiries, there is no adverse change in the market information since the date of the iResearch Report which may qualify, contradict or impact the information disclosed in this section.

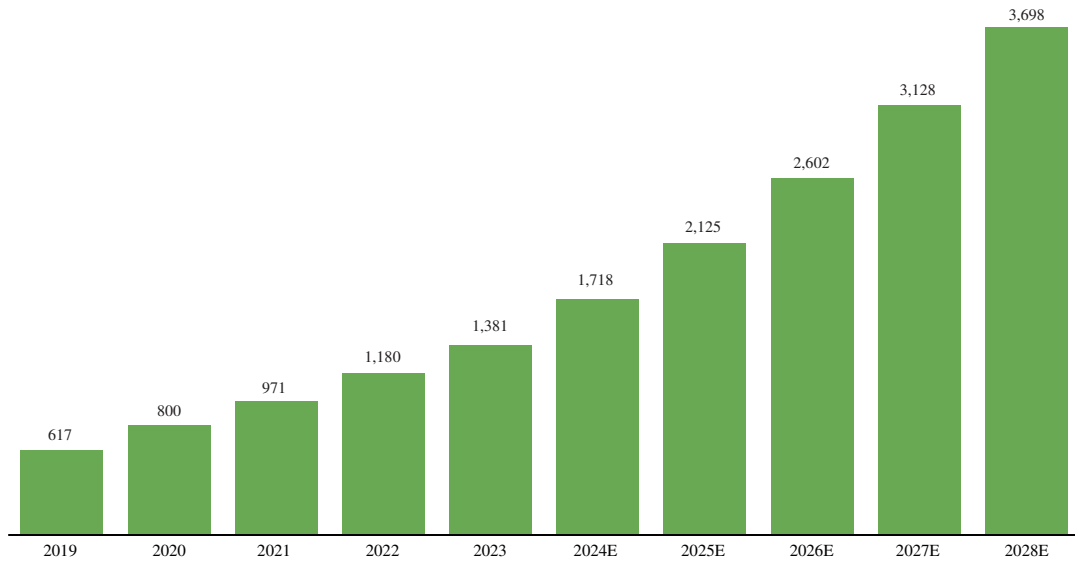
INDUSTRY OVERVIEW

THE AUDIOVISUAL MARKET IN CHINA

With developments in network technology and increasing popularity of audiovisual, the audiovisual market in China continues to expand and many segments of the market have emerged, including long video, short video, live streaming, RTC, and their related services such as content production and audiovisual cloud services. In 2023, the size of the audiovisual market in China was approximately RMB1.4 trillion and is expected to continue to grow at a CAGR of 21.8% from 2023 to 2028.

Audiovisual Market Size in China¹, 2019-2028E

RMB billion



Source: The Game Working Committee of China Audio and Digital Association, China Game Industry Research Institute, iResearch

Note:

1. The size of the audiovisual market includes revenue from online video advertising and payment, short video and live streaming, online audio, intelligent speech, virtual reality, cloud services and other markets.

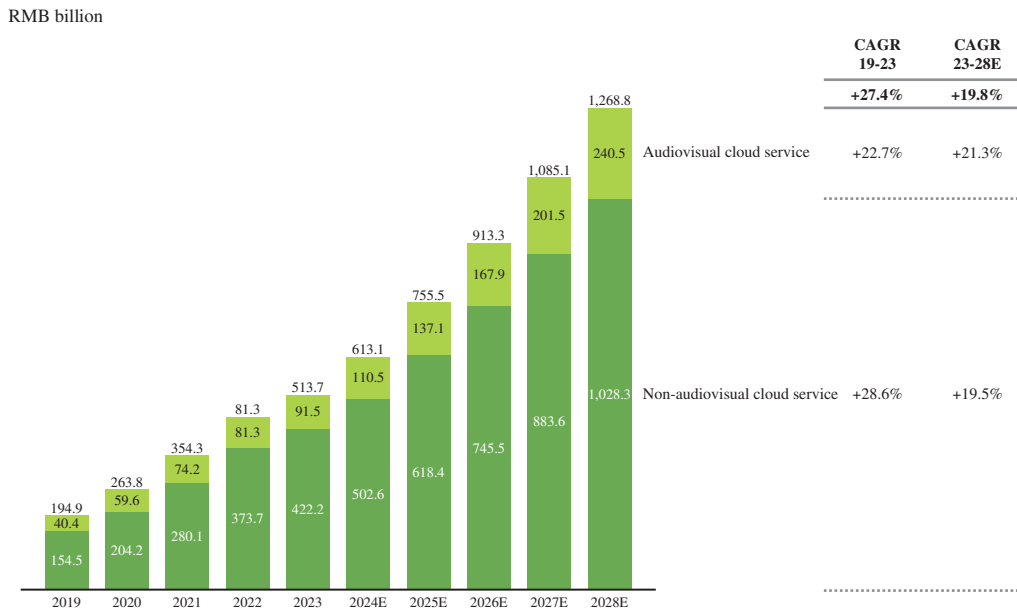
THE CLOUD SERVICE MARKET IN CHINA

The cloud service market in China include cloud services related to audiovisual cloud, AI cloud, governmental cloud, retail and catering cloud, industrial cloud, office automation (OA) and big data, and others. The cloud service market in China reached RMB513.7 billion in 2023. Audiovisual cloud service market reached RMB91.5 billion and accounted for 17.8% of the total cloud service market in China in 2023. Driven by the increasing demand for computing power and the development of AIGC, it is expected that the cloud service market in China will continue to grow and will reach RMB1,268.8 billion in 2028. Audiovisual cloud service market is expect to reached RMB240.5 billion and account for 19.0% of the total cloud service market in China in 2028.

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The cloud service market in China can be divided into audiovisual and non-audiovisual cloud services market by type of content or data managed. Audiovisual cloud services refers to the producing, storing, processing, distributing, analyzing, auditing, retrieving, and recommending unstructured audiovisual content in multi-media formats. Such audiovisual content includes audio recordings, short videos, livestreaming videos, music and images. Non-audiovisual cloud services refers to the producing, storing, processing, distributing, analyzing, auditing, retrieving, and recommending content other than audiovisual content. Such content includes structured data, such as financial data, client contact lists, and other data with standardized tabular formats, accessible by enterprise resource planning (“ERP”), customer relationship management (“CRM”), and other similar databases, as well as certain unstructured data unrelated to audiovisual content, such as texts, emails, documents, developed applications and programs, etc.

Market size of cloud service market in China, 2019-2028E



Source: China Academy of Information and Communications Technology, iResearch

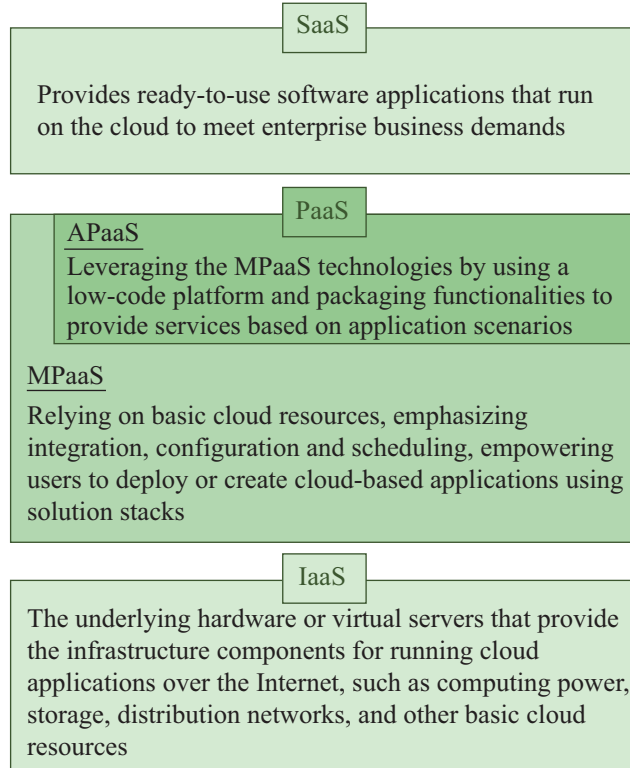
INDUSTRY OVERVIEW

THE AUDIOVISUAL CLOUD SERVICE MARKET IN CHINA

Types of Audiovisual Cloud Services

Audiovisual cloud services are based on cloud computing technology and tailored to the specific requirements of the production, storage, processing, distribution, analysis, auditing, retrieval and recommendation of videos and audios.

The audiovisual cloud service market in China can be divided into SaaS, PaaS and IaaS markets:



Source: iResearch

By background of service providers, audiovisual cloud service market participants in China can be divided into (i) non-independent audiovisual cloud service providers, which have affiliate companies providing services of other audiovisual segments in addition to audiovisual cloud services and can benefit from the ecosystem composed of their affiliate companies; and (ii) independent audiovisual cloud service providers, which generally focus on audiovisual cloud services as their main business.

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The following chart compares the features of various types of audiovisual cloud services, namely SaaS, APaaS, MPaaS and IaaS:

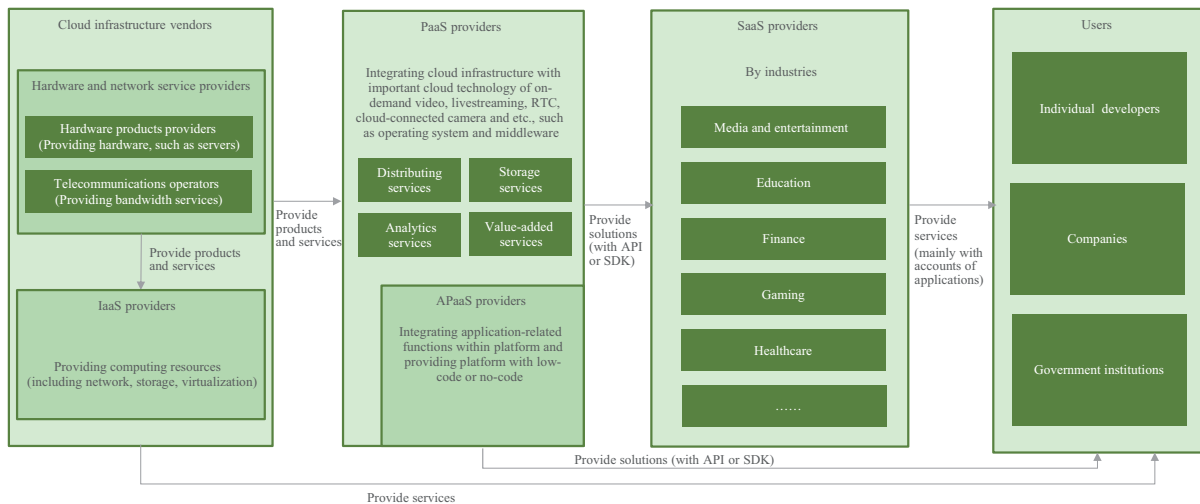
Type of cloud service	Product/ service form	Accessibility	User group	Application development efficiency	Application development threshold	Degree of application customizability	Maintenance cost	Data usage efficiency
SaaS	Business-oriented software product or services	High	Business personnel	No customer development required		Low	Low	Low
APaaS	Zero-code platform	High	Business personnel	High	Low	Relatively high	Low	High
	Low-code platform		Entry-level developers	Medium	Medium	Relatively high	Medium	
MPaaS	Pro-code platform	Low	Professional developers	Low	High	High	High	
IaaS	Infrastructure which provides essential resources	Low	Professional developers	Not applicable as IaaS is not directly related to application				Not applicable

Source: iResearch

Note:

- Given the complex workflow involved in delivering audiovisual cloud services, low-code platform is and will remain the mainstream technology in accessing audiovisual APaaS solutions in the industry in the near future.
- Pro-code platform refers to an approach to building applications through extensive coding input by professional developers. Pro-code platforms offer a high degree of flexibility and control, enabling the creation of highly customized and complex applications, while at the same time requiring longer development cycle and higher development costs.

Value Chain of Audiovisual Cloud Service Market in China



Source: iResearch

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Cloud products and services are provided along the value chain of the audiovisual cloud service market. Cloud infrastructure vendors provide cloud products and services to PaaS providers and end users. PaaS providers provide solutions with API or SDK to SaaS providers. Meanwhile, PaaS providers may directly serve end users using APaaS solutions. SaaS providers usually provide specific applications to end users built on the solutions powered by PaaS providers and cloud infrastructure vendors.

Size of Audiovisual Cloud Service Market in China

Driven by upgrade of network infrastructure, iteration of audiovisual transmission technologies, and other factors, audiovisual service latency has gradually reduced and the application in various industries has been developed, resulting in the growth of the audiovisual cloud service market in China. In 2023, the size of the audiovisual cloud service market in China reached RMB91.5 billion. According to iResearch, the audiovisual cloud service market in China will continue to grow at a CAGR of 21.3% from 2023 to 2028, reaching RMB240.5 billion by 2028.

The audiovisual cloud service market in China can be divided into SaaS, PaaS and IaaS markets. IaaS is an essential component and the underlying infrastructure of audiovisual cloud. SaaS provides standardized applications. However, customers in the audiovisual market in China have highly differentiated needs, resulting in a bottleneck in the development of the SaaS market. With the development of audiovisual applications in various industries, the market share of PaaS, which has potential for further development, is expected to rapidly increase. The market share of PaaS in the audiovisual cloud service market is expected to increase from 24.9% in 2023 to 32.3% in 2028. With the applicability of low-code solutions addressing differentiated demand of the market, audiovisual APaaS is expected to see significant growth.

Market Size of Audiovisual Cloud Service Market in China¹, 2019-2028E



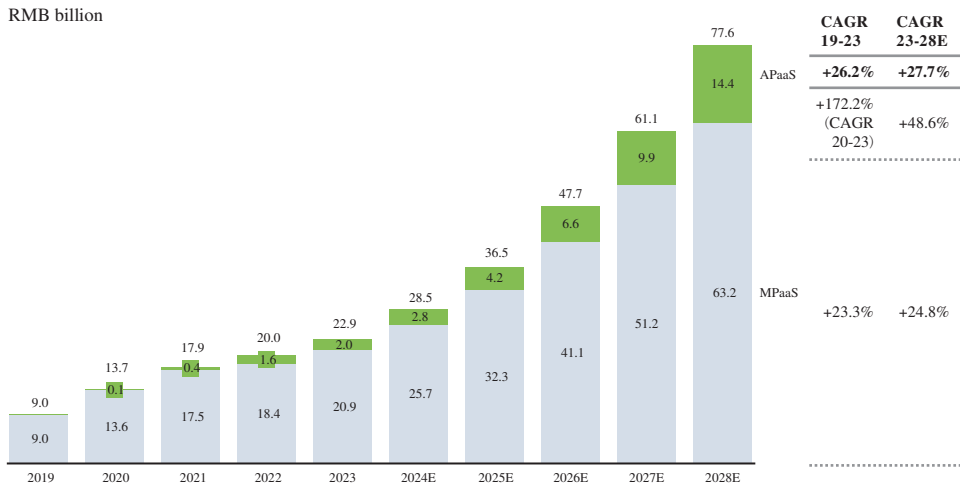
Source: Expert interviews, iResearch

INDUSTRY OVERVIEW

Notes:

1. The market size is calculated based on the total revenue of audiovisual cloud service providers.
2. Any discrepancies in the chart between totals and sums of amounts listed therein are due to rounding.

Market Size of Audiovisual PaaS Market in China¹, 2019-2028E



Source: Expert interviews, iResearch

Notes:

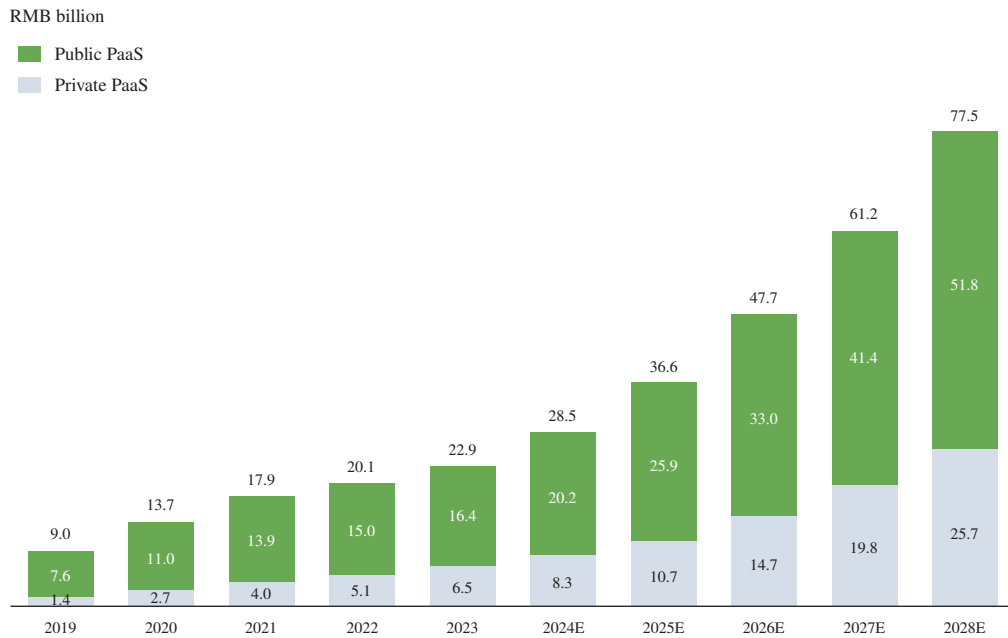
1. The market size is calculated based on the total revenue of audiovisual PaaS providers.
2. Any discrepancies in the chart between totals and sums of amounts listed therein are due to rounding.

Audiovisual PaaS can be delivered through public and private clouds. With public PaaS, customers share infrastructure, including database, servers and storage system, etc., that PaaS vendors provide and manage, and deliver over the internet. Customers usually pay service fees based on utilization and duration of usage. Public PaaS is less costly for customers as it requires less maintenance cost and is more scalable. In 2023, market size of public audiovisual PaaS reached RMB16.4 billion, accounting for 71.6% of the entire audiovisual PaaS market.

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Private PaaS works within the customers' private cloud and PaaS vendors help establish cloud environment on the customers' infrastructure, charging on a project basis. Infrastructure can be customized to cater to customers' preferences and rules. For example, customers may prefer to store data on their local servers and access the data within firewall. Private PaaS has advantages in conformity with security requirements. In 2023, market size of private audiovisual PaaS reached RMB6.5 billion, accounting for 28.4% of the entire audiovisual PaaS market.

Market size of audiovisual PaaS service market in China, 2019-2028E



Source: Expert interviews, iResearch

Service Fees and Cost Analysis of Audiovisual PaaS Market in China

The industry range of service fees for CDN, object storage, interactive live-stream, and media analytics provided on public cloud are set out as below:

- CDN services are usually charged based on usage and it is usually charged cumulatively by tier and by stage. The industry publish price range of CDN services in terms of traffic is around RMB0.1 to RMB0.25 per GB depending on actual data usage. In practice, charges vary significantly from publish prices due to different billing methods and different discounts provided by CDN service providers. CDN service providers have been steadily lowering their prices to seize market share during the Track Record Period.
- Object storage services are charged based on usage. The price of standard object storage services ranges from RMB0.02/GB/month to RMB0.15/GB/month in 2023 depending on different charging items. The service fees for object storage services have experienced slight increase during the Track Record Period due to its better support for the storage of unstructured data, such as graphs, audio and video.
- Interactive live-stream services are charged based on usage, and its price could vary significantly depending on resolution ratio, latency rate, minutes used, etc.

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- Media analytics services are charged based on usage or API calls, and its price could vary significantly depending on the selection of specific media analytic functions.

The service fees for APaaS provided on public cloud are charged based on usage or API calls in the industry. The pricing of APaaS solutions could also vary significantly depending on factors such as application scenarios, selection of function modules, and others.

The service fees for MPaaS and APaaS provided on private cloud are charged on a project basis in the industry, which varies significantly depending on factors such as client scale, scope of services, customization needs, and others.

Relevant cost involved in the provision of MPaaS and APaaS solutions primarily include:

- Network and bandwidth purchased from network operators and cloud providers. Network and telecommunication resources cost witnessed a steady decrease during the track record period because of China taking measures to lower the average rates of broadband and dedicated Internet access services for enterprises.
- Server and storage costs. The price of servers has experienced an increase at the beginning of pandemic outbreak. The rise in prices is linked to ongoing chipset shortages, COVID-19 restrictions continuing to disrupt supply chains and increasing demand for online activities. The average price has subsequently declined and returned to a relatively stable level with the ease of supply chain disruptions.

Market Drivers of Audiovisual PaaS Market in China

Demand for social entertainment, video conferencing and other scenarios continues to diversify

In recent years, people tend to consume media and entertainment content on the Internet. In addition, new forms of entertainment such as short video and live streaming have gradually become an integral part of people's daily lives. With the rise of remote working driven by enterprise globalization and the COVID-19 pandemic, more enterprises are communicating and collaborating through video conferencing and remote collaboration tools. To support social entertainment, video conferencing and other scenarios, reliable audiovisual cloud services are essential. Audiovisual PaaS, which provides efficient, stable and development-enabled video processing, storage services, distribution services, among others, are crucial for meeting the increasing demand for audiovisual content.

Customers' demand for scalable, customizable, low-cost and highly efficient audiovisual cloud services is growing

As the popularity of the Internet and mobile devices continues to grow, users are increasingly demanding high quality audiovisual services. To meet these demands, audiovisual business requires flexible, efficient and scalable audiovisual cloud services that can quickly respond to changes in business development and user needs. Audiovisual PaaS provides open platforms and API interface based on packaged functionalities, allowing customers to develop customized solutions. This approach helps reduce development costs and improve efficiency.

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Advanced technologies including cloud computing, AI, and 5G technology continue to develop

The continuous development of cloud computing technology can provide scalable computing and storage resources to support the large-scale development of audiovisual cloud services and have contributed to the rise in market demand for audiovisual PaaS. Cloud computing technology provides elastic scalability, high availability, and flexibility for audiovisual PaaS service, enabling efficient storage, processing, and transmission of large volumes of audiovisual content. AI technology can intelligitize audiovisual cloud services from various perspectives including audio intelligent processing, video intelligent analysis, audiovisual intelligent recommendation, human-computer interaction, voice recognition, and AIGC. AI and AIGC technology can be widely deployed in automated editing of audiovisual contents, improving image and audio quality, generating original audiovisual contents from prompts, etc. With the empowerment of 5G network technology, the real-time transmission and cloud processing of audiovisual content will become smoother and more efficient. In addition, 5G network technology allows faster and more reliable audiovisual content transmission, making possible the pervasive distribution of high-definition videos, low-latency live-streaming, and many other audiovisual content. VR/AR technologies increase the consumption of video contents, such as live-streaming, video chats, in virtual reality or augmented reality devices, thereby increasing the usage of audiovisual PaaS services. The development of the advanced technologies and their operation in audiovisual cloud services have greatly contributed to the increase in market demand for audiovisual cloud services.

Entry Barriers of Audiovisual PaaS Market in China

Technical barriers

Technical capabilities covering multiple fields such as multimedia, network communication and cloud computing are required for audiovisual PaaS to achieve high reliability, high scalability, low latency and high definition. To provide high-quality audiovisual PaaS that effectively meets the business needs of their customers, PaaS providers need to possess competent technical capabilities.

Infrastructure resource barriers

The provision of audiovisual PaaS requires large-scale network equipment and server resources to provide data distribution and storage capabilities. Audiovisual PaaS also requires a large amount of bandwidth resources to ensure fast and stable transmission of audiovisual data. The stability of the infrastructure resources are crucial for the provision of audiovisual cloud services. As a result, PaaS providers need to maintain a stable and reliable quality of infrastructure resources, and strengthen the management and optimization of infrastructure resources to improve resource utilization and reduce operational costs.

Brand barriers

The reputation of audiovisual PaaS providers is mainly built upon their service quality and customer satisfaction. Customers generally choose an audiovisual PaaS provider based on the sufficiency of service coverage, service quality and after-sales support for audiovisual encoding and decoding, audiovisual transmission, live streaming, VoD, RTC services, among others. As a result, providers with good reputation and long service track record are more likely to attract customers.

INDUSTRY OVERVIEW

Development Trends of Audiovisual PaaS Market in China

PaaS is becoming increasingly popular among audiovisual cloud services, and has become a new growth driver for cloud service providers

There has been an emerging trend of “narrowing the gap between demand and solution” in audiovisual cloud services. Customers prefer to directly purchase a set of solutions that can simultaneously meet their demand for infrastructure resource allocation, customizability and high usability, compared to the original service process from IaaS to PaaS to SaaS and finally to customers. PaaS, as the middle tier between SaaS and IaaS, is most likely to have both general and application capabilities. Through continuous improvement in customer understanding, PaaS providers are expected to launch more solutions, and bring new growth for cloud services.

More audiovisual cloud service providers are making efforts to provide APaaS

With the advantages of easy deployment and scalability of APaaS, service providers in the industry have devoted more attention to low-code solutions. Starting from 2021, many service providers have begun to introduce APaaS, in the form of low-code solutions, and even begun to make efforts towards becoming APaaS providers. Currently, service providers launch APaaS mainly by packaging SDKs which contain basic UI and functionalities. The emergence of APaaS has addressed the shortcomings of other service models, such as MPaaS which has a high development capability requirement to customers and SaaS which has low customizability. APaaS allows customers to take the initiative in development, while reducing development costs and shortening development cycles.

Innovative integration of cloud technology with AI, AIGC and VR/AR will accelerate the use of PaaS in more scenarios

As emerging technologies such as AI, AIGC and VR/AR are increasingly being utilized, audiovisual, as an important medium, will most likely play a part in the implementation of emerging technologies on the cloud including:

- Cloud rendering: Cloud rendering technology moves rendering work to the cloud to meet the requirements of complex computing and real-time rendering, and address bottlenecks in the metaverse applications;
- Digital person: Digital person technology presents the characters vividly by combining rendering, voice generation, animation generation, audiovisual synthesis display and interaction.

In the future, the integration of audiovisual cloud technology and emerging technologies are expected to penetrate more industries, including film and television, Internet media, games, finance, culture and tourism, healthcare and manufacturing.

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Challenges of Audiovisual PaaS Market in China

Interactive revolution is limited by hardware and network

Audiovisual is an important medium in the metaverse and Web 3.0 revolution. The ultimate realization of interaction in the metaverse and Web 3.0 requires hardware to achieve holographic images and visual effects. The hardware or hardware-related technological breakthroughs will have an impact on the practical application of audiovisual cloud services in the interactive revolution. In addition, the interactive revolution requires high-speed network to transmit large amounts of data and to ensure data security, which poses certain requirements on the network transmission technology.

Competition in the PaaS market is becoming increasingly fierce

The prospects of development not only offer opportunities, but also bring potential and fierce competition to market participants. As the market share of PaaS is expected to rapidly increase, IaaS and SaaS providers have started to compete in the PaaS market, and the competition between non-independent audiovisual cloud service providers and independent audiovisual cloud service providers have become fierce. The influx of market participants will also bring new challenges. Going forward, in the increasingly competitive environment, the technical capabilities, business development capabilities and scenario understanding of market participants will become key measures of competitiveness and establish entry barriers.

IaaS providers have entered audiovisual PaaS market and are competing with existing PaaS service providers, but IaaS providers may fall short of necessary technical expertise and scenario knowledge, which have been the major competitive advantage of long-established PaaS providers. For details, please refer to the paragraph headed “— Entry Barriers of Audiovisual PaaS Market in China” in this section.

Unlike IaaS market, which lays the basic infrastructure and is applicable across all scenarios, PaaS market is more fragmented with scenario-focused needs, such as industrial, operational, governmental, retail, and audiovisual service needs. It is difficult for IaaS providers to cater to all the needs with quality. In addition, IaaS providers are limited in their capacity and capability in exploring niche business opportunities, and PaaS providers have more channels for reaching more end customers.

It is possible that market participants would reduce price in an attempt to obtain competitive advantage. However, price may not be the sole consideration for customers of PaaS as they would also consider a variety of factors, for example the overall data security and reliability, and value-added services available to them.

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Overview of Audiovisual APaaS Market in China

History of audiovisual APaaS

Since 2019, with the completion of initial market education for APaaS, the audiovisual APaaS has started to penetrate into the market. From 2019 to 2020, audiovisual APaaS products in China entered the trial stage, and the product prototypes appeared. Audiovisual cloud service providers in China began to launch audiovisual APaaS products. However, most of the products provided were in the general service package in the form of beta or free trials. As a result, most providers had not explicitly identified those products as APaaS. In 2021, the audiovisual APaaS started to commercialize in scale. Since 2022, the market demand for audiovisual APaaS has started to increase rapidly. The easy access and scalable features of APaaS are expected to be crucial in the future era. Since 2023, the audiovisual APaaS industry has begun to explore the use of AIGC. Service providers have started to integrate AIGC technology into their audiovisual APaaS products to enhance their product functionality and efficiency. The incorporation of AIGC technology into audiovisual APaaS products is expected to empower creative conception, content innovation, and intelligent content generation.

In terms of the demand, as customers require more lightweight and integrated audiovisual cloud service, audiovisual APaaS that integrates multiple functionalities can meet this demand. In addition, corporate customers require low-code solutions that are easy to use, rapidly deployable and readily expandable which can also be satisfied by audiovisual APaaS. Low-code solutions are and will remain the mainstream technology in the industry in the near future.

In terms of value for service providers, the audiovisual APaaS providers can use a business model that can penetrate into new scenarios and be quickly replicated after the customer needs are translated into solutions. In addition, the audiovisual PaaS providers may utilize their own PaaS capabilities and resources to expand APaaS business. As a result, it is easier for PaaS providers to develop APaaS compared to others.

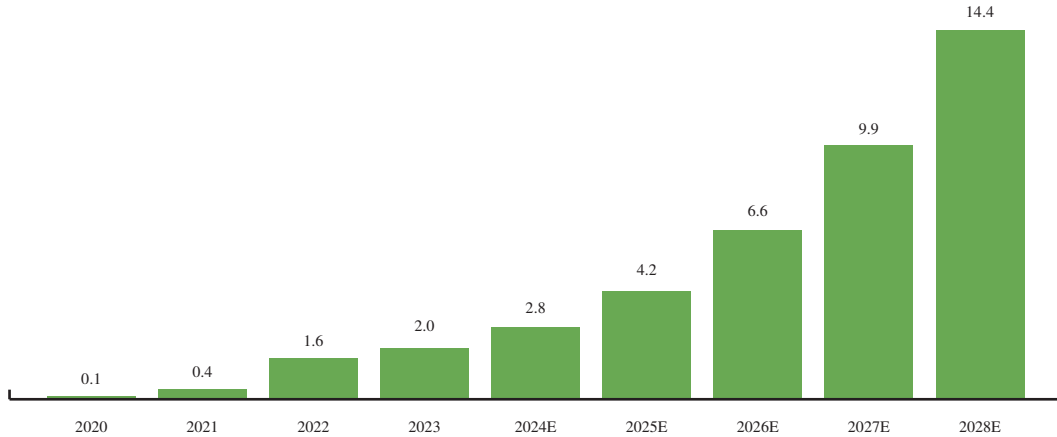
Size, growth potential and penetration rate of audiovisual APaaS market in China

In 2023, the size of the audiovisual APaaS market in China reached RMB2.0 billion, with a penetration rate of 5.2% in the PaaS and SaaS markets of audiovisual cloud services. According to iResearch, by 2028, the size of the audiovisual APaaS market is expected to reach RMB14.4 billion, with a penetration rate of 12.1% and a CAGR of 48.6% from 2023 to 2028. PaaS and SaaS often intersect and APaaS and SaaS can serve as substitutes to one another. With the applicability of low-code solutions addressing differentiated demand of the market, APaaS is expected to gradually capture some of the market share of MPaaS and SaaS, and penetrate into the audiovisual PaaS market and the audiovisual SaaS market.

INDUSTRY OVERVIEW

Market Size of Audiovisual APaaS Market in China¹, 2020²-2028E

RMB billion



Source: Expert interviews, iResearch

Notes:

1. The market size is calculated based on the total revenue of audiovisual APaaS providers.
2. APaaS solutions were first commercialized in the industry in 2020 and therefore the APaaS market size data first became available in 2020.
3. Any discrepancies in the chart between totals and sums of amounts listed therein are due to rounding.

The audiovisual PaaS market can be divided into the audiovisual MPaaS market and the audiovisual APaaS market. As a sub-segment within the PaaS market, the audiovisual APaaS market has certain similar market drivers, entry barriers and development trends as the audiovisual PaaS market. In addition, the audiovisual APaaS market distinguishes itself from the audiovisual PaaS market with the following unique drivers, entry barriers and development trends.

Market Drivers of Audiovisual APaaS Market in China

Continuous scenario penetration

In the social entertainment scenario, virtual reality applications will likely lead to the growth of audiovisual cloud services, and the ability of APaaS to quickly launch applications makes it possible for rapid expansion. In addition, APaaS applications are gradually integrated to reshape existing business and audiovisual cloud services may bring in live streaming to marketing, visual sensing to automatic driving, remote maintenance to manufacturing, and other applications.

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Improvement of functions

In addition to basic services such as audiovisual transmission, production and processing, more scenario-based value-added services have been developed at customers' business level, such as traffic management in corporate live streaming and AI editing in new media. These new services added more practical features to APaaS, as well as providing customers with services of value. Different from PaaS, APaaS may be able to derive more diversified revenue sources with higher premium services. In addition, integrating multiple technologies in relation to VoD, live-streaming and RTC may further drive up the profitability of APaaS products.

Entry Barriers of Audiovisual APaaS Market in China

Technology barrier

In addition to the complex R&D process of audiovisual technology, full stack self-developed audiovisual APaaS solutions have even higher development barriers with platform-based, scenario-specific, and commercializable features. As a result, audiovisual APaaS providers that lack technical R&D and iterative capabilities will likely face the risk of losing competitiveness.

In recent years, audiovisual IaaS, PaaS and SaaS service providers have begun to expand their offerings to audiovisual APaaS. As compared to audiovisual IaaS and SaaS providers, audiovisual PaaS providers can leverage their existing PaaS capabilities and resources and have technical advantages. The expansion into APaaS business requires service providers to re-construct their platform and develop scenario-based solutions, which has a technical threshold and development cycle.

Scenario knowledge barrier

The audiovisual APaaS integrates different functionalities with scenario-specific knowledge using low-code platform. As a result, service providers will be able to deliver scenario-based solutions that directly address customers' needs only if they have in-depth understanding of customers' business processes. New entrants are unlikely to accumulate a deep understanding of multiple audiovisual scenarios in a short time.

Customer resource barrier

Audiovisual APaaS providers may improve audiovisual technology capabilities, scenario understandings, and customer service capabilities by accumulating experiences in providing services to different customers. As audiovisual APaaS solutions may be swiftly replicated to different customers, high-quality audiovisual APaaS solutions that have been validated by customers are more likely to win purchase orders and build customer loyalty. Lacking sufficient customer service experience and competitive products, new entrants may face difficulties in securing customer orders.

INDUSTRY OVERVIEW

Product capability matrix barrier

Audiovisual APaaS provides an integrated service package with a variety of audiovisual service components. Audiovisual APaaS providers are not only required to have a set of mature audiovisual general functionalities, such as VoD, live streaming and RTC, but are also required to accumulate various scenario-based plugins, such as bullet chat, camera filter, and content auditing. As a result, an audiovisual APaaS provider with diversified product capabilities will be able to better meet the growing demand of customers and gain a favorable competitive position in the market.

Development Trends of Audiovisual APaaS Market in China

Integrated APaaS products will expand to more scenarios and add real value to customer's business

Audiovisual APaaS products that can be quickly launched and customized will be better integrated with customers' business and generate real values. For example, using remote maintenance instead of on-site maintenance in manufacturing can significantly reduce operating costs. Financial companies may also use audiovisual cloud technologies for claims settlement.

Technology is developing towards high definition, low latency, strong immersion and interaction

By improving resolution, frame rate and color gamut, videos will be ever closer to reality. By reducing latency, time interval between video presentation and capture will continue to narrow. The technology can also be applied to automatic driving that has high audiovisual latency requirement. Furthermore, the metaverse and Web 3.0 will require audiovisual technologies to create future-oriented perceptual experiences.

AIGC technology is expected to drive changes in audiovisual APaaS industry

"AIGC + audiovisual APaaS" is expected to emerge as a new form of audiovisual APaaS in the future, allowing users to automatically generate content and assemble a complete audiovisual application with simple input. Compared to existing audiovisual APaaS products, "AIGC + audiovisual APaaS" offers certain advantages, including increased efficiency, convenience, and ease of application generation. AI generated code, a subfield of AIGC (AI generated content), has the potential to improve the efficiency and code quality through the use of AI.

Deepened cooperation among audiovisual APaaS providers

Future trend in the audiovisual APaaS market is expected to be characterized by increasing cooperation among service providers. As more scenarios are created in APaaS and it becomes increasingly difficult for a service provider to cover a full range of scenarios, audiovisual APaaS providers may cooperate with each other to achieve efficiency. Individual service providers may provide infrastructure resources, technologies or industry know-how in a specific scenario in order to benefit from the integrated output. Service providers may also benefit from participating third-party developers to enrich the functionalities and capabilities of their audiovisual cloud services. In this process, leading service providers may benefit from open and established platforms with wide scenario coverage.

INDUSTRY OVERVIEW

CDN, object storage service and hardware markets in China

CDN, object storage service and hardware represent the major sub-segments in the audiovisual PaaS market. According to iResearch, in 2023, the size of the CDN services in audiovisual PaaS market in China reached RMB9.7 billion. By 2028, the size of the market is expected to reach RMB23.8 billion, with a CAGR of 19.8% from 2023 to 2028. According to iResearch, the size of the storage services market in the audiovisual PaaS market in China was RMB5.8 billion in 2023 and is expected to reach RMB20.0 billion by 2028, with a CAGR of 28.2% from 2023 to 2028. According to iResearch, in 2023, the size of the server hardware market in audiovisual PaaS market in China reached RMB3.2 billion. By 2028, the size of the market is expected to reach RMB9.3 billion, with a CAGR of 24.0% from 2023 to 2028. The table below sets forth the market prices and cost trends of the CDN, object storage service and hardware markets in China.

	Market price	Cost
CDN	<p>CDN services are usually charged based on usage, and it is usually charged cumulatively by tier by stage. In practice, charges vary significantly due to different billing methods and different discounts provided by CDN service providers. Therefore, publish price is listed for reference. The industry average price of CDN services in terms of monthly peak bandwidth is around 7 RMB/Mbps/month to 8 RMB/Mbps/month. From 2014 to 2021, CDN service providers have been steadily lowering their prices to seize market share. Going forward, CDN price is expected to be on a steady decreasing trend in line with its cost decline. CDN price decreased by 16% from 2021 to 2022 and there was a slow down in the decline of CDN price, which decreased by around 5% from 2022 to 2023.</p>	<p>Relevant cost involved in CDN primarily include network and bandwidth costs.</p> <ul style="list-style-type: none"> • Network and bandwidth are purchased from network operators and cloud providers. Network and telecommunication resources witnessed a steady decrease during the Track Record Period. Tracking the price trends of network and bandwidth across different operators is difficult due to the fluctuating discounts offered for varying usage levels and various promotional activities. Instead, based on the results of expert interviews performed by iResearch, there has been a single-digit decline in the network and bandwidth prices of the operators during the Track Record Period. It is expected that the prices of network and bandwidth will continue to decrease due to intensified competition among telecom carriers and China government is taking measures to lower the average rates of broadband and dedicated Internet access services for enterprises.

INDUSTRY OVERVIEW

	Market price	Cost
Object storage service (“OSS”)	<p>Object storage services are charged based on usage, ranging from 0.02RMB/GB/month to 0.15 RMB/GB/month in 2023. The service fees for object storage services have experienced moderate increase during track record period due to its better support for the storage of unstructured data, such as graphs, audio and video.</p>	<p>Relevant cost involved in OSS primarily include server and storage costs.</p> <ul style="list-style-type: none">• Server and storage costs. The global average price of servers rose from USD8,048.7 per unit to USD10,427.1 per unit from 2021 to 2023, representing a CAGR of 13.8% during the same period, according to IDC and Counterpoint Research. The price of servers has experienced an increase at the beginning of pandemic outbreak. The rise in prices is linked to ongoing chipset shortages, COVID-19 restrictions continuing to disrupt supply chains and increasing demand for online activities. The average price has gradually declined before increased again in 2023 because of the impact of supplier production reductions and resurgence of consumer market demand. It is anticipated that this fluctuating trend influenced by supply and demand dynamics and technology advancement will continue in the future. <p>The global price of storage units has been relatively stable during the Track Record Period, according to Statista. It slight increased from USD13.5 in 2021 per unit to USD14.1 per unit in 2023 with a CAGR of 2.2% and is expected to continue this stable trend.</p>

INDUSTRY OVERVIEW

	Market price	Cost
Server hardware	<p>The price of servers could vary significantly depending on processor speed, memory capacity, storage size, and software features provided, etc.</p>	<p>The global average price of servers rose from USD8,048.7 per unit to USD10,427.1 per unit from 2021 to 2023, representing a CAGR of 13.8% during the same period, according to IDC and Counterpoint Research. Relevant cost involved in servers primarily include hard disks and other components. Due to the supply chain shortages during the early stages of the pandemic and followed by a subsequent slowdown in consumer market demand, the prices of major storage hardware components have exhibited an initial increase and then a decrease. Recently, the impact of supplier production reductions and resurgence of consumer market demand drives the prices increase again. It is anticipated that this fluctuating trend influenced by supply and demand dynamics and technology advancement will continue in the future.</p>

COMPETITIVE LANDSCAPE

In 2023, the top five service providers contributed to a total of 39.2% of the market share in terms of revenue of the audiovisual PaaS market in China, among which we ranked third with a revenue of RMB1.33 billion, accounting for 5.8% of the market share. The following table sets forth the top five service providers in the audiovisual PaaS market in China in terms of revenue in 2023.

INDUSTRY OVERVIEW

Ranking of audiovisual PaaS market of China in 2023

No.	Company	Whether it is an independent audiovisual cloud service provider	Comparable revenue ¹ <i>RMB billion</i>	Market share %
1	Competitor A ²	x	3.89	17.0
2	Competitor B ³	x	1.47	6.4
3	Our Group	√	1.33	5.8
4	Competitor C ⁴	x	1.31	5.7
5	Competitor D ⁵	√	0.99	4.3
Top five service providers			8.99	39.2
Total market size			22.9	100.0

Source: *iResearch*

Notes:

1. Comparable revenue is based on the revenue of audiovisual PaaS business of the companies.
2. Competitor A, founded in 2009, is a company providing cloud computing and artificial intelligence services. It is a subsidiary of a company that was listed on the New York Stock Exchange in 2014 and had its secondary listing on the Hong Kong Stock Exchange in 2019.
3. Competitor B, founded in 2010, is a China-based technology company that provides globalized cloud products and services. It is a subsidiary of a company that was listed on the Stock Exchange in 2004.
4. Competitor C, founded in 2012, is a company focusing on cloud computing, big data, and AI services. It is a subsidiary of a company that was listed on the NASDAQ Global Select Market in 2005 and had its secondary listing on the Stock Exchange in 2021.
5. Competitor D, founded in 2014, is a company providing real-time voice and video engagement services. It was listed on the NASDAQ Global Select Market in 2020.
6. Any discrepancies in the table between totals and sums of amounts listed therein are due to rounding.

In 2023, the top five service providers contributed to a total of 48.1% of the market share in terms of revenue of the audiovisual APaaS market in China, among which we ranked second with a revenue of RMB0.28 billion in APaaS, accounting for 14.1% of the market share. The following table sets forth the top five service providers in the audiovisual APaaS market in China in terms of revenue in 2023.

INDUSTRY OVERVIEW

Ranking of audiovisual APaaS market of China in 2023

No.	Company	Whether it is an independent audiovisual cloud service provider	Comparable revenue ¹ <i>RMB billion</i>	Market share %
1	Competitor B	x	0.33	16.6
2	Our Group	√	0.28	14.1
3	Competitor A	x	0.19	9.5
4	Competitor C	x	0.10	4.9
5	Competitor E ²	√	0.06	3.0
Top five service providers			0.96	48.1
Total market size			2.0	100.0

Source: *iResearch*

Notes:

1. Comparable revenue is measured as the revenue generated from audiovisual APaaS business of the companies or the relevant revenue calculated based on an estimated percentage of the revenue from audiovisual PaaS. Only revenue generated from commercializable audiovisual APaaS products is included.
2. Competitor E, founded in 2010, provides an enterprise-level interactive video cloud platform in China. Competitor E is a private company and based on public information, it completed series D financing in the amount of RMB230 million in 2018.
3. Any discrepancies in the table between totals and sums of amounts listed therein are due to rounding.

REGULATORY OVERVIEW

OVERVIEW OF THE LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN CHINA

This section summarizes the most significant rules and regulations affecting our business activities in China or the right of shareholders to receive dividends or other distributions from us.

REGULATIONS RELATING TO FOREIGN INVESTMENT

The incorporation, operation and management of Chinese companies are mainly governed by the PRC Company Law (《中華人民共和國公司法》), as most recently amended in 2023 and became effective in July 1, 2024, which is applicable to both PRC domestic companies and foreign-invested companies. Investment activities of foreign investors in China are also governed by the FIL 2019, and shall be implemented with effect from January 1, 2020, together with the Implementing Regulation for the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) promulgated by the State Council on December 26, 2019 and the Interpretation of the Supreme People's Court on Several Issues Concerning the Application of the Foreign Investment Law of the PRC (《最高人民法院關於適用〈中華人民共和國外商投資法〉若干問題的解釋》) promulgated by the Supreme People's Court on December 26, 2019. The Law of the PRC on Foreign Investment and its Implementation Regulations supersede the previous three effective foreign investment laws and their respective implementation regulations, namely, the Law of the PRC on Sino-Foreign Equity Joint Ventures, the Law of the PRC on Sino-Foreign Cooperative Joint Ventures and the Law of the PRC on Wholly Foreign-owned Enterprises.

Pursuant to the FIL 2019, “foreign investment” refers to investment activities directly or indirectly conducted by foreign investors (including foreign individuals, enterprises and other foreign organizations), including the following circumstances: (i) the establishment of foreign-invested enterprises by foreign investors, either alone or together with other investors, (ii) the acquisition of shares, equities, property shares or other similar rights and interests in enterprises by foreign investors, (iii) the investment of foreign investors in new projects by foreign investors, either alone or together with other investors, and (iv) other circumstances stipulated in laws or administrative regulations, or by the State Council. The Implementing Regulations on the Foreign Investment Law of the PRC have introduced the “look-through” principle and further provided that investments made by foreign-invested enterprises in China should also be governed by the Foreign Investment Law of the PRC and its Implementing Regulations.

REGULATORY OVERVIEW

The FIL 2019 and its implementation regulations provide that the administration system of pre-establishment national treatment plus negative list is adopted for foreign investment, according to which, “pre-establishment national treatment” refers to granting to foreign investors and their investments treatment at the investment access stage no less favorable than that granted to domestic investors and their investments, except for foreign investments in “restricted” or “prohibited” investment sectors or industries, and the “negative list” refers to the special administrative measures on foreign investment access for foreign investment in the aforesaid “restricted” or “prohibited” investment sectors or industries, which are proposed by the State. Foreign investments outside the negative list are entitled to national treatment. Foreign investors are not allowed to make investments in the fields prohibited by the negative list, and in the fields restricted by the negative list, foreign investors shall comply with the special provisions on equity requirements, senior management personnel requirements, etc. At the same time, the relevant authorities, based on the needs of the national economy and social development, provide the catalogue of encouraged industries for foreign investment, specifying the special industries, fields and regions to encourage and guide foreign investors’ investments.

Currently, the industry entry licensing requirements governing foreign investors’ investment activities in China are set out in two catalogues, i.e., the Special Administrative Measures for Entry of Foreign Investment (Negative List) (2021 Edition) (《外商投資准入特別管理措施(負面清單)(2021年版)》) (“**Negative List**”), as promulgated by the NDRC and the MOFCOM on December 27, 2021, effective as of January 1, 2022, and the Catalogue of Encouraged Industries for Foreign Investment (2022 Edition) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Catalog**”, together with the Negative List, the “**Relevant PRC Regulations**”), as promulgated by the NDRC and the MOFCOM on October 26, 2022, effective as of January 1, 2023. Industries not listed in the two catalogues are generally deemed as “permitted” for foreign investments, unless otherwise specifically restricted by PRC laws.

Pursuant to the Implementation Regulations for the Foreign Investment Law of the PRC, the registration of foreign investment enterprises shall be handled by the SAMR or its authorized local counterparts. Where foreign investors invest in industries and fields for which licensing is required by law, unless otherwise stipulated by laws and administrative regulations, the relevant authorities in charge of implementation of licensing shall examine licensing applications of foreign investors under the criteria and procedures which are consistent with those for domestic investments, and shall not impose discriminatory requirements for foreign investors in terms of licensing criteria, application materials, examination and approval phases, examination and approval time frame etc. However, where a foreign investor proposes to invest in the industries or sectors set out in the Negative List but fails to meet the relevant requirements, the relevant authorities may not grant the license or grant the enterprise registration. Where a foreign investor invests in the sectors or sectors for which investment is prohibited by the Negative List, the relevant authorities shall order the foreign investor to cease the investment activities, dispose of the shares and assets thereof or adopt other necessary measures within a stipulated period, and restore the status before the investment; the illegal income, if any, shall be confiscated.

Pursuant to the FIL 2019 and its Implementation Regulations and the Measures on Reporting of Foreign Investment Information (《外商投資信息報告辦法》) jointly promulgated by the MOFCOM and the SAMR, effective January 1, 2020, a foreign investment information reporting mechanism shall be established, foreign investors or foreign investment enterprises shall submit investment information to the commerce authorities through the enterprise registration system and the National Enterprise Credit Information Publicity System, and the market regulatory authorities shall promptly forward the aforesaid investment information to the commerce authorities.

REGULATORY OVERVIEW

In addition, the MOFCOM shall establish a foreign investment information reporting mechanism to promptly receive and process the investment information forwarded by market regulatory authorities and the information shared by other authorities. Foreign investors or foreign investment enterprises shall submit investment information through submission of initial reports, change reports, deregistration reports, annual reports, etc. Besides, the Law stipulates that foreign-invested enterprises which were established in line with previous supervisory laws prior to the implementation of the Law are allowed to keep their original organizational forms within 5 years after the implementation of the Law.

In addition, the FIL 2019 and its implementation regulations also set forth other protective rules and principles for foreign investors and their investments in China, including, among others, that local governments shall fulfill their commitments to foreign investors, expropriation or requisition of foreign investors' investments, except under special circumstances, however, in special circumstances, the requisition or expropriation shall be carried out in accordance with statutory procedures and fair and reasonable compensation shall be promptly made, and forced technology transfers shall be prohibited.

With respect to foreign investments that affect or may affect the national security, a security review shall be carried out in accordance with the Measures for the Security Review of Foreign Investments (《外商投資安全審查辦法》) promulgated by the NDRC on December 19, 2020, and implemented as of January 18, 2021. According to the Measures, an office of the working mechanism for the security review of foreign investments, or working mechanism office shall be established to undertake the routine work of the security review of foreign investments. In addition, foreign investment in military industry and related fields of national defense and security, or foreign investment in areas around military facilities and military industry facilities, may lead to foreign investment in obtaining actual control of enterprises in several important fields, such as important agricultural products, important energy and resources, major equipment manufacturing, important Infrastructure, important transportation services, important cultural products and services, important information technology and Internet products and services, important financial services and key technology fields. Foreign investors or domestic parties involved in the aforesaid foreign investment shall voluntarily report to the working mechanism office before implementing the investment, and shall not implement the investment until the working mechanism office decides whether a safety review is necessary. Violators of the provisions may be ordered to make declaration within a specified time limit, dispose equities or assets and take other necessary measures to restore the equities or assets to the status before the implementation of the investment and eliminate impact on national security.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATIONS SERVICES

Regulations Related to Value-Added Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》), or the Telecommunications Regulations, promulgated by the State Council on September 25, 2000 and last revised in February 2016, is the primary regulation on telecommunications services. According to the Telecommunications Regulations, a telecommunications service provider must obtain a telecommunications business license from the MIIT or its provincial counterparts before commencing business operations, otherwise, the service provider may be ordered to rectify the situation, fined and have its illegal gains confiscated by the regulatory authorities. In serious cases, the service provider may be ordered to shut down its website.

REGULATORY OVERVIEW

According to the Telecommunications Regulations, all telecommunication services in China are classified as either basic telecommunication services or value-added telecommunication services, and value-added telecommunication services are defined as telecommunication and information services provided using public network infrastructure. The Administrative Measures for Telecommunication Business Licensing (《電信業務經營許可管理辦法》) was promulgated by the MIIT in July 2017, which provides more detailed provisions on the types of licenses required to operate value-added telecommunication services, the qualifications and procedures required to obtain such licenses, as well as the supervision and administration of such licenses.

The MIIT issued a catalog as an appendix to the Telecommunications Regulations or the Classification Catalog of Telecommunications Services (《電信業務分類目錄》), which was last revised in June 2019. According to the Classification Catalog of Telecommunications Services, Category 1 of the value-added telecommunication service includes “Internet Data Center Service” (including Internet Resource Collaboration Service (the “**IDC Service**”), “Content Delivery Network Service” (the “**CDN Service**”), “Domestic Internet Virtual Private Network Service” (the “**IP-VPN Service**”) and “Internet Access Service” (the “**ISP Service**”).

In addition, in 2012, MIIT promulgated the Circular of the Ministry of Industry and Information Technology on Further Regulating the Market Access for Internet Data Center Businesses 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》), or Circular No. 552, to further specify the requirements on capital, personnel, premises and facilities for operating Internet Data Centers and Internet Service Providers.

On January 17, 2017, the MIIT further issued the Circular of the Ministry of Industry and Information Technology on Cleaning up and Regulating the Internet Access Service Market (《工業和信息化部關於清理規範互聯網網絡接入服務市場的通知》) or the Circular, which emphasizes the requirements set out in Circular 552, and prohibits the operation of the markets of internet data center services, ISP services and CDN services without a license, beyond the geographical scope and beyond the business scope, and from “sub-leasing layer by layer”. The IDC and ISP enterprises shall not sublease the IP addresses, bandwidth and other network access resources that they obtain from the Chinese basic telecommunications operators to other enterprises for the operation of IDC services, ISP services or other business. Under the Circular, enterprises engaging in IDC, ISP or CDN business shall conduct comprehensive self-inspection and rectification, timely correct the relevant illegal activities and ensure their business operation is legal and compliant and the utilization of network facilities and circuit resources is standardized. The regulatory authorities shall urge irregular enterprises to make rectifications in a timely manner, and severely investigate and punish enterprises that refuse to make rectifications in accordance with the law; if the circumstances are serious, such enterprises may be deemed as failing to pass the annual inspection and be included in the bad credit record of enterprises, or their operation licenses may not be renewed upon expiration, and their cooperation with basic telecom operators are constantly being revised and developed.

REGULATORY OVERVIEW

Regulations on Restricting Foreign-invested Value-added Telecommunications Services

According to the Protocol on the Accession of the PRC (《中華人民共和國加入議定書》), which entered into force on November 10, 2001, China has committed to open telecommunication services, excluding Internet data center services, CDN services, IP-VPN services and ISP services. Pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement and Mainland (《內地與香港關於建立更緊密經貿關係的安排》) and Macao Closer Economic Partnership Arrangement (《內地與澳門關於建立更緊密經貿關係的安排》), as well as subsequent amendments from time to time, the Mainland has committed to open the aforesaid services to service providers from Hong Kong and Macao Special Administrative Regions subject to certain restrictions.

According to the Negative List and the Administrative Provisions on Foreign-invested Telecommunications Enterprises 2022, for the value-added telecommunications services opened up according to China's WTO accession commitment, the foreign equity ratio of a value-added telecommunications service shall not exceed 50%, unless otherwise provided by the PRC. In particular, the Administrative Provisions on Foreign-invested Telecommunications Enterprises 2022 has cancelled the previous requirement that the principal foreign investor of a foreign invested telecommunications enterprise engaging in value-added telecommunications services shall have a good track record and operating experience in managing value-added telecommunications services.

In July 2006, the predecessor of the MIIT issued the Notice of the Ministry of Information Industry on Strengthening the Administration of Foreign Investment in Value-added Telecommunications Business (《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》) or the Notice. Under the Notice, foreign investors which invest in telecom service in China must establish the foreign-invested enterprises, and apply for the telecom business license. The Notice further requires: (i) telecommunication enterprises within the territory of China shall neither lease, transfer or resell, in any form of transaction, any telecommunication business operation license to foreign investors, nor provide foreign investors with resources, venues, facilities and other conditions for illegal operation of telecommunication business; (ii) value-added telecommunication enterprises or their shareholders must directly own the domain names and trademarks used by such enterprises in their daily business; (iii) each value-added telecommunication enterprise must have the facilities necessary for the approved business operation, and maintain such facilities to the extent permitted by its license; and (iv) all value-added telecommunication service providers must maintain network and Internet security in accordance with the standards set forth in the relevant Chinese regulations. In the event that the Permit Holder fails to comply with the requirements specified in the Notice and correct the relevant non-compliance behavior, the MIIT or its local counterpart may, in its sole discretion, take such measures as revoking the value-added telecommunications business operation permit of such Permit Holder.

On January 12, 2017, the State Council issued the Circular on Several Measures Concerning the Expansion of Opening-up and the Active Use of Foreign Capital (《國務院關於擴大對外開放積極利用外資若干措施的通知》), or the Circular, which aims to relax restrictions on the entry of foreign capital into the service, manufacturing, mining and other sectors. In particular, the Circular aims to promote the orderly opening up of the sectors of telecommunications, internet, culture, education, transportation and transportation to foreign investors.

REGULATORY OVERVIEW

REGULATIONS RELATING TO CYBERSECURITY AND DATA SECURITY

The Decision of the Standing Committee of the National People's Congress on Internet Security Protection (《全國人民代表大會常務委員會關於維護互聯網安全的決定》) was formulated by the Standing Committee of the National People's Congress on December 28, 2000 and revised on August 27, 2009, which provides that the criminal liability shall be pursued for any of the following acts implemented via the Internet if such act constitutes a crime according to the laws of China: (i) Intrusion into any computer information system relating to state affairs, national defense construction or cutting-edge science and technology; (ii) Intentional making or spreading of computer viruses or other destructive programs to attack computer systems or communication networks, which result in damages to computer systems or communication networks; (iii) Unauthorized interruption of computer networks or communication service in violation of the relevant state provisions; (iv) Disclosing state secrets; (v) Spreading false commercial information; or (vi) Using Internet for any infringement upon the intellectual property of any person.

The Measures for the Administration of the Graded Protection of Information Security (《信息安全等級保護管理辦法》), the Measures, were released by the Ministry of Public Security, the State Secrecy Bureau, the State Cipher Code Administration and the Information Office of the State Council on June 22, 2007. The Measures divided the security protection of information systems into five grades based on the extent of the damages caused by the destruction of the information systems to the legal rights and interests of citizens, legal persons and other organizations, social order and public interests and national security. The Measures also require operators of information systems of Grade II or above to handle the record-filing procedures with the competent local public security authorities within 30 days after the security protection grade is determined or their information systems are put into operation.

The Provisions on the Technical Measures for the Protection of the Internet Security (《互聯網安全保護技術措施規定》), or Internet Security Protection Measures, was released by the Ministry of Public Security on December 13, 2005, which requires Internet service providers and entity users of a network to carry out the technical measures for the Protection of the Internet Security, such as the technical measures for preventing any matter or activity that may injure the Internet Security, such as computer viruses, invasion or attacks of the network, and requires all Internet access service providers to take measures to record and preserve the registration information of users. Under such measures, the VATS license holder must periodically upgrade the information security and content monitoring systems of its website, and must report to the local public security authorities any public dissemination of prohibited content. If a VATS license holder breaches such measures, the Ministry of Public Security and the local security organs may revoke its operating license and close down its website.

REGULATORY OVERVIEW

On July 1, 2015, the Standing Committee of the National People's Congress issued the PRC National Security Law (《中華人民共和國國家安全法》), which took effect on the same day. The PRC National Security Law stipulates that China shall establish a network and information security system, improve its capabilities in protecting network and information security, and ensure that the core network and information technologies, critical infrastructure, and information systems and data in key areas are safe and controllable. In addition, China shall establish a national security review and supervision system to monitor foreign investments, key technologies, network and information technology products and services, and other important events that affect or may affect China's national security. In addition, the State should establish a national security review and supervision system to carry out examinations on foreign investment, key technology, network information technology products and services and other major events that affect or may affect China's national security.

On November 7, 2016, the Standing Committee of the National People's Congress promulgated the Cybersecurity Law of the PRC (《中華人民共和國網絡安全法》), the Cybersecurity Law, which came into effect on June 1, 2017. The Cybersecurity Law applies to the construction, operation, maintenance and use of the network as well as the supervision and administration of cybersecurity within the territory of China. According to the Cybersecurity Law, "network" is defined as a system that consists of computers or other information terminals and relevant facilities and that collects, stores, transmits, exchanges and processes information in accordance with certain rules and procedures. "Network Operator" broadly refers to owners and managers of networks and network service providers that are required to fulfill various security protection obligations, including: (i) complying with security protection obligations as required under the cybersecurity grading system, establishing internal security management systems and operating procedures, designating a person responsible for cybersecurity, taking technical measures to prevent computer viruses and actions endangering cybersecurity, taking technical measures to monitor and record the network operation status and cybersecurity incidents, and taking data security measures such as data classification, backup and encryption, etc. (ii) prepare emergency response plans for cybersecurity incidents, timely dispose of security risks, and, upon the occurrence of incidents that endanger cybersecurity, activate emergency response plans, take appropriate remedial measures, and report to the regulatory authorities; and (iii) provide technical support and assistance to public security authorities and state security authorities in their lawful protection of national security and investigation of crimes. Internet service providers that fail to comply with the Cybersecurity Law may be ordered to rectify the situation, be warned, fined, suspended business, closed website and revoked of business license.

On September 15, 2018, the Ministry of Public Security issued the Provisions for Public Security Organs to Supervise and Inspect Internet Security (《公安機關互聯網安全監督檢查規定》) (the "**Provisions**"), which implemented from November 1, 2018. The Provisions stipulate that public security organs shall carry out supervision and inspection of network operators providing the following services: (i) Internet access, Internet data centers, content distribution and domain name services; (ii) Internet information services; (iii) public Internet access services; and (iv) other Internet services. The content of inspection shall include whether relevant network operators have fulfilled the cybersecurity obligations under the Cybersecurity Law and other applicable laws and regulations, such as formulating and implementing cyber security management systems and operating procedures, designating persons responsible for cybersecurity and adopting technical measures to record and retain user registration information and logs of going online.

REGULATORY OVERVIEW

The Standing Committee of the National People's Congress of China issued the Data Security Law of the PRC (《中華人民共和國數據安全法》) on June 10, 2021, which came into effect from September 2021. The Data Security Law of the PRC stipulates the data security and privacy obligations of entities and individuals carrying out data surveillance activities. The Data Security Law of the PRC also implements a classified and graded data protection system, based on the importance of data in economic and social development, as well as the degree of harm caused to national security, public interests or the legitimate rights and interests of individuals and organizations in case the data is tampered with, destroyed, leaked, illegally accessed or illegally used. Various types of data need to be protected at an appropriate level. For example, the processor of important data should designate a person responsible for data security and a management body to conduct risk assessment on its data processing activities and submit a risk assessment report to the relevant authority. Where the PRC Data Security Law is violated, the violator may be ordered to cease its illegal activities, be warned and fined, or be ordered to suspend its business, or be revoked its business license or business license. Moreover, the managers directly in charge and other persons with direct responsibility may also be fined.

The Administrative Provisions on Security Loopholes of Network Products (《網絡產品安全性漏洞管理規定》) were jointly promulgated by the MIIT, the CAC and the Ministry of Public Security on July 12, 2021, and implemented from September 1, 2021. Network product providers, network operators, as well as organizations or individuals engaged in activities such as the discovery, collection and release of security loopholes of network products shall comply with these provisions, and shall establish their own channels to receive information on security loopholes of their network products, and keep logs of receipt of information for not less than six months. Network product providers shall submit information on security loopholes of relevant network products to the MIIT within two days and provide technical support for users of network products. Once a network operator discovers or learns of a security loophole in its network, information system or equipment, it shall take measures to verify and repair the security loopholes.

On July 30, 2021, the State Council released the Regulation on the Security and Protection of Critical Information Infrastructures (《關鍵信息基礎設施安全保護條例》), which was implemented from September 1, 2021. According to the Regulation on the Security and Protection of Critical Information Infrastructures, "critical information infrastructure" refers to the important network facilities and information systems of important industries such as public communication and information services and other important network facilities and information systems that, if damaged, malfunctioning or data leaked, may seriously endanger national security, national economy, people's livelihood and public interests.

On December 28, 2021, the CAC and several other PRC Governmental Authorities jointly released the Cybersecurity Review Measures (《網絡安全審查辦法》), which came into effect on February 15, 2022. According to the Measures, cybersecurity review shall be conducted if the purchase of network products and services by critical information infrastructure operators or the data processing activities carried out by network platform operators have affected or may affect national security. In addition, network platform operators which possess personal information of more than 1 million users shall undergo cybersecurity review for listing purposes abroad. If the competent PRC Governmental Authorities deem that an Operator's network products, services or data processing activities affect or may affect national security, they can also initiate a cybersecurity review of the Operator.

REGULATORY OVERVIEW

Article 10 of the Cybersecurity Review Measures also lists several common factors of national security risks that should be focused on during a cybersecurity review, including (i) the risk that key information infrastructure facilities (the “CII”), may be illegally controlled, interfered with or destroyed; (ii) the harm that the interruption of product or service may cause to the continuity of CII operations; (iii) security, openness, transparency, and diversity of sources of products or services, reliability of supply channels, and risks of supply interruption caused by political, diplomatic, trade and other factors; (iv) compliance with Chinese laws, administrative regulations and departmental rules by providers of products or services; (v) risks of theft, leakage, or destruction of core data or important data, or of illegal utilization or illegal cross-border transfer of core data or important data; (vi) risks of influence, control, or malicious use of critical information infrastructure, core data, important data, or a large amount of personal information by foreign governments after listing, and network information security risks; and (vii) other factors that may endanger the security of critical information infrastructure, cybersecurity and data security. The Cybersecurity Review Measures provide that relevant violators bear legal consequences in accordance with the Cybersecurity Law and the Data Security Law of the PRC.

In addition, our PRC Legal Advisor and the PRC legal advisor of the Joint Sponsors together made a telephone consultation with the China Cybersecurity Review Technology and Certification Center (the “CCRC”) which is delegated by the CAC to accept applications for cybersecurity review via the contact information published on the CCRC’s official website on April 6, 2023. During the consultation, the CCRC confirmed that a listing in Hong Kong does not fall within the scope of the term “listing abroad” under Article 7 of the Cybersecurity Review Measures. Therefore, our PRC Legal Advisor is of the view that such mandatory requirements of cybersecurity review are only applicable to companies which are seeking a listing abroad, and we are not required to submit an application for a cybersecurity review in connection with the Listing under the Article 7 of the Cybersecurity Review Measures, because the Listing which will be in Hong Kong is not a “listing abroad”.

On November 14, 2021, the CAC issued the Administrative Regulations on Network Data Security (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》), stipulating that data processors should file a cybersecurity review application, including (i) where the data processor processes the personal information of at least one million users is “listed abroad”; and (ii) where the listing of the data processor in Hong Kong affects or may affect national security. Data processors processing the personal information of more than one million users shall also comply with the provisions on important data processing by important data processors in the Administrative Regulations on Network Data Security (Draft for Comments). A data processor processing important data or overseas listing shall carry out by itself or entrust a data security service agency to carry out the data security evaluation once a year, and submit the data security evaluation report for the previous year to the cyberspace administration department at the level of city divided into districts before January 31 of the previous year. Where a data processor provides data collected and generated in China to overseas parties, if the data contain important data or if the relevant data processor is a key information infrastructure operator or processes the personal information of more than 1 million people, the data processor shall accept the security assessment for data to be transmitted abroad organized by the state cyberspace administration. As of the date hereof, this draft has not been duly adopted and there are material uncertainties as to whether and when such draft regulations will be promulgated and once promulgated, its interpretation and implementation. As of the Latest Practicable Date, we have not been involved in any investigations relating to cybersecurity reviews conducted by the CAC, and we have not been summoned to attend official meetings with the relevant regulatory authorities nor received any inquiry, notice, warning, or sanctions in such respect.

REGULATORY OVERVIEW

At the same time, PRC regulators are also strengthening their supervision and administration of the outbound data transfer. On July 7, 2022, the CAC promulgated the Security Assessment Measures (《數據出境安全評估辦法》) (the “**Security Assessment Measures**”), which became effective on September 1, 2022. According to the Security Assessment Measures, where a data processor outbound transfers data, the data processor shall apply to the CAC for a data cross-border transfer security assessment through the local CAC at the provincial level for a data outbound transfer security assessment when: (1) a data processor outbound transfers critical data; (2) a critical information infrastructure operator or a data processor processing the personal information of more than one million individuals transfers personal information abroad; (3) a data processor has outbound transferred a total of 100,000 individuals’ personal information or 10,000 individuals’ sensitive personal information since January 1 of the previous year; and (4) other circumstances in which the data processor shall apply for a outbound data transfer security assessment as stipulated by the CAC. In addition, on February 22, 2023, the CAC promulgated the Measures on the Standard Contract for Outbound Transfer (《個人信息出境標準合同辦法》) (the “**Standard Contract Measures**”), which became effective on June 1, 2023. According to the Standard Contract Measures, where a personal information controller outbound transfer personal information, the personal information processor may choose to use the Standard Contract and file it through the local CAC at the provincial level to fulfill its obligations for outbound transfer personal information when (1) it is not a critical information infrastructure operator; (2) it processes the personal information of less than one million individuals; (3) it has outbound transferred less than 100,000 individuals’ personal information since January 1 of the previous year; and (4) it has outbound transferred less than 10,000 individuals’ sensitive personal information since January 1 of the previous year.

REGULATIONS RELATING TO PRIVACY PROTECTION

In recent years, PRC Governmental Authorities have promulgated laws and regulations governing the use of personal information on the Internet to safeguard personal information from any unauthorized disclosure. The Cybersecurity Law imposes several data protection obligations on network operators, including that network operators shall not disclose, tamper with or destroy the personal information collected by them or shall not provide the personal information to others without the consent of the person from whom the information is collected. In addition, network operators are obliged to delete information that has been illegally collected and to correct incorrect information.

Under the Several Provisions on Regulation of the Order of Internet Information Service Market (《規範互聯網信息服務市場秩序若干規定》), promulgated by the MIIT on December 29, 2011 and effective on March 15, 2012, internet information service providers (the “**ISPs**”) shall not collect personal information of users or provide the personal information of users to a third party without user consent, unless otherwise provided by laws and administrative regulations. “User Personal Information” refers to information about the user that can, either alone or in combination with other information, identify the user. The ISPs shall clearly inform the users of the means of collecting and processing the personal information of users as well as the content and usage thereof and shall not collect other information than those necessary for them to provide services. The ISPs shall also properly keep the personal information of the users. If the personal information of the users is disclosed or may be disclosed, the ISPs shall immediately take remedial measures and, if the circumstances are serious, report to the Telecommunications Regulatory Authorities immediately.

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According to the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) promulgated by the Standing Committee of the National People's Congress in 2012 and the Provisions on the Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) promulgated by the MIIT in 2013, the collection and use of the personal information of users shall be subject to the principles of legitimacy, rightfulness and necessity, the purposes, methods and scope of information collection and use shall be expressly indicated, the consent of the users shall be obtained, and the collection and use of the personal information of users shall not violate the laws and regulations or the agreements with the users. ISPs shall also keep strictly confidential all information contained therein and shall further prohibit disclosure, tampering with or destruction of any such information or the sale or provision of any such information to any third party. ISPs shall adopt necessary technical and other measures to prevent personal information collected by the ISP from unauthorized disclosure, damage or loss. Any breach of the above-mentioned laws and regulations may subject the ISP to penalties of warning, fines, confiscation of illegal gains, revocation of licenses, cancellation of filings, closure of websites or even criminal liabilities.

According to the Notice of the Supreme People's Court, the Supreme People's Procuratorate and the Ministry of Public Security Concerning Legally Punishing Criminal Activities of Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院、公安部關於依法懲處侵害公民個人信息犯罪活動的通知》) issued and became effective on April 23, 2013, and the Interpretation of the Supreme People's Court and the Supreme People's Procuratorate Concerning Application of Law in Handling Criminal Cases of Infringement of Citizens' Personal Information (《最高人民法院、最高人民檢察院關於辦理侵犯公民個人信息刑事案件適用法律若干問題的解釋》) issued on May 8, 2017 and became effective on June 1, 2017, the following conducts may constitute the crime: (i) providing Citizens' Personal Information to specific persons and publishing Citizens' Personal Information through information networks or other channels in violation of relevant regulations; (ii) providing citizens' personal information lawfully collected to others without the consent of the persons whose personal information is collected (except where the information has been processed to make it impossible to identify the specific persons and the information cannot be recovered after processing); (iii) collecting citizens' personal information in violation of applicable laws and regulations in the process of performing duties or providing services; or (iv) obtaining citizens' personal information by way of purchase, receipt or exchange in violation of applicable laws and regulations.

The National People's Congress adopted the Civil Code of the PRC (《中華人民共和國民法典》) on May 28, 2020, which came into force on January 1, 2021. Under the Civil Code, the personal information of a natural person is protected by law. If any organization or individual needs to obtain personal information of others, it shall obtain such information in accordance with the law and ensure the safety of such information and shall not illegally collect, store, use, process or disseminate the personal information of others, nor shall it illegally provide or make public the personal information of others. Personal information of natural persons refers to all kinds of information recorded by electronic or other means, such as name, date of birth, ID number, biological characteristic information, address, phone number, email address, health information and whereabouts of natural persons, which can be used for independent identification or identification in combination with other information. The Civil Code amends the internet tort liability provisions to further clarify the safe harbor provisions for internet service providers with respect to notices and statements. The Civil Code also stipulates that if an ISP knows or should have known about the infringing activities of an Internet user but fails to take necessary measures, the ISP shall be held jointly liable for such Internet user's infringement.

REGULATORY OVERVIEW

On August 20, 2021, the Standing Committee of the National People’s Congress issued the Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》), which came into effect from November 1, 2021. In accordance with the Personal Information Protection Law, “personal information” refers to all information recorded, electronically or otherwise, concerning an identified or identifiable individual, but excludes anonymous information. Processing of personal information includes the collection, storage, use, processing, transmission, provision, disclosure and deletion of personal information. The Personal Information Protection Law applies to the activities of processing the personal information of natural persons within the territory of China, as well as the activities of processing the personal information of natural persons within the territory of China outside the territory of China for the purpose of providing domestic natural persons with products or services, analyzing and evaluating the conducts of domestic natural persons, or under any other circumstances as prescribed by laws or administrative regulations. Those that violate the Personal Information Protection Law may be ordered to make corrections, be warned, have their illegal gains confiscated, be fined, have their business suspended, and have their business permits or business licenses revoked. In addition, application programs that illegally process personal information may be ordered to suspend or terminate their services. Also, persons directly in charge and other persons directly responsible may be fined and prohibited from acting as directors, supervisors, senior managers, or persons responsible for the protection of personal information of relevant enterprises within a certain period of time.

Regulations Relating to Generative Artificial Intelligence Services

On July 10, 2023, the CAC promulgated the Interim Measures for the Management of Generative Artificial Intelligence Service (《生成式人工智能服務管理暫行辦法》) (“**AI Measures**”), effective on August 15, 2023. The AI Measures impose compliance requirements for AI Providers to the general public within the territory of PRC. In addition, on February 29, 2024, the National Technical Committee on Cybersecurity of Standardization Administration of China promulgated the Basic Security Requirement for Generative Artificial Intelligence Service (《生成式人工智能服務安全基本要求》) as a supporting document for AI Measures. If any AI Providers violates the relevant compliance requirements, the competent authorities may require such AI Providers to cease providing generative artificial intelligence services or impose other administrative penalties on such AI Providers. The relevant compliance requirements mainly include:

- AI Providers shall carry out training data processing activities such as pre-training and optimization training in accordance with the law and regulations.
- AI Providers shall formulate clear, specific and operable rules for annotation that meet the requirements of the AI Measures, carry out an assessment of the quality of data annotation, and take samples to verify the accuracy of annotation contents to annotate data during the research and development process of generative artificial intelligence technologies.

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- AI Providers shall conclude a service agreement with the users registering for its generative artificial intelligence services (hereinafter referred to as the “Users”) to specify the rights and obligations of Users and AI Providers.
- AI Providers shall clarify and publish the applicable Users, occasions and purposes of their services, instruct Users to acquire a scientific and rational understanding and use the generative artificial intelligence technologies according to the laws and regulations, and take effective measures to prevent minor Users from being excessively dependent on or addicted to generative artificial intelligence services.
- AI Providers shall fulfill their obligations of protection for Users’ input information and use records in accordance with the laws and regulations, and shall not collect unnecessary personal information, illegally keep the input information and use records that can identify the identity of Users, and shall not illegally provide the input information and use records of Users to others. AI Providers shall promptly accept and process the requests of individuals for access, reproduction, correction, supplementation and deletion of personal information in accordance with the laws and regulations.
- AI Providers of text, image, audio or video to the general public shall (i) assume the responsibilities as the producers of the AI-generated content thereon, and (ii) any AI Providers with attribute of public opinions or capable of social mobilization shall conduct security assessment, and complete the formalities for algorithm filing, change or deregistration in accordance with the relevant regulations.

REGULATIONS RELATING TO PROPERTY LEASING

Pursuant to the Administrative Measures on the Lease of Commodity Housing (《商品房屋租賃管理辦法》) issued by Ministry of Housing and Urban-Rural Development on December 1, 2010, parties to a lease agreement shall complete the lease registration and filing process with the competent construction (real estate) departments of the municipalities directly under the PRC governments of cities and counties where the housing is located within 30 days after the lease agreement is signed. For those who fail to comply with the above regulations, such competent departments may impose a fine ranging from RMB1,000 and RMB10,000 per lease. In addition, the lessor shall not rent out buildings that are illegal constructions or that change the nature of the use of the house in violation of relevant regulations.

REGULATORY OVERVIEW

REGULATIONS RELATING TO ANTI-UNFAIR COMPETITION

Anti-Unfair Competition Law

According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) promulgated by the Standing Committee of the National People's Congress on September 2, 1993 and revised on April 23, 2019, unfair competition refers to the acts of business operators in their production and operation activities in violation of the provisions of the Anti-Unfair Competition Law to disrupt the competition order in the market and impair the legitimate rights and interests of other business operators or consumers. According to the Anti-Unfair Competition Law, business operators shall, in market transactions, adhere to the principles of voluntariness, equality, impartiality, and good faith, as well as abide by laws and business ethics. A business operator shall not mislead consumers to regard its commodities as those of others or make consumers believe that there is a certain connection between its commodities and those of others. A business operator shall not effect commercial promotions for the performance, functions, quality, sales status, users' comments or honor received in respect of its commodities in a false or misleading manner, attempting to cheat or mislead consumers. Business operators shall not fabricate or disseminate false or misleading information, and shall not harm the commercial reputation of competitors or their commodities. Business operators engaging in online production and business activities shall also comply with the provisions of the Anti-Unfair Competition Law. Business operators shall not use technical means to affect users' right to select, etc, or interfere with or disrupt normal operation of network products or services provided legitimately by other business operators. Business operators who violate the Anti-unfair Competition Law shall bear the corresponding civil, administrative or criminal liability in accordance with the specific circumstances.

On August 17, 2021, the SAMR issued a discussion draft of Provisions on the Prohibition of Unfair Competition on the Internet (《禁止網絡不正當競爭行為規定(公開徵求意見稿)》). Accordingly, operators shall not make use of data, algorithms, and other technical means to implement traffic hijacking by influencing users' choices or otherwise, or make use of technical means to illegally obtain or use the data of other operators. In addition, operators shall not (i) fabricate or disseminate misleading information to damage the reputation of their competitors, or (ii) conduct false or misleading commercial promotions for the sales, transaction information, business data and user comments of relevant operators or their commodities, so as to cheat or mislead consumers or the relevant public.

REGULATORY OVERVIEW

Anti-monopoly Law

The Anti-Monopoly Law of the PRC (《中華人民共和國反壟斷法》), released on August 30, 2007 and recently amended on June 24, 2022 by the Standing Committee of the National People's Congress, is applicable to the monopoly activities both in China and out of China if they exclude or restrict the competitions in the domestic market. Under the Anti-monopoly Law, monopolistic practices include monopoly agreements between business operators, abuse of dominant market positions by business operators, and concentration of business operators that eliminate or restrict market competition or may eliminate or restrict market competition. Where a concentration of business operators reaches the thresholds for declaration prescribed by the State Council, prior to the implementation of the concentration, the declaration must be approved by the anti-monopoly authority. A concentration of undertakings refers to any of the following circumstances: (i) a merger between undertakings; (ii) an undertaking acquiring control over another undertaking through acquisition of equity or assets; or (iii) an undertaking acquiring control over another undertaking, or the ability to exercise decisive influence on another undertaking, by contract or any other means. If any business operator fails to comply with the mandatory declaration requirement, the anti-monopoly authority is empowered to order the operator to terminate and/or unwind the transaction, dispose of relevant assets, shares or businesses within certain periods and imposes fines of up to RMB500,000.

On June 24, 2022, the Standing Committee of the National People's Congress decided to amend the Anti-Monopoly Law, and the amended version has been effective from August 1, 2022. Compared with the Anti-Monopoly Law, the amended version further stipulates that business operators shall not use data and algorithms, technology, capital advantages, platform rules, etc., to engage in monopolistic activities prohibited by the Anti-Monopoly Law, and further emphasizes that business operators with a dominant market position shall not abuse their dominant market position by such means. In addition, the Revised Ordinance increases the fines for illegally concluding and implementing monopoly agreements and imposes differentiated fines on business operators depending on the circumstances of illegal concentration. Specifically, the Revised Ordinance increases the upper limit of fines for business operators who have already entered into monopoly agreements but have not yet implemented such agreements from RMB500,000 to RMB3 million, and further stipulates that business operators who have already entered into and implemented monopoly agreements but have no sales in the previous year shall be fined up to RMB5 million. For example, a fine imposed on a business operator engaged in an illegal concentration which has or may have the effect of eliminating or restricting market competition shall not exceed 10% of the operator's turnover of the previous year, while a business operator engaged in an illegal concentration which does not have the effect of eliminating or restricting market competition may be imposed a fine of not more than RMB5 million. The Amended Version also introduces penalties up to RMB1 million for the legal representative, main person in charge, and other directly responsible persons of the business operators who are personally responsible for reaching the monopoly agreement.

On September 11, 2020, the Anti-Monopoly Commission of the State Council issued the Anti-Monopoly Compliance Guidelines for Business Operators (《經營者反壟斷合規指南》), which stipulate that business operators must establish an anti-monopoly compliance management system based on their business conditions, scale, industry characteristics, etc., to manage anti-monopoly compliance risks.

REGULATORY OVERVIEW

On February 7, 2021, the Anti-Monopoly Commission of the State Council promulgated the Anti-monopoly Guidelines of the Anti-Monopoly Commission of the State Council in the Field of Platform Economy (《國務院反壟斷委員會關於平台經濟領域的反壟斷指南》), clarifying various circumstances in which network platform activities are deemed to constitute and implement monopoly agreements, implement abuse of market dominance, and carry out concentration of operators.

On March 10, 2023, the SAMR promulgated the Provisions on Prohibition of Monopoly Agreements (《禁止壟斷協議規定》), the Provisions on Prohibiting Abuse of Dominant Market Positions (《禁止濫用市場支配地位行為規定》), and the Provisions on the Examination of Concentrations of Undertakings (《經營者集中審查規定》). These provisions further elaborate on the factors to be considered in assessing monopoly agreements, abusive practices and concentrations of undertakings. In addition, the Provisions on Prohibiting Abuse of Dominant Market Positions clarify that competition characteristics of the relevant industry, business model, transaction amount, transaction volume, number of users, network effect, lock-in effect, technical characteristics, market innovation, capability to control flow, capability to master and process relevant data, business operators' market forces in the associated market and other factor may be considered in determining the existence of dominant market position of operators in new economic forms such as Internet.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHT

Patent

Chinese patents are primarily protected by the Patent Law of the PRC (《中華人民共和國專利法》). China's patent system applies the principle of first to file. To be granted a patent, an invention or utility model must satisfy three criteria: novelty, inventiveness and practicality. Patent rights are valid for 10, 15 or 20 years from the date of filing, depending on the type of patent.

Copyright

Copyright in China, including copyrighted software, is mainly protected by the Copyright Law of the PRC (《中華人民共和國著作權法》) and pertinent regulations. According to the Copyright Law, the term of protection for copyrighted software is 50 years. The Regulation on the Protection of the Rights to Network Dissemination of Information (《信息網絡傳播權保護條例》), last amended on January 30, 2013, stipulates exhaustive provisions on fair use, statutory licenses and safe harbors in respect of copyright and copyright management technologies, and defines the infringement liability of various entities including copyright holders, libraries and Internet service providers.

On February 20, 2002, the State Copyright Administration promulgated the Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which regulates the registration of software copyright, software copyright exclusive licensing contracts and transfer agreements. The State Copyright Administration is responsible for the administration of software copyright registration. The China Copyright Protection Centre has been designated as the software registration authority. The China Copyright Protection Centre will issue the registration certificate to those computer software copyright applicants who fulfil the conditions.

REGULATORY OVERVIEW

Trademark

Registered trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) and relevant regulations. Trademarks are registered with the State Intellectual Property Office. If an application for registration is made for a trademark that is the same as or similar to a trademark that has already been registered or preliminarily examined and approved for use on the same or similar class of goods or services, the application for registration of such a trademark may be rejected. Unless otherwise cancelled, a trademark registration is valid for ten years and may be renewed. Each renewal of registration is valid for a period of ten years.

Domain Names

Domain names are protected by the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》) promulgated by the MIIT on August 24, 2017 and effective as of November 1, 2017. The registration of a domain name is conducted by the domain name service institution established according to the relevant regulations. The applicant who is successfully registered becomes the holder of the domain name.

REGULATIONS RELATING TO EMPLOYMENT, SOCIAL INSURANCE AND HOUSING FUND

In accordance with the PRC Labour Law (《中華人民共和國勞動法》) and the PRC Labour Contract Law (《中華人民共和國勞動合同法》), employers must sign a written labour contract with each full-time employee. All employers must comply with the local minimum wage standards. Violation of the PRC Labour Contract Law and the PRC Labour Law may result in a fine or other administrative penalty, and serious circumstances may lead to criminal liability.

Furthermore, pursuant to the PRC Social Insurance Law (《中華人民共和國社會保險法》) and the Regulations on the Administration of Housing Funds (《住房公積金管理條例》), Chinese employers are required to offer their employees benefit schemes that cover pension, unemployment, maternity, work-related injury, medical and housing funds.

REGULATIONS RELATING TO FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Regulations on Foreign Currency Exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations (《中華人民共和國外匯管理條例》), most recently amended in 2008. According to PRC foreign exchange regulations, current account payments (such as profit distribution, interest payments and foreign exchange transactions related to trade and services) may be made in foreign currency in accordance with certain procedures, without prior approval from SAFE.

Instead, the conversion of RMB into foreign currencies and export out of China for payment of capital account items (such as direct investments, repayment of loans denominated in foreign currencies, repatriation of investments and investment in securities outside of the PRC) is subject to the approval of, or registration with, the relevant authorities.

REGULATORY OVERVIEW

The Circular on Further Improving and Adjusting Foreign Exchange Administration Policies for Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), or Circular 59, promulgated by the SAFE on December 19, 2012 and last revised on May 4, 2015, amends and simplifies the existing foreign exchange procedures. According to Circular 59, the approval or verification from SAFE is no longer required for the opening of multiple special purpose foreign exchange accounts such as initial fees account, foreign exchange capital account and relevant security deposit account, for the re-investment of RMB proceeds obtained from China by foreign investors and for the remittance of foreign exchange profits and dividends by foreign invested enterprises to their foreign shareholders. In addition, an entity may open multiple capital accounts in different provinces, which was previously prohibited. In 2013, SAFE required that direct investment in China by foreign investors managed by SAFE or its local branches must be conducted by way of registration and banks must handle the foreign exchange business relating to such direct investment in China according to the registration documents provided by SAFE and its branches.

In February 2015, SAFE issued the Circular on Further Simplifying and Improving the Policies on Foreign Exchange Administration of Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or SAFE Notice 13. Entities and individuals may apply to qualified banks for handling relevant foreign exchange registration, instead of applying to the SAFE for approval of foreign exchange registration for foreign direct investment and overseas direct investment. Qualified banks may, under the supervision of the SAFE, directly examine and approve relevant applications and handle registration.

The SAFE Circular 19 expands the pilot reform of the administration over the settlement of foreign currency capital of foreign-invested enterprises nationwide. The SAFE Circular 19 replaced both the Circular of the SAFE on Issues Relating to the Improvement of Business Operations with Respect to the Administration of Foreign Exchange Capital Payment and Settlement of Foreign-invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or Circular 142 and Circular of the SAFE on Issues concerning the Pilot Reform of the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises in Certain Areas (《關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》), or Circular 36. The SAFE Circular 19 permits all foreign-invested enterprises established in China to voluntarily convert their foreign exchange registered capital into RMB according to their actual business needs, and sets forth the procedure for foreign-invested enterprises to use RMB derived from their foreign-currency valued capital in an equity investment and removes certain other restrictions under Circular 142. However, the SAFE Circular 19 still prohibits foreign-invested enterprises (including foreign-invested enterprises) from using the RMB funds obtained through conversion of their foreign currency capital for expenses outside the scope of their business, and from providing entrusted loans or repaying loans between non-financial enterprises.

REGULATORY OVERVIEW

SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account (《關於改革和規範資本項目結匯管理政策的通知》), or Circular 16 effective in June 2016, which reiterated certain provisions contained in the SAFE Circular 19. Circular 16 provides that discretionary settlement of foreign exchange is applicable to foreign exchange capital funds, foreign debt funds and funds raised back from offshore listing, while the corresponding RMB capital obtained from conversion of foreign exchange can be used for the provision of loans to affiliates or the repayment of inter-company loans (including third party advances). The SAFE Circular 19 or Circular 16 may cause us to delay or restrict our use of the proceeds from overseas offering to make additional capital contributions to our PRC subsidiaries, and breach of such notification may result in substantial fines or other penalties.

In January 2017, the SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), or Circular 3, which provides several capital regulation measures for domestic institutions to remit profits to offshore institutions, including that (i) the bank shall review the relevant resolutions of the board of directors on profit distribution, the original of the tax filing form and the audited financial statements pursuant to the principle of real transaction; and (ii) the domestic institution shall make up for its losses incurred in previous years according to law prior to the remittance of profits. In addition, pursuant to Circular No. 3, domestic institutions must specify the source and purpose of the capital, and provide the resolutions of the board of directors, contracts and other evidentiary materials, as part of the procedures for the registration of offshore investment.

On October 23, 2019, the SAFE promulgated the Circular 28, which became effective on the same day. Circular 28 permits non-investment foreign-invested enterprises to use their capital to make equity investment in China, provided that such investment does not violate the Negative List in force, and the investment targets are true and in compliance with the laws and regulations.

Regulations on Dividend Distributions

The principal laws, rule and regulations governing dividends distribution by companies in the PRC are the PRC Company Law, which applies to both PRC domestic companies and foreign-invested companies, and the FIL 2019 and its implementing rules, which apply to foreign-invested companies. Under these laws, regulations and rules, both domestic companies and foreign-invested companies in the PRC are required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. PRC companies are not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATORY OVERVIEW

Regulations on Foreign Exchange Registration of Overseas Investment by PRC Residents

In 2014, SAFE issued The SAFE Circular 37. SAFE Circular 37 governs the foreign exchange issues relating to domestic residents or entities seeking overseas investment and financing via the special purpose vehicle (the “**Overseas SPV**”) or round-tripping investments in China. In accordance with SAFE Circular 37, “special purpose vehicle” refers to an offshore enterprise directly established or indirectly controlled by a domestic resident or institution with its legally held onshore assets or interests, or with its legally held offshore assets or interests, for the purpose of offshore investment and financing, and “round-trip investment” refers to the direct investment activities carried out by a domestic resident or institution in the PRC through a special purpose vehicle, i.e. the act of obtaining the right of ownership, control and operation and management by establishing a foreign-invested enterprise. In accordance with the SAFE Circular 37, domestic residents or institutions shall go through the foreign exchange registration formalities with the SAFE or its local branches before contributing capitals to a special purpose vehicle.

In 2015, the SAFE Circular No. 13 amended the SAFE Circular 37, stipulating that a domestic resident or institution shall register with a qualified bank (instead of the SAFE or its local branch) for overseas enterprises established or controlled by it for the purpose of overseas investment or financing. Prior to the implementation of the SAFE Circular 37, a domestic resident or institution that has contributed its lawful rights and interests or assets to a Overseas SPV but has not registered in accordance with the relevant provisions must register its ownership interest or control interest in the Overseas SPV with a qualified bank. In the case of any material change in a registered special purpose vehicle, such as any change in basic information (including change in domestic individual and name and term of operation), capital increase or decrease, equity transfer or exchange, merger or division, amendment registration procedures shall be completed. Failure to comply with the registration procedures set out in SAFE Circular 37 and the subsequent notice, misrepresentation or failure to disclose control rights of the FIE established in the form of round-trip investment may restrict the foreign exchange business of the FIE, including the payment of dividends and other distributions (such as proceeds from capital reduction, share transfer or liquidation) to its offshore parent company or associated companies, and capital inflow from its offshore parent company, and may also subject the relevant domestic residents or institutions to penalties under China’s Foreign Exchange Administrative Rules.

REGULATORY OVERVIEW

REGULATIONS RELATING TO EQUITY INCENTIVE PLANS

In February 2012, SAFE promulgated the Notice on Foreign Exchange Administration of PRC Residents Participating in Share Incentive Plans of Offshore Listed Companies (《關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). According to the Notice and other relevant rules and regulations, a domestic individual refers to a PRC resident or a non-PRC citizen (with few exceptions) who has continuously resided in China for no less than one year. A domestic individual who participates in an equity incentive plan of a company listed overseas must register with the SAFE or its local branch and go through several other procedures. A domestic individual participating in an equity incentive program shall engage a qualified domestic agency to handle registration and other procedures with the SAFE with respect to the equity incentive program on his/her behalf. The relevant agency may be a domestic subsidiary of an overseas listed company or other qualified institution selected by such domestic subsidiary. A participant shall also engage an overseas agency to handle such matters as exercise of its stock options, trading of the corresponding stocks or equities and transfer of funds. In addition, in the event of any material change of the equity incentive plans, the domestic agencies or offshore principals, or any other material change, the domestic agencies must process the change of registration with the SAFE for the equity incentive plans. The domestic agencies must, on behalf of the domestic individuals entitled to exercise employee stock options, apply to the SAFE or its local branches for the annual quota to be paid in foreign currencies for the exercise of employee stock options by domestic individuals. The foreign exchange income obtained by the domestic individuals from selling the stocks under the equity incentive plans and the dividends distributed by the overseas listed companies shall be remitted to the bank account opened by the Chinese agencies in China before being distributed to the domestic residents. The foreign exchange proceeds obtained by a domestic individual from the sale of stocks under an equity incentive plan and the dividends distributed by an overseas listed company shall be remitted into a bank account opened by a Chinese agency in China before being distributed to the relevant domestic resident.

REGULATIONS RELATING TO TAX

Enterprise Income Tax

Under the EIT Law, which became effective on January 1, 2008 and was subsequently amended on February 24, 2017 and December 29, 2018, and its implementing rules, enterprises are classified as resident enterprises and non-resident enterprises.

PRC resident enterprises generally pay an EIT at the rate of 25%, however, non-PRC resident enterprises that do not have a branch in China pay a 10% EIT on their China-sourced income. An enterprise established outside China whose “place of effective management” is located in the PRC is deemed to be a “resident enterprise”, meaning that it is entitled to similar EIT treatment as domestic enterprises for PRC tax purposes. The Implementing Rules of Enterprise Income Tax Law define a “place of effective management” as a management entity that, in practice, exercises “substantial and complete management and control” over the production, operation, personnel, accounting, property, etc., of the enterprise. Enterprises meeting the condition of “Hi-Tech Enterprises” are entitled to a 15% enterprise income tax rate instead of the 25% statutory rate. As long as the enterprise maintains its status as a “Hi-Tech Enterprise”, the tax benefits will be continued.

REGULATORY OVERVIEW

The EIT Law and its implementing rules stipulate that dividends are paid to “non-resident enterprise” investors, and (a) there is no institution or place within the territory of China or (b) Yield (subject to the relevant dividends and Yield coming from sources within the territory of China) is usually paid at 10% of Tax rate for the income of relevant investors who have established institutions or places within the territory of China but have no actual connection with the institutions or places they have established. Income tax on dividends can be reduced according to tax agreements between China and other jurisdictions. According to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation 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》), or the Double Tax Avoidance Arrangement, and other applicable PRC laws, the withholding tax on dividends received by Hong Kong resident enterprises from Chinese resident enterprises in Tax rate may be reduced from 10% to 5% with the approval of the competent authority in Tax Practice if the Hong Kong resident enterprises are deemed to meet the relevant conditions and provisions of the Arrangement for the Avoidance of Double Taxation and other applicable laws by the competent authority in Tax Practice, China. However, according to the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定股息條款有關問題的通知》) issued on February 20, 2009 by the State Taxation Administration, if the relevant Tax Practice institution in China determines, at its discretion, that a company has benefited from the relevant reduced income tax rate due to a structure or arrangement driven mainly by Tax Practice, the relevant Tax Practice institution in China may adjust the preferential tax treatment. According to the Announcement on Relevant Issues Concerning the “Beneficial Owners” in Tax Treaties (《關於稅收協定中“受益所有人”有關問題的公告》) issued on February 3, 2018 by the State Taxation Administration and effective from April 1, 2018, which replaces the Notice on Interpretation and Identification of Beneficiary Owners in the with respect to Tax Agreement and the Announcement on Identification of Beneficiary Owners in the with respect to Tax Agreement issued by the State Administration of Tax Practice, the “Beneficiary Owners” shall be clearly excluded from agent/power of attorney and the designated wire transfer loss payee as “Beneficiary Owners” based on comprehensive analysis of the factors and actual conditions specified therein.

Value-added tax

According to the Provisional Regulations on Value Added Tax (《增值稅暫行條例》) promulgated by the State Council on December 13, 1993 and recently amended on November 19, 2017 and the Implementing Rules for the Interim Regulations on Value-added Tax (《增值稅暫行條例實施細則》) promulgated by the Ministry of Finance on December 25, 1993 and recently amended on October 28, 2011, the Decision of the State Council on Repealing the Interim Regulation of the People’s Republic of China on Business Tax and Amending the Interim Regulation of the People’s Republic of China on Value-added Tax (《國務院關於廢止〈中華人民共和國營業稅暫行條例〉和修改〈中華人民共和國增值稅暫行條例〉的決定》) promulgated by the State Council and effective on November 19, 2017, the Circular on Adjustment of Value-added Tax Rates (《關於調整增值稅稅率的通知》) jointly promulgated by Ministry of Finance and the State Taxation Administration on April 4, 2018, and the Announcement on Relevant Policies for Deepening Value-added Tax Reform (《關於深化增值稅改革有關政策的公告》) jointly promulgated by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs on March 20, 2019, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax and the value-added tax rates are further revised to 6%, 9% or 13%.

REGULATORY OVERVIEW

Pursuant to the Notice of Ministry of Finance and State Taxation Administration on Value-added Tax Policies for Software Products (《財政部、國家稅務總局關於軟件產品增值稅政策的通知》) promulgated on October 13, 2011 and effective on January 1, 2011, a value-added tax general taxpayer selling software products developed and produced by itself shall be subject to levying and collection of value-added tax at the tax rate of 17%, and the policy of forthwith levy and forthwith refund shall be implemented for the portion of value-added tax actually paid which exceeds 3%.

REGULATIONS RELATING TO OVERSEAS LISTING

On August 8, 2006, six Chinese regulatory authorities promulgated the M&A Rules, which took effect on September 8, 2006 and was revised on June 22, 2009. Foreign investors must comply with the M&A Rules when they purchase the equity interest of domestic enterprises or subscribe to the capital increase of domestic enterprises with the result that such domestic enterprises become foreign-invested enterprises; or when foreign investors establish foreign-invested enterprises in China and use such enterprises to purchase and operate assets of domestic enterprises; or when foreign investors purchase assets of domestic enterprises and use such assets as investment to establish foreign-invested enterprises to operate such assets. According to the M&A Rules, offshore SPVs established by means of acquiring domestic enterprises and controlled by Chinese companies or individuals for the purpose of seeking offshore listing must obtain approval from the CSRC before their securities are publicly listed on offshore stock exchanges.

In addition, on July 6, 2021, several PRC regulatory authorities promulgated Opinions on Strictly Cracking Down on Illegal Securities Activities (《關於依法從嚴打擊證券違法活動的意見》), which were available to the public on July 6, 2021 and emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies, and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas-listed companies, and provided that the special provisions of the State Council on overseas offering and listing by those companies limited by shares will be revised and therefore the duties of domestic industry competent authorities and regulatory authorities will be clarified.

On February 17, 2023, the CSRC promulgated the new regulations for the filing-based administration of overseas securities offering and listing directly or indirectly by domestic companies, which became effective on March 31, 2023. The newly released Trial Measures and five relevant guidelines, along with the Notice of the Administrative Arrangements for the Filing of Overseas Securities Offering and Listing by Domestic Companies (《關於境內企業境外發行上市備案管理安排的通知》) (the “**Filing Arrangements Notice**”) comprehensively improve and reform the existing regulatory regime for overseas offering and listing of PRC domestic companies’ securities and regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. According to the Trial Measures, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means, are required to fulfill the filing procedure with the CSRC and report relevant information.

REGULATORY OVERVIEW

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

According to the Trial Measures, PRC domestic companies that seek to publicly offer or list securities in overseas markets, either directly or indirectly, are required to fulfill the filing procedures with the CSRC within three working days after their applications for overseas offering or listing are submitted. The Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings. According to the Trial Measures, PRC domestic companies that submit valid applications for overseas offering and listing after March 31, 2023 shall submit the filings within 3 working days and shall complete the filing procedures prior to their overseas offering and listing. Furthermore, with respect to the issuers with Contractual Arrangements, at a press conference held for these new regulations, officials from the CSRC clarified that the CSRC will seek opinions from relevant PRC Governmental Authorities on the Contractual Arrangements and allow those issuers with Contractual Arrangements as well as being in compliance with relevant requirements to file its overseas offering and listing with the CSRC.

OVERVIEW OF THE LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN HONG KONG

This section sets forth a summary of the principal Hong Kong laws, rules and regulations relevant to our Group's businesses and operations in Hong Kong.

REGULATIONS RELATING TO SUPPLY OF SERVICES

The supply of services in Hong Kong is regulated by the Supply of Services (Implied Terms) Ordinance, which consolidates and amends the law with respect to the terms to be implied in contracts for the supply of services. In general, section 5 and 6 of the Supply of Services (Implied Terms) Ordinance (chapter 457 of the laws of Hong Kong) (the “**Supply of Services Ordinance**”), are relevant to service providers in Hong Kong.

REGULATORY OVERVIEW

Section 5 of the Supply of Services Ordinance provides that in a contract for the supply of service where the supplier is acting in the course of a business, there is an implied term that the supplier will carry out the service with reasonable care and skill. Section 6 of the Supply of Service Ordinance provides for the time of performance of services where there is no express provisions. Under a contract for the supply of a service by a supplier acting in the course of a business, if the time for the service to be carried out is not fixed by the contract, is not left to be fixed in a manner agreed by the contract or is not determined by the course of dealing between the parties, there is an implied term that the supplier will carry out the service within a reasonable time.

REGULATIONS RELATING TO COPYRIGHT

The Copyright Ordinance (chapter 528 of the laws of Hong Kong) regulates recognised categories of work including literary, dramatic, musical and artistic works without registration, which could include advertising materials of businesses in Hong Kong. The Copyright Ordinance restricts certain acts such as copying and/or issuing or making available copies to the public of a copyright work without the authorisation from the copyright owner which, if done, constitutes “primary infringement” of copyright which does not require knowledge of infringement. The Copyright Ordinance permits certain acts that can be done in relation to copyright works without authorisation from the copyright owner, one of which being fair dealing with a copyright work for the purpose of criticism, review or reporting current events if accompanied by a sufficient acknowledgement of such copyright work and its author (“**Fair Dealing Defence**”).

Under the Copyright Ordinance, a person, which includes a company, may incur civil liability for “secondary infringement” if that person, amongst others, possesses, sells, distributes or deals with a copy of a work which is, and which he knows or has reason to believe to be, an infringing copy of the work for the purposes of or in the course of any trade or business without the consent of the copyright owner. However, the person will only be liable if, at the time he committed the act, he knew or had reason to believe that he was dealing with infringing copies of the work.

TRADE DESCRIPTIONS ORDINANCE

The Trade Descriptions Ordinance (chapter 362 of the laws of Hong Kong) prohibits false trade description, false, misleading or incomplete information, false statements, etc., respecting goods and services provided in the course of trade. The definition of trade description therein covers matters including but not limited to the following aspects of goods: quantity, method of manufacture, composition, fitness for purpose, availability, compliance with a standard, approval by any person, a person by whom the goods have been acquired, and the goods being of the same kind as goods supplied to a person.

REGULATORY OVERVIEW

In particular, under the Trade Descriptions Ordinance, the following provisions are relevant: -

Section 7 provided that any person who in the course of any trade or business applies a false trade description to any goods or supplies or offers to supply any goods to which a false trade description is applied commits an offence.

Section 7A provided that a trader who applies a false trade description to a service supplied or offered to be supplied to a consumer, or supplies or offers to supply to a consumer a service to which a false trade description is applied commits an offence.

Sections 13E, 13F, 13G, 13H and 13I provide that a trader commits an offence if the trader engages, in relation to a consumer, in a commercial practice that is a misleading omission or is aggressive, or that constitutes bait advertising, a bait and switch or wrongly accepting payment for a product.

Anyone who commits an offence under sections 7, 7A, 13E, 13F, 13G, 13H or 13I of the TDO shall be liable, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for 5 years, and on summary conviction, to a fine of HK\$100,000 and to imprisonment for 2 years.

The descriptions of software sold and/or provided by a Hong Kong company is subject to the Trade Description Ordinance.

REGULATIONS RELATING TO THE USE OF PERSONAL DATA

The Personal Data (Privacy) Ordinance (chapter 489 of the laws of Hong Kong) (“**PDPO**”) outlines the current data protection regime in Hong Kong. The PDPO aims to protect the privacy of individuals in relation to personal data, which is defined in section 2 of the PDPO as any data (i) relating directly or indirectly to a living individual (data subject); (ii) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (iii) in a form in which access to or processing of the data is practicable.

The PDPO regulates the conducts of a data user, i.e. any person who, either alone or jointly or in common with other persons, controls the collection, holding, processing or use of personal data. Further, the Data Protection Principles (“**DPP**”) in Schedule 1 to the PDPO sets out the data protection principles in relation to the collection, accuracy and duration of retention, use, security, information on access to personal data which a data user has to follow.

There is no provision in the PDPO which directly specifies its territorial jurisdiction. Nonetheless, as applied to the PDPO in *X v Privacy Commissioner for Personal Data* AAB15/2019 (7th August 2020) in holding that the PDPO does not have extra-territorial jurisdiction, it is the general principle that local legislation has no extra-territorial effect unless there are strong pointer to the contrary. This decision also considered the lack of provisions to aid foreign enforcement in the PDPO in finding that the PDPO does not have extra-territorial effect. The PDPO does not have extra-territorial jurisdiction and only covers persons being data user who has operations controlled in or from Hong Kong.

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As to the use of personal data in employment, the PDPO provides that an employer should not solicit personal data from job applicants, e.g. the personal resumes, in a recruitment advertisement that provides no identification of either employer or the employment agency acting on its behalf. Non-compliance with the provisions of the PDPO Code may lead to presumptions against our Group's subsidiary in Hong Kong or any third party contracted to act on its behalf, in any proceedings involving an alleged breach of the PDPO unless there is evidence that the requirements under the PDPO were actually complied with in a different way.

REGULATIONS RELATING TO EMPLOYEE INSURANCE

Hong Kong companies are required to maintain employees' compensation insurance in compliance with the Employees' Compensation Ordinance (chapter 282 of the laws of Hong Kong) to cover compensation and costs liable for personal injuries of employees in Hong Kong in the course of employment with them. It is also industry practice that Hong Kong companies take out and maintain an office insurance for office premises and office equipment in Hong Kong. Such office insurance policy mainly covers loss resulting from burglary, damages made to insured property and increased cost due to business interruptions.

REGULATIONS RELATING TO MANDATORY PROVIDENT FUND SCHEMES

The Mandatory Provident Fund Schemes Ordinance (chapter 485 of the laws of Hong Kong) provides that "(1) Every employer of a relevant employee must take all practicable steps to ensure that the employee becomes a member of a registered scheme within the permitted period after the relevant time."

OVERVIEW OF THE LAWS AND REGULATIONS RELATING TO OUR BUSINESS AND OPERATIONS IN SINGAPORE

OVERVIEW

Our business operations in Singapore are subject to the law and regulations relating to sale of goods, protection of personal data, and labour protection. Any violation of those laws and regulations would have a negative impact on our business operations and future development.

SALE OF GOODS

The Sale of Goods Act 1979 of Singapore ("SOGA") is the main governing law in Singapore in relation to the sale of goods. The SOGA applies to any contract for the sale of goods where the seller transfers or agrees to transfer goods to the buyer for a monetary consideration.

Section 13 of the SOGA provides that where there is a contract for the sale of goods by description, there is an implied condition that the goods will correspond with the description.

Section 14 of the SOGA provides that for goods sold in the course of business, there is an implied condition that the goods must be of satisfactory quality. However, this condition does not apply to any defect which is specifically drawn to the buyer's attention before the contract is made, nor if the buyer examines the goods before the contract, to any defect which that examination ought to have revealed.

REGULATORY OVERVIEW

PERSONAL DATA PROTECTION

The Personal Data Protection Act 2012 of Singapore (“**PDPA**”) establishes a data protection law that comprises various rules governing the collection, use, disclosure and care of personal data. It recognises both the rights of individuals to protect their personal data, including rights of access and correction, and the needs of organisations to collect, use or disclose personal data for legitimate and reasonable purposes.

An organisation is required to comply with the following obligations prescribed by the PDPA:

- (a) obtain the consent of the individual before collecting, using, or disclosing his personal data, for purposes that a reasonable person would consider appropriate in the circumstances;
- (b) notify the individual of the purpose of collecting his personal data;
- (c) only use personal data for purposes consented by the individual;
- (d) put in place mechanisms for individuals to withdraw their consent;
- (e) take reasonable efforts to ensure that personal data collected is accurate and complete if the personal data is likely to be used to make a decision that affects the individual, or is likely to be disclosed to another organisation;
- (f) when requested, correct any error or omission in an individual’s personal data;
- (g) upon an individual’s request, provide an individual with his personal data in the organisation’s possession and control, as well as information about the ways in which the personal data has been used or disclosed in the past year;
- (h) protect personal data by making reasonable security arrangements to prevent unauthorised access, collection, use, disclosure, copying, modification, disposal or similar risks;
- (i) cease to retain personal data as long as it is reasonable to assume that:
 - the purpose for which it was collected is no longer being served by retaining it; and
 - the retention is no longer necessary for business or legal purpose;
- (j) not to transfer any personal data out of Singapore except in accordance with the requirements set out in the PDPA; and

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- (k) implement the necessary policies and practices in order to meet its obligations under the PDPA and make information about its policies and practices available on request.
- (a) If the Personal Data Protection Commission finds that an organisation is not complying with any provision in the PDPA, it may give the organisation all or any of the following directions:
- to stop collecting, using or disclosing personal data in contravention of the PDPA;
 - to destroy personal data collected in contravention of the PDPA;
 - to comply with any direction of the PDPC to provide access to or correct the personal data; or
 - to pay a financial penalty:
 - For a company with annual turnover in Singapore exceeding 10 million Singaporean Dollars, an amount not exceeding 10% of its annual turnover in Singapore;
 - In any other case, an amount not exceeding 1 million Singaporean Dollars.

EMPLOYMENT AND SAFETY

Employment of Singapore Workers

The Employment Act 1968 of Singapore (“**Employment Act**”) is administered by the Ministry of Manpower (“**MOM**”) and sets out the basic terms and conditions of employment, rights and responsibilities of employers, as well as the categories of employees who are covered under the Employment Act. Employers shall follow the requirements in the Employment Act, in particular Part IV of the Employment Act regarding rest days, hours of work and other conditions of service, which apply to workmen who receive salaries not exceeding SGD4,500 a month and employees (other than workmen) who receive salaries not exceeding SGD2,600 a month.

No employee is allowed to work for more than 12 hours in any one day except in specified circumstances, and the aggregate amount of overtime work that an employee can perform shall not exceed 72 hours in a month. Employers must seek the prior approval of the Commissioner for Labour for exemption if they require an employee or class of employees to work for more than 12 hours a day or more than 72 overtime hours a month and display the approval or a copy conspicuously in the place where the employee or class of employees are employed.

Employment of Foreign Workers

The availability and employment of foreign workers in Singapore is governed by the Employment of Foreign Manpower Act 1990, the Immigration Act 1959 and the relevant Government Gazettes. In relation to the employment of foreign workers, employers must ensure that such persons apply for a work pass. The type of work pass and the conditions applicable to such type of work pass varies depending on the skill level and vocation of the employees.

REGULATORY OVERVIEW

Employers must not employ a foreign employee unless the foreign employee has a valid work pass, and must not employ a foreign employee otherwise than in accordance with the conditions of the foreign employee's work pass as may be prescribed by the Controller of Work Passes from time to time.

Central Provident Fund (“CPF”) contributions

The CPF system is a mandatory social security savings plan funded by contributions from employers and employees. It is governed by the Central Provident Fund Act 1953 and applies to all employees who are Singaporean citizens or Singapore permanent residents and employed under a contract of service or other agreement entered into in Singapore other than as a master, seaman or apprentice in a vessel (unless the owners of such vessel have not been exempted).

CPF contributions are required for ordinary wages and additional wages (subject to yearly wage ceilings), at applicable prescribed rates which vary depending on, inter alia, age of the employee and the amount of monthly wages. An employer must pay both the employer's and employee's share of the monthly CPF contribution, but is entitled to recover the employee's share of CPF contribution by deducting it from their wages.

Work Injury Compensation

The Work Injury Compensation Act 2019 of Singapore (“WICA”) applies to employees in all industries in respect of injury suffered by them in the course of their employment and sets out, among others, the amount of compensation they are entitled to and the method(s) of calculating such compensation. The WICA provides that if in any employment, personal injury by accident arising out of and in the course of the employment is caused to an employee, the employer shall be liable to pay compensation in accordance with the provisions therein.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

OUR HISTORY

Overview

Our history can be traced back to May 2011 when our Company was incorporated in the BVI with limited liability as our offshore holding company. In August 2011, Qiniu Information, one of our Consolidated Affiliated Entities, was established in the PRC and we exerted control in Qiniu Information through contractual arrangements considering the regulatory requirements on foreign investment since its establishment to commence our business in the PRC. Qiniu Information was one of the earliest service providers which primarily engaged in the provision of audiovisual cloud services in the PRC and with the initial success of Qiniu Information, we further expanded our business to (1) MPaaS products encompassing a range of audiovisual solutions, including interactive live streaming products, intelligent media data analytics platform, proprietary content delivery network and object storage platform, primarily aimed to serve customers with strong development capabilities and high flexibility requirements; and (2) APaaS solutions which are scenario-based audiovisual solutions based on our MPaaS products.

Since our establishment, our Group has been led by Mr. Xu, being our chairman, our chief executive officer, our chief technology officer and our executive Director. See “Directors and Senior Management — Directors — Executive Directors” in this prospectus for details.

Key Milestones

The following table sets forth our key milestones:

Year	Milestones
2011	We commenced our audiovisual cloud service in the PRC through Qiniu Information, which was established in August 2011.
2012	We completed the series A funding in an aggregate amount of approximately US\$1 million from a company operated under Matrix Partners China (經緯中國), namely Matrix HK, in February 2012.
2013	We completed the series B funding in an aggregate amount of approximately US\$5 million from Matrix HK and funds operated under Qiming Venture Partners (啟明創投), namely Qiming MD and Qiming Venture, in February 2013.
	We were awarded “2013 Best Cloud Storage Platform” by China IT Summit (中國IT兩會) and “2013 Best Cloud Technology Application” by CCIDNET.com, PRC’s national information industry’s public service platform.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestones
2014	<p>We completed the series C funding in an aggregate amount of approximately US\$20 million from, among others, a company operated by China Broadband Capital (寬帶資本), namely CBC Cloud Investment Limited, in November 2014.</p> <p>We were recognized as the “2014 Best Internet Service Provider” by the Global Internet Technology Conference and the “Best Cloud Service Provider” by the International Data Group in the 2014 Android World Global Developers Conference.</p>
2015	<p>Our storage services successfully passed the assessment from Trusted Cloud (可信雲), which is the only and most authoritative cloud service assessment and certification system under the Chinese Academy of Information and Communication Technology (中國信息通信研究院) in January.</p> <p>We were awarded “2014-2015 Future Enterprise Disruptors in China (2014-2015 年度中國最具潛力企業獎)” in the 2015 Cloud Connect (全球雲計算大會), which is one of the largest cloud computing events in the world in September.</p>
2016	<p>We completed the series D funding in an aggregate amount of approximately US\$55 million from, among others, companies operated by Zhangjiang Group (張江集團), namely Shanghai ZJ and Shanghai ZJ Venture, in January 2016.</p>
2017	<p>We completed the series E funding in an aggregate amount of approximately US\$85 million from, among others, Taobao China, in December 2017.</p> <p>We obtained the “2017 Best Service Award in Information Technology Service Industry” by the Centre for Software and Integrated Circuit Promotion under the Ministry of Industry and Information Technology (工業和信息化部軟件與集成電路促進中心) and the “2016-2017” Trusted Cloud Technology Innovation Award (Storage) by Trusted Cloud.</p>
2018	<p>We were awarded the “2018 Leading Cloud Computing Enterprise in China” by the China Center for Information Industry Development (中國電子信息產業發展研究院) (also known as 賽迪研究院).</p>
2019	<p>We were awarded the “2019 – Quarterly Hurun China Potential Unicorns” by the Hurun Institute (胡潤研究院) in May and the “2019 Leading Enterprise in Cloud Computing” by the Internet Magazine published by the Chinese Academy of Sciences in December.</p>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Year	Milestones
2020	<p>We completed the series F and series F-1 fundings in an aggregate amount of approximately US\$93 million from, among others, a company controlled by the China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司), namely, EverestLu, in June 2020.</p> <p>We achieved a total revenue over RMB1 billion.</p>
2021	<p>We were awarded “2020-2021 Best Practice of Trusted Cloud Technology – Object Storage” by the Chinese Academy of Information and Communication Technology (中國信息通信研究院) and recognized as one of the Top 20 Growing Chinese Internet Enterprises by the Internet Society of China in November.</p> <p>We officially launched our APaaS business.</p>

CORPORATE DEVELOPMENT

Our Company

At the time of incorporation, our Company was authorized to issue a maximum of 50,000 shares of a par value of USD1.00 each. On the same date, 735 shares and 265 shares were allotted and issued to Mr. Xu and Mr. Lyu for the consideration of USD735 and USD265, respectively.

On February 22, 2012, the shares of our Company were subdivided into 500,000,000 shares of a par value of USD0.0001 each. Following the share subdivision, on February 24, 2012, our Company further allotted and issued 31,972,500 ordinary shares and 11,527,500 ordinary shares to Mr. Xu and Mr. Lyu, credited as fully paid, respectively.

On November 20, 2014, our Company repurchased 2,671,180 and 2,171,680 ordinary shares at par value from Mr. Xu and Mr. Lyu, respectively to reduce the then issued share capital of our Company in preparation for issuance of series C-1 preferred shares of our Company to our Pre-IPO Investors. All these ordinary shares repurchased by our Company had been cancelled and such repurchase consideration had been settled.

From 2012 to 2020, we have completed several rounds of Pre-IPO Investments, for which our Company issued series A preferred shares, series B preferred shares, series C-1 preferred shares, series C-2 preferred shares, series D preferred shares, series E-1 preferred shares, series E-2 preferred shares, series F preferred shares and series F-1 preferred shares of our Company to the relevant Pre-IPO Investors. See “Pre-IPO Investments” in this section for further details.

On June 14, 2023, pursuant to shareholders’ resolutions dated May 11, 2023, our Company discontinued as a company incorporated under BVI Business Companies Act (As Revised) and was registered by way of continuation as an exempted company limited by shares under the Cayman Companies Act.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

As of the Latest Practicable Date, we had ten subsidiaries and three Consolidated Affiliated Entities in which we control through Contractual Arrangements to carry out our principal business, details of which are set out below.

Qiniu HK

Qiniu HK is a company incorporated in Hong Kong with limited liability on June 2, 2011 with issued share capital of HK\$1. Qiniu HK had been a wholly-owned subsidiary of our Company since its incorporation up to the Latest Practicable Date. Qiniu HK was incorporated initially as an investment holding company to hold the equity interest of Shanghai Kongshan. It subsequently commenced its business operation in the provision of basic audiovisual services and other cloud services from December 2021.

Jiaxing Kongshan

Jiaxing Kongshan was established as a limited liability company in the PRC on January 26, 2024 with an initial registered capital of USD35 million. As at the Latest Practicable Date, it had not commenced business operations. Jiaxing Kongshan had been a wholly-owned subsidiary of Qiniu HK since its incorporation up to the Latest Practicable Date.

Superstify Holdings

Superstify Holdings was incorporated as a BVI business company in the BVI on June 14, 2022 with issued share capital of USD1. Since its incorporation, Superstify Holdings has been an investment holding company to hold the equity interest of Superstify Technology and has been a wholly-owned subsidiary of our Company.

Superstify Technology

Superstify Technology was incorporated as a limited company in the Singapore on June 21, 2022 with an initial issued share capital of SGD10,000 (equivalent to approximately HK\$58,300) issued to Superstify Holdings. On January 11, 2023, Superstify Holdings subscribed for additional 290,000 ordinary shares of Superstify Technology and as a result the issued share capital of Superstify Technology was increased to SGD300,000 (equivalent to approximately HK\$1,749,240). Since its incorporation, Superstify Technology was incorporated to capture the opportunities presented by the Southeast Asia audiovisual cloud service market and has been a wholly-owned subsidiary of Superstify Holdings.

Superstify VN

Superstify VN was incorporated as a limited company in Vietnam on December 1, 2022 with initial share capital of VND2,436,000,000. Superstify VN was incorporated to realize our plan to establish our presence in the Vietnamese market. It had not carried out any business operation and had been a wholly-owned subsidiary of Superstify Technology since its incorporation up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Viculus Holdings

Viculus Holdings was incorporated as a BVI business company in the BVI on July 13, 2022 with issued share capital of USD1. Since its incorporation, Viculus Holdings has been an investment holding company to hold the equity interest of Viculus Technology and has been a wholly-owned subsidiary of our Company.

Viculus Technology

Viculus Technology was incorporated as a limited company in the Singapore on July 28, 2022 with issued share capital of SGD10,000 (equivalent to approximately HK\$58,300). Viculus Technology was incorporated to capture the opportunities presented by the Southeast Asia audiovisual cloud service market. It had not carried out any business operation and had been a wholly-owned subsidiary of Viculus Holdings since its incorporation up to the Latest Practicable Date.

WarpDrive Technology

WarpDrive Technology was incorporated as a limited company in the Singapore on May 19, 2021 with issued share capital of SGD100,000 (equivalent to approximately HK\$583,000). WarpDrive Technology was incorporated to capture the opportunities presented by the Southeast Asia audiovisual cloud service market. It has been a wholly-owned subsidiary of Qiniu HK since its incorporation. It commenced its business operation of sale of IT hardware and software from November 2021.

Shanghai Kongshan

Shanghai Kongshan was established as a limited liability company in the PRC on January 6, 2012 with an initial registered capital of USD600,000 (equivalent to approximately HK\$4,696,200), and is primarily engaged in network technology and software development. After several rounds of capital injection by Qiniu HK which had all been settled, the registered capital of Shanghai Kongshan was USD16.8 million (equivalent to approximately HK\$131.2 million) as at the Latest Practicable Date. Shanghai Kongshan had been a wholly-owned subsidiary of Qiniu HK since its incorporation up to the Latest Practicable Date.

Beijing Kongyu

Beijing Kongyu was established as a limited liability company in the PRC on November 11, 2020 with an initial registered capital of RMB2 million, and is primarily engaged in network technology, hardware and software development. Beijing Kongyu had been a wholly-owned subsidiary of Shanghai Kongshan since its incorporation up to the Latest Practicable Date.

Qiniu Information

Qiniu Information was established as a limited liability company in the PRC on August 3, 2011 with an initial registered capital of RMB1 million. The registered capital of Qiniu Information was increased to RMB50 million as at the Latest Practicable Date. Qiniu Information has obtained a VAT License and is primarily engaged in cloud services such as clouding computing, storage and delivery. Qiniu Information had been held by Mr. Xu and Mr. Lyu as to 73.5% and 26.5%, respectively, since its incorporation up to the Latest Practicable Date.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Beijing Kongshan

Beijing Kongshan was established as a limited liability company in the PRC on September 6, 2011 with an initial registered capital of RMB50,000. The registered capital of Beijing Kongshan was increased to RMB10 million as at the Latest Practicable Date. Beijing Kongshan has obtained an IDC license to conduct IDC related business. As at the Latest Practicable Date, it had not commenced business operations. Beijing Kongshan had been held by Mr. Xu and Mr. Lyu as to 73.5% and 26.5%, respectively, since its incorporation up to the Latest Practicable Date.

Qiniu Shenzhen

Qiniu Shenzhen was established as a limited liability company in the PRC on May 6, 2022 with an initial registered capital of RMB10 million. As at the Latest Practicable Date, Qiniu Shenzhen had obtained a VAT License and is primarily engaged in cloud services such as clouding computing and delivery. Qiniu Shenzhen had been wholly owned by Qiniu Information since its incorporation up to the Latest Practicable Date.

PREVIOUS U.S. LISTING ATTEMPT

In 2021, our Company sought an initial public offering of our Company's American Depositary Shares on the Nasdaq Global Select Market in the United States. As part of our U.S. listing attempt, we submitted various documents, including a draft registration statement, to the U.S. Securities and Exchange Commission (the "SEC") for its review in February 2021. As part of SEC's review process, we received comments generally relating to clarification and disclosure on certain aspects of our business and operating results, which we had satisfactorily addressed through written responses and subsequent registration statement filings to the SEC. Major comments from the SEC include:

- disclose details relating to MPaaS premium customers, such as number, average revenue per premium customer and net expansion rate;
- clarify the decreasing trend in the number of paying customers in the first quarter of 2021;
- disclose that due to the then relationship between China and the United States and international sanctions and export controls, the US stock exchanges might be prohibited from allowing trading of ADSs of certain PRC companies with ties to the PRC military and might restrict our business expansion;
- disclose details of share option granted, including the number of options issued, fair value of underlying shares and fair value of the options; and
- clarify and elaborate certain significant accounting policies.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

In September 2022, we voluntarily withdrew our U.S. listing application before the Registration Statement has been effective by the SEC, due to unfavorable capital markets conditions in the United States at the time. We had satisfactorily addressed SEC’s comments as described above by (i) explaining or clarifying to the SEC in our written responses; and (ii) adding and/or revising certain disclosures to the draft registration statement for clarity. We experienced no difficulty in addressing the SEC’s comments and there was no disagreement with the SEC or the professional parties involved in our attempted U.S. listing.

Our Directors confirm that (i) our Company’s decision for not proceeding with the U.S. listing attempt was due to the unfavourable capital market conditions, but not any difficulty in addressing the SEC comments; (ii) there was nothing in the SEC comments that was material to the effect that it would have resulted in the SEC preventing us from proceeding with our U.S. listing attempt should we have chosen to proceed with it; and (iii) there was no disagreement with the SEC or other professional parties in the contemplated U.S. listing. On such basis, there is also no matter in relation to our U.S. listing attempt that (i) are relevant to the Listing and should be disclosed in this prospectus for investors to form an informed assessment of our Company; (ii) which would affect our Company’s suitability for Listing; and (iii) need to be brought to the attention of the Stock Exchange and the investors.

In relation to the previous U.S. listing attempt, the Joint Sponsors performed due diligence including reviewing the written correspondence with the SEC provided to the Joint Sponsors and report issued by the independent public accountants for the previous U.S. listing attempt, and discussing with us to further understand the previous U.S. listing attempt. Based on the due diligence performed by and the information and representation given to the Joint Sponsors, nothing has come to the Joint Sponsors’ attention that could lead them to cast doubts on our conclusion above.

Termination of the Previous Contractual Arrangements

We conducted substantially all of our business in the PRC through our major variable interest entities, based on a series of contractual arrangements, which was entered into earliest in 2012 (the “**Previous Contractual Arrangements**”).

Given that the Previous Contractual Arrangements have been entered into in the early stage of our Group’s development and the regulatory environment has been continuously evolved throughout the years, also for the purpose of the Listing and to continue our business operation of the Consolidated Affiliated Entities in compliance with the requirements of the Stock Exchange (including the Listing Rules and the “narrowly tailored” requirements under Chapter 4.1 of the Guide For New Listing Applicant issued by the Stock Exchange) and the relevant PRC laws and regulations, we terminated the Previous Contractual Arrangements and entered into new contractual arrangements on May 11, 2023 and June 21, 2024.

Contractual Arrangements

In order for us to operate the business of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen in compliance with the Listing Rules and the relevant PRC laws and regulations, we, through our wholly-owned subsidiary, Shanghai Kongshan, entered into separate sets of the Contractual Arrangements with Beijing Kongshan, Qiniu Information, Qiniu Shenzhen and the Registered Shareholders on May 11, 2023 and June 21, 2024. See “Contractual Arrangements” in this prospectus for details.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

PRE-IPO INVESTMENTS

We have received the following rounds of Pre-IPO Investments since the incorporation of our Company.

Summary of the Pre-IPO Investments

Particulars of the Pre-IPO Investments

We have received the following rounds of pre-IPO investments since the incorporation of our Company (collectively, the “**Pre-IPO Investments**”). The following table sets forth summary of the Pre-IPO Investments:

Name of the investors	Date of the relevant subscription agreement	Subscription price per share	Number of the shares subscribed	Date of completion of the transaction under the subscription agreement	Date of settlement of the subscription price	Post-money valuation of our Company after each round of Pre-IPO Investments (US\$) ²
Matrix HK	February 22, 2012	US\$0.08	12,500,000 series A preferred shares	February 24, 2012	February 29, 2012	5,280,000
Matrix HK, Qiming MD and Qiming Venture	January 14, 2013	US\$0.27	3,125,000 series B preferred shares for Matrix HK, 15,147,569 series B preferred shares for Qiming Venture and 477,431 series B preferred shares for Qiming MD	February 4, 2013	February 4, 2013 (for Matrix HK) and November 28, 2012 and February 4, 2013 (for Qiming Venture and Qiming MD)	22,882,500
Matrix HK, Qiming Venture, Qiming MD and CBC	June 13, 2014	US\$0.7434 (for each of Matrix HK, Qiming MD and Qiming Venture in relation to series C-1)	2,017,857 series C-1 preferred shares for Matrix HK, 1,956,200 series C-1 preferred shares for Qiming Venture and 61,657 series C-1 preferred shares for Qiming MD	July 11, 2014 (for both series C-1 and series C-2)	March 13, 2014 (for Matrix HK in series C-1) and March 14, 2014 (for Qiming MD and Qiming Venture in series C-1), July 11, 2014 and July 14, 2014 (for series C-2)	66,000,688

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of the investors	Date of the relevant subscription agreement	Subscription price per share	Number of the shares subscribed	Date of completion of the transaction under the subscription agreement	Date of settlement of the subscription price	Post-money valuation of our Company after each round of Pre-IPO Investments (US\$) ²
		US\$0.8260 (for each of Matrix HK, Qiming Venture, Qiming MD and CBC in relation to series C-2)	2,019,909 series C-2 preferred shares for Matrix HK, 1,958,190 series C-2 preferred shares for Qiming Venture, 61,719 series C-2 preferred shares for Qiming MD and 16,138,821 series C-2 preferred shares for CBC			90,000,058
Matrix HK, Qiming Venture, Qiming MD and CBC	November 13, 2014	US\$0.7434	1,716,851 series C-1 preferred shares for Matrix HK, 1,664,392 series C-1 preferred shares for Qiming Venture, 52,459 series C-1 preferred shares for Qiming MD and 1,409,158 series C-1 preferred shares for CBC	November 20, 2014 (for series C-1)	November 24, 2014 (for series C-1)	66,000,688
Matrix HK, Qiming Annex, CBC, FG Venture and Golden Valley	October 12, 2015	US\$1.9209	1,853,067 series D preferred shares for Matrix HK, 2,111,407 series D preferred shares for Qiming Annex, 427,294 series D preferred shares for CBC, 4,164,756 series D preferred shares for FG Venture and 520,594 series D preferred shares for Golden Valley	October 13, 2015	July 23, 2015 and October 14, 2015 (for Matrix HK), July 23, 2015 and October 13, 2015 for Qiming Annex, July 30, 2015 for CBC, October 16, 2015 for FG Venture and October 19, 2015 for Golden Valley	226,743,818

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of the investors	Date of the relevant subscription agreement	Subscription price per share	Number of the shares subscribed	Date of completion of the transaction under the subscription agreement	Date of settlement of the subscription price	Post-money valuation of our Company after each round of Pre-IPO Investments (US\$) ²
Matrix HK, Harvest Yuanxiang, Telstra Ventures Pty Limited, Shanghai ZJ and Shanghai ZJ Venture	December 30, 2015	US\$1.9209	312,357 series D preferred shares for Matrix HK, 7,808,917 series D preferred shares for Harvest Yuanxiang, 3,123,567 series D preferred shares for Telstra Ventures Pty Limited, 5,205,945 series D preferred shares for Shanghai ZJ and 3,123,567 series D preferred shares for Shanghai ZJ Venture	January 8, 2016	June 29, 2016 (for Matrix HK), April 6, 2016, May 3, 2016 and June 23, 2016 for Harvest Yuanxiang, January 27, 2016 (for Shanghai ZJ), January 19, 2016 for Shanghai ZJ Ventures and January 8, 2016 for Telstra Ventures Pty Limited	264,343,599
Taobao China, Magic Logistics	July 11, 2017	US\$2.2041	16,637,398 series E-2 preferred shares for Taobao China and 18,483,981 series E-2 preferred shares for Magic Logistics	July 12, 2017	July 17, 2017 for Taobao China and July 21, 2017 for Magic Logistics	380,724,999
Shanghai Shentai	October 18, 2017	US\$1.7633 per series E-1 preferred shares ¹ US\$2.2041 per series E-2 preferred shares	944,863 series E-1 preferred shares 2,551,144 series E-2 preferred shares	December 28, 2017 (for both series E-1 and series E-2)	January 2, 2018 (for both series E-1 and series E-2)	388,435,618
BOCOM Asset Management and BOCOM Fund	October 25, 2018	US\$3.344648	8,550,976 series F preferred shares for BOCOM Asset Management and 1,376,093 series F preferred shares for BOCOM Fund	October 26, 2018 (for BOCOM Asset Management) and July 25, 2019 (for BOCOM Fund)	November 13, 2018, June 29, 2020 and July 31, 2020 (for BOCOM Asset Management) and February 1, 2019 (for BOCOM Fund)	622,640,744
Jumbo Sheen	August 8, 2019	US\$3.344648	2,989,851 series F preferred shares	August 9, 2019	August 16, 2019	632,640,657
EverestLu	October 10, 2019	US\$3.344648	14,949,256 series F-1 preferred shares	May 27, 2020	June 8, 2020	682,640,614

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Note:

1. The subscription price per series E-1 preferred shares was lower than that of series D preferred shares for the reason that the most part of the series E-1 preferred shares was converted from previous preferred shares and thus a special discount has been applied. For details, see “– Subsequent changes in the preferred shares of our Company” below.
2. Post-money valuation is calculated by multiplying the then subscription price per share by the total number of shares after completion of the relevant subscription.

Subsequent transfers in the preferred shares of our Company

On July 12, 2017, Taobao China acquired: (i) 5,369,380 series A preferred shares from Matrix HK; (ii) 6,831,969 series B preferred shares from Qiming Venture; (iii) 215,334 series B preferred shares from Qiming MD; and (iv) 1,040,433 series C-1 preferred shares and 6,006,870 series C-2 preferred shares from CBC. The consideration for each preferred share acquired by Taobao China was US\$1.7633, which was a discounted subscription price of series E-2 Pre-IPO Investment, as determined by the relevant parties at arm’s length negotiation. Subsequently on the same day, Taobao China converted all the aforesaid preferred shares into 19,463,986 series E-1 preferred shares of our Company.

On July 12, 2017, Magic Logistics acquired: (i) 1,902,888 series A preferred shares from Matrix HK; (ii) 2,421,222 series B preferred shares from Qiming Venture; (iii) 76,314 series B preferred shares from Qiming MD; and (iv) 368,725 series C-1 preferred shares and 2,128,811 and series C-2 preferred shares from CBC. The consideration for each preferred share acquired by Magic Logistics was US\$1.7633 per share. Subsequently on the same day, Magic Logistics converted all those preferred shares into 6,897,960 series E-1 preferred shares of our Company.

On June 29, 2018, Telstra Ventures Pty Limited transferred its 3,123,567 series D preferred shares to Titanium Ventures Fund II, L.P. (formerly known as Telstra Ventures Fund II, L.P.) for valuable consideration.

On May 11, 2023, Matrix HK transferred (i) 522,773 series A preferred shares, 312,500 series B preferred shares, 373,471 series C-1 preferred shares, 201,991 series C-2 preferred shares and 216,543 series D preferred shares to MPC II-A L.P. (formerly known as Matrix Partners China II-A, L.P.); and (ii) 4,704,959 series A preferred shares, 2,812,500 series B preferred shares, 3,361,237 series C-1 preferred shares, 1,817,918 series C-2 preferred shares and 1,948,881 series D preferred shares to MPC II L.P. (formerly known as Matrix Partners China II, L.P.). The considerations of these transfers were calculated at US\$0.08 per each series A preferred share, US\$0.27 per each series B preferred share, US\$0.7434 per each series C-1 preferred share, US\$0.8260 per each series C-2 preferred share and US\$1.9209 per each series D preferred share which equal to the respective original subscription price of each series of preferred shares. Both transfers were completed on June 6, 2023. Matrix HK and MPCs are, respectively, a company and funds operated under Matrix Partners China.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The table below sets forth other details of the Pre-IPO Investments, including the cost per Share (after taking into account of the Capitalization Issue) paid by each Pre-IPO Investor and their respective discounts to the Offer Price:

Pre-IPO Investors	Total investment (HK\$)	Total number of Shares (after taking into account of the Capitalization Issue)	Cost per Share (after taking into account of the Capitalization Issue) ¹ (HK\$)	Discount to the Offer Price ²	Shareholding upon Listing ³
MPCs	76,932,928.71	146,454,957	0.5253	81.24%	7.34%
Qiming Funds	79,108,661.18	125,515,665	0.6303	77.49%	6.29%
CBC	57,946,206.48	75,873,906	0.7637	72.72%	3.80%
FG Venture	62,380,622.24	37,482,804	1.6642	40.56%	1.88%
Golden Valley	7,797,570.29	4,685,346	1.6642	40.56%	0.23%
Harvest Yuanxiang	116,963,659.22	70,280,253	1.6642	40.56%	3.52%
Shanghai ZJ	77,975,777.80	46,853,505	1.6642	40.56%	2.35%
Shanghai ZJ Venture	46,785,466.68	28,112,103	1.6642	40.56%	1.41%
Titanium Ventures	46,785,466.68	28,112,103	1.6642	40.56%	1.41%
Taobao China	553,554,938.14	324,912,456	1.7037	39.15%	16.27%
Magic Logistics	412,516,720.75	228,437,469	1.8058	35.51%	11.44%
Shanghai Shentai	56,836,394.03	31,464,063	1.8064	35.49%	1.58%
BOCOM Asset Management	223,008,537.24	76,958,784	2.8978	N/A	3.85%
BOCOM Fund	35,888,357.90	12,384,837	2.8978	N/A	0.62%
Jumbo Sheen	77,974,993.51	26,908,659	2.8978	N/A	1.35%
EverestLu	389,874,993.62	134,543,304	2.8978	N/A	6.74%

Notes:

1. Cost per Share is calculated based on the total investment amount by such Pre-IPO Investor divided by the number of shares to be held by such Pre-IPO Investor (after taking into account of the Capitalization Issue).
2. The discount to offer price is calculated based on the assumption that (i) the Offer Price is HK\$2.80 per Share, being the mid-point of the Offer Price range; and (ii) the preferred shares of the Company are converted into ordinary Shares on a one-to-one basis.
3. Assuming full conversion of preferred shares of our Company into ordinary shares of our Company on a one-to-one basis, the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Plan.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The table below sets forth the other details of the Pre-IPO Investments:

Reasons and benefits

At the time of each Pre-IPO Investments, our Directors were of the view that our Company would benefit from:

- the additional capital to fund our business development and supplement the Company's working capital;
- the insights for industry, advice on business expansion or strategic direction that the Pre-IPO Investors may bring to our Company;
- the strong industry leading position and ample experience of the Pre-IPO Investors, which strengthen business cooperation between our Company and the Pre-IPO Investors and form a complementary industry chain;
- the network and experience of the Pre-IPO Investors in Hong Kong capital market which may facilitate our Company's future financing; and
- the Pre-IPO Investor's investments demonstrating their confidence and recognition in our business, strengths and prospects, which may attract further investments in our Company.

Basis of the subscription price

The considerations for the Pre-IPO Investments received by us were determined based on arm's length negotiations between our Company and the relevant Pre-IPO Investors and made reference to the valuation of our Company at the relevant time after taking into account the timing of the investments and the status of our business and operating entities.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Use of proceeds

The proceeds raised from the above Pre-IPO Investments are used for the major business operations of the Group, including the continuous construction and upgrading of one-stop scenario-based audiovisual capabilities, continuous strengthening of the core competitiveness of products and technologies, improvement of customer service, sales and marketing, and replenishment of Company's working capital.

As at the Latest Practicable Date, apart from the proceeds raised from round F-1, all proceeds raised from the Pre-IPO Investments had been fully utilized.

Information of Pre-IPO Investors

Name of Pre-IPO Investors

Information of Pre-IPO Investors

Taobao China Holding Limited

Taobao China Holding Limited is a company incorporated in Hong Kong, and is an indirect wholly-owned subsidiary of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司) (“**Alibaba**”). It is a holding company of certain major subsidiaries of Alibaba relating to China commerce and local consumer services businesses. Alibaba is an exempted company incorporated with limited liability under the laws of the Cayman Islands on June 28, 1999, and is listed on the New York Stock Exchange under the symbol “BABA” and on the Stock Exchange (stock code: 9988).

Magic Logistics Investment Limited

Magic Logistics Investment Limited is a company incorporated in the BVI and is solely owned by Yunfeng Fund II AIV, L.P. (“**Yunfeng LP**”), whose general partner is Yunfeng Fund II AIV GP, Ltd., a Cayman Islands exempted company (“**Yunfeng GP**”). Yunfeng LP is established as an alternative fund of and indirectly controlled by Yunfeng Fund II, L.P. (“**Yunfeng Fund**”), a Cayman Islands exempted limited partnership. All of the limited partners of Yunfeng LP are Independent Third Parties and none of them holds more than or equal to 30% of the partnership interest therein. Yunfeng GP is solely owned by Mr. Yu Feng (虞鋒), an Independent Third Party, founder of Yunfeng Capital (雲鋒基金) (“**Yunfeng Capital**”). Yunfeng Capital is a leading private equity firm founded in China in 2010. Yunfeng Capital has formed deep sector expertise and industry insights in its focused sectors, including technology and business services.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investors

Information of Pre-IPO Investors

MPCs

MPCs are exempted limited partnerships incorporated under the laws of the Cayman Islands, of which both of their general partners are, to the best knowledge of the Directors, MPC Management II, L.P., an exempted limited partnership registered in the Cayman Islands. All of the limited partners of both MPCs are Independent Third Parties and none of them holds more than or equal to 30% of the partnership interest therein. The general partner of MPC Management II, L.P. is MPC GPGP II Ltd., a company incorporated in the Cayman Islands. David Su (徐傳陞) is the controlling shareholder of MPC GPGP II Ltd.. MPCs are venture capital funds with a primary purpose of making investments in the PRC, mainly focusing on companies in the advanced technology, mobile Internet, healthcare and consumer sectors. These entities are funds and company operated under MPCi (經緯創投). Founded in 2008, MPCi is one of the leading venture capital firms focused on early stage and early growth deals in China. MPCi mainly invests in new economy, deep technology, industrial digitalization, healthcare, frontier technology and new consumer brands.

Qiming Funds

Qiming Funds are exempted limited partnerships registered under the laws of the Cayman Islands. Qiming GP III, L.P. is the general partner of Qiming Venture Partners III, L.P. and Qiming Venture Partners III Annex Fund, L.P., whereas Qiming Corporate GP III, Ltd. is the general partner of Qiming GP III, L.P. and Qiming Managing Directors Fund III, L.P.. Qiming Corporate GP III, Ltd., which is 25% owned by each of Mr. Duane Ziping Kuang (鄺子平), Mr. Gary Rieschel, Ms. Nisa Bernice Leung and Mr. Robert Headley, respectively, controls the exercise of voting and investment power of the Shares held by Qiming Funds. Apart from Mr. Duane Ziping Kuang (鄺子平), a former director of our Company and certain of our subsidiaries, all other limited partners of Qiming Funds are Independent Third Parties and none of them holds more than or equal to 30% of the partnership interest therein. Qiming Funds are the venture capital funds operated under Qiming Venture Partners (啟明創投), which was founded in 2006 and is a leading China venture capital firm with over US\$9 billion of assets under management based on publicly available information. Since its establishment, Qiming Venture Partners has focused on investments in companies in the technology and consumer (T&C) and healthcare sectors across China.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investors	Information of Pre-IPO Investors
CBC Cloud Investment Limited	CBC Cloud Investment Limited is a company incorporated in the British Virgin Islands and it is wholly owned by China Broadband Capital Partners II, L.P.. China Broadband Capital Partners II, L.P. is a private fund registered in the Cayman Islands, consisting of CBC Partners II, L.P., a Cayman Islands exempted limited partnership being its general partner, and 17 limited partners. All of the limited partners of China Broadband Capital Partners II, L.P. are Independent Third Parties and none of them holds more than or equal to 30% of the partnership interest therein. CBC Ultimate Partners II Ltd, a Cayman Islands exempted company, is the general partner of CBC Partners II, L.P. and is indirectly wholly-owned by Mr. Tian Suning (田溯寧), who founded China Broadband Capital (寬帶資本), a private equity firm in China focusing on technology, media and telecommunication investments. As at January 31, 2023, China Broadband Capital managed funds with a total size of over USD700 million.
FG Venture, L.P.	FG Venture, L.P. is an exempted limited partnership incorporated in the Cayman Islands. As at December 31, 2022, the asset under management of FG Venture, L.P. was over USD100 million. To the best knowledge of the Directors, the general partner of FG Venture, L.P. is FG Venture LLC, a limited liability company registered under the laws of the Cayman Islands. FG Venture LLC is owned as to 55% by STFH Limited, a company incorporated in the BVI and 45% by Venture Philosophy Limited, a company incorporated in the BVI. Both STFH Limited and Venture Philosophy Limited are solely owned by Ms. Qian, Yu (錢昱), an Independent Third Party. All of the limited partners of FG Venture, L.P. are Independent Third Parties and none of them holds more than or equal to 30% of the partnership interest therein.
Golden Valley Holdings Limited	Golden Valley Holdings Limited is a company incorporated in Samoa and is established to engage in equity investment in the semiconductor and software industry. It is wholly owned by Luck Come Limited, a BVI corporation and solely owned by Cheng, Yu-Fen (鄭玉芬), an Independent Third Party.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investors	Information of Pre-IPO Investors
Harvest Yuanxiang (Cayman) Limited	<p>Harvest Yuanxiang (Cayman) Limited is a company incorporated in the Cayman Islands and it is indirectly controlled by Shenzhen Harvest Yuanxiang Equity Investment Partnership (Limited Partnership) (“Shenzhen Harvest”), a limited partnership registered under the laws of the China, which is controlled by its general partner, Harvest Investments Management Co., Ltd. (“Harvest Investments”). Shenzhen Harvest has four limited partners, among which, Herun Linghang Investment Management (Beijing) Co., Ltd. (和潤領航投資管理(北京)有限公司) (“Herun Linghang”), a company established in the PRC, is the largest limited partner (holding approximately 47.19% interest in Shenzhen Harvest). Herun Linghang is ultimately controlled by Jiang Tao (姜濤) and Zhang Ru (張茹), each of them an Independent Third Party. The three other limited partners of Shenzhen Harvest are also Independent Third Parties and none of them holds more than or equal to 30% of the partnership interest therein. The asset under management of Shenzhen Harvest was approximately RMB250 million as at December 31, 2022 and June 30, 2023. Harvest Investments is a private equity firm in China which has successfully identified, invested in and partnered with pharmaceutical companies and companies with leading technology in China. Harvest Investments is ultimately controlled by Shao Gang (邵剛), an Independent Third Party.</p>
Titanium Ventures Fund II, L.P.	<p>Titanium Ventures Fund II, L.P. (formerly known as Telstra Ventures Fund II, L.P.) is a Guernsey (Channel Islands) registered limited partnership, whose general partner is, to the best knowledge of the Directors, T Ventures Fund II GP, L.P., a Guernsey limited partnership. To the best knowledge of the Directors, the general partner of T Ventures Fund II GP, L.P. is T Ventures Fund II GP, Ltd., which is owned 50% by Mark Sherman and 50% by Matthew Koertge, each an Independent Third Party. Titanium Ventures Fund II, L.P. has 14 limited partners, with Telstra Limited, being its largest limited partner (holding approximately 62.58% interest in Titanium Ventures Fund II, L.P.). Telstra Limited is a wholly-owned subsidiary of Telstra Group Limited, an Australian company listed on the Australia Stock Exchange (ASX: TLS) and a leading telecommunication company in Australia. The other limited partners of Titanium Ventures Fund II, L.P. are also Independent Third Parties and none of them holds more than or equal to 30% of the partnership interest therein. Titanium Ventures Fund II, L.P. is a venture capital investment fund that seeks to make capital returns by investing in unlisted technology companies. As at June 30, 2023, Titanium Ventures Fund II, L.P. managed over USD410 million of investments in a number of technology companies.</p>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO

Investors

Information of Pre-IPO Investors

Shanghai (Z.J.)

Holdings Limited and
Shanghai Zhangjiang
Science &
Technology Venture
Capital Co., Ltd.

Shanghai (Z.J.) Holdings Limited is a company incorporated in the Cayman Islands and a subsidiary of Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd (上海張江高科技園區開發股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600895). For the year ended December 31, 2022, Shanghai Zhangjiang Hi-Tech Park Development Co., Ltd made equity investments amounted to RMB1,136,956,500 in over 10 different partnerships or companies principally engaged in various scientific and technology sectors. Shanghai Zhangjiang Science & Technology Venture Capital Co., Ltd. (上海張江科技創業投資有限公司) is a company incorporated in Shanghai, PRC and is wholly owned by Shanghai Zhangjiang (Group) Co., Ltd. (上海張江(集團)有限公司), being a wholly state-owned venture capital enterprise. Zhangjiang Group primarily focuses on promoting Zhangjiang to become a scientific and technological innovation center in China and the world, and has completed dozens of direct investment projects via Shanghai Zhangjiang Science & Technology Venture Capital Co., Ltd. such as ACM RESEARCH (SHANGHAI), INC. (盛美半導體設備(上海)股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688082)), ASR MICROELECTRONICS CO., LTD. (翱捷科技股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688220)) and Anji Microelectronics Technology (Shanghai) Co., Ltd. (安集微電子科技(上海)股份有限公司) (a company listed on the Shanghai Stock Exchange (stock code: 688019)). The ultimate shareholder of both Shanghai (Z.J.) Holdings Limited and Shanghai Zhangjiang Science & Technology Venture Capital Co., Ltd. is the State-owned Assets Supervision and Administration Commission of the Shanghai Pudong New District People's Government.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investors	Information of Pre-IPO Investors
Shanghai Shentai Investment Management Partnership (LLP)	<p>Shanghai Shentai Investment Management Partnership (LLP) (上海樂泰投資管理合夥企業(有限合夥)) is a limited partnership established in the PRC, and is principally engaged in equity investment in our Company. The general partner of Shanghai Shentai Investment Management Partnership (LLP) is Shanghai Shenli Investment Management Partnership (LLP) (上海樂立投資管理合夥企業(有限合夥)), a limited partnership established in the PRC. Shanghai Shentai has three limited partners, namely (i) Shanghai Industrial Intellectual Property Operation Venture Capital Center (Limited Partnership) (上海產業知識產權運營創業投資中心(有限合夥)) (“Shanghai IP Venture LP”), a limited partnership established in the PRC, which holds approximately 50.61% of partnership interest therein and is ultimately controlled by Zou Zejiong (鄒澤炯), an Independent Third Party; (ii) Wang Zhaosu (王兆蘇), an Independent Third Party who holds approximately 40.49% of partnership interest therein; and (iii) Mr. Yu Jiong (虞炯), an Independent Third Party who holds approximately 8.90% of partnership interest therein. The general partner of Shanghai Shenli Investment Management Partnership (LLP) is Tianjiong Yeshen Asset Management (Shanghai) Co., Ltd. (天炯業樂資產管理(上海)有限公司) (“Tianjiong Yeshen”), which is a wholly-owned subsidiary of Tianjiong Investment Management (Shanghai) Co., Ltd. (天炯投資管理(上海)有限公司), which is controlled by Mr. Yu Jiong (虞炯), an Independent Third Party. The asset under management of Tianjiong Yeshen was approximately RMB150 million as at December 31, 2022.</p>
BOCOM International Asset Management Limited and Qiniu BOCOM International No.1 Equity Fund	<p>BOCOM International Asset Management Limited (“BOCOM Asset Management”) is a company incorporated in Hong Kong and a wholly-owned subsidiary of BOCOM International Holdings Company Limited (交銀國際控股有限公司) (“BOCOM International”) (a company listed on the Stock Exchange (stock code: 3329)), and engaged in asset management business. It was incorporated in Hong Kong since 2007 and has been committed to providing a full range of asset management services for corporate, institutional and high net worth individual clients, including public and private funds, investment managed accounts, private equity investment funds as well as investment advisory business. As at December 31, 2022, the total amount of asset under management of BOCOM International was over HK\$20 billion. BOCOM Asset Management is licensed under the SFO to carry out Type 1 (Dealing on Securities), Type 4 (Advising on Securities) and Type 9 (Asset Management) regulated activities and is also qualified as RMB Qualified Foreign Institutional Investor (RQFII) as well as eligible for dealing in bond trade through the Bond Connect.</p>

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investors

Information of Pre-IPO Investors

Qiniu BOCOM International No.1 Equity Fund is a contractual privately offered fund formed under the laws of PRC established by BOCOM International Private Equity Fund Management (Shenzhen) Company Limited (交銀國際私募股權基金管理(深圳)有限公司) (“**BOCOM SZ**”) specifically for its investment in our Company. BOCOM SZ is a company incorporated in the PRC with limited liability on February 3, 2016 and is a subsidiary of BOCOM International.

BOCOM Asset Management and Qiniu BOCOM International No. 1 Equity Fund were introduced to the Group by a financial adviser in 2017 and both of them became our Pre-IPO Investors in 2018 as they were confident in the business prospects and long-term development of our Group.

BOCOM Asset Management, BOCOM SZ and BOCOM International (Asia) Limited (a Joint Sponsor) are members of a “sponsor group” as defined under the Listing Rules.

Jumbo Sheen Amber LP

Jumbo Sheen Amber LP is an exempted limited partnership registered in the Cayman Islands with a primary purpose of investing in technology, media and telecommunications and healthcare industry. The general partner of Jumbo Sheen Amber LP is Jumbo Sheen (Cayman) GP Ltd, which is a limited liability company incorporated in the Cayman Islands and controlled by Mr. Yao Qiyong (姚其湧), an Independent Third Party. Apart from Mr. Yao Qiyong (姚其湧), there are no shareholders holding more than or equal to 30% of the shares of Jumbo Sheen (Cayman) GP Ltd. Jumbo Sheen Amber LP has one limited partner, namely Leader Value Limited, which is a BVI company indirectly wholly owned by Ms. Chu Chia-Huei (朱佳慧), an Independent Third Party. As at December 31, 2022, Jumbo Sheen Amber LP managed over US\$180 million of equity and fund investments in a number of companies.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Name of Pre-IPO Investors

Information of Pre-IPO Investors

EverestLu Holding Limited

EverestLu Holding Limited (永祿控股有限公司) is a company incorporated in Hong Kong, which is ultimately controlled by China Structural Reform Fund Corporation Limited (中國國有企業結構調整基金股份有限公司) which is a company incorporated in the PRC held by several state-owned enterprises and ultimately held by the State-owned Assets Supervision and Administration Commission of the State Council. It is mainly engaged in non-public fund raising, equity investment, project investment, capital management, investment consulting and enterprise management consulting. As at December 31, 2022, the asset under management of EverestLu Holding Limited was over US\$850 million.

Special Rights of the Pre-IPO Investors

The Pre-IPO Investors were granted certain special rights, including, among others, registration rights, delivery of financial statements, inspection, US tax matter, pre-emptive rights, board composition and voting matters, right of first refusal, restrictions on sale, access to information rights, drag-along rights, co-sale rights and the rights to appoint directors, management rights and rights to require redemption of preferred shares of our Company (the “**Divestment Rights**”).

Set out below is a brief description of certain special rights:

Special rights

Brief description

Registration rights

If the Company at the designated time received written request from Pre-IPO Investors requesting the Company to file a registration statement under the Securities Act, the Company shall, among other things, file a Form S-1 registration statement under the Securities Act within 60 days after the date such request.

Delivery of financial statements

The Company shall deliver to each of the Pre-IPO Investors (i) audited consolidated financial statements within 90 days after the end of each financial year; (ii) unaudited consolidated financial statements for a quarter/ month within designated period days after the end of each quarter/ month; (iii) proposed budget and business plan for the next financial year/ quarter prior to the end of each financial year/ quarter; and (vi) other financial information as the Pre-IPO Investors may reasonably request.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Special rights	Brief description
Pre-emptive rights	If the Company proposes to offer or sell any additional equity securities, the Company shall first make an offer to the Pre-IPO Investors.
Rights to appoint directors, board composition and voting matters	The Pre-IPO Investors shall be entitled to appoint a total of eight directors to the Board and Mr. Xu, being the holders of majority ordinary shares, shall be entitled to appoint eight directors to the Board and shall be the chairman of the Board. In case of an equality of votes, subject to the terms of the shareholders' agreement, the chairman of the Board shall have a second or casting vote.
Right of first refusal and co-sale rights	<p>Each of Mr. Xu and Mr. Lyu has granted to each of the Pre-IPO Investors a right of first to purchase, at the same price and on the same terms and conditions, its respective pro rata share of all the shares proposed to be sold by Mr. Xu and Mr. Lyu to any third-party purchaser.</p> <p>Any Pre-IPO Investor who has not exercised the right of first refusal, may elect to exercise its right to co-sell its shares up to its pro-rata share on the same terms and conditions.</p>
Drag-along rights	If the holders of two thirds or above of all outstanding Shares (on an as-converted basis) of the Company approve the sale of the Company (satisfying designated conditions, including but not limiting to, the valuation of the Company) to a person, all other holders of ordinary shares and preferred shares of the Company shall take such action in support of such sale and shall transfer the same percentage of their respective shareholding in the Company to the purchaser on the same terms.
Divestment Rights	Each of the Pre-IPO Investors has the rights, after designated period, to require the Company to redeem the preferred shares of the Company held by it at an agreed price.

Except for the Divestment Rights which have been terminated before our first submission of application for the Listing (the “**First Application Submission**”), all the other special rights will be terminated upon the completion of the Global Offering. The Divestment Rights will be restored in the event that (i) the Global Offering is not completed on or before January 1, 2025; (ii) the application for listing is formally withdrawn by our Company; (iii) the application for listing is rejected by the Stock Exchange; or (iv) the application for listing has lapsed and no resubmission has been made within four months thereafter.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

All the preferred shares of our Company will be converted into ordinary shares of our Company on the Listing Date. For further information about the shares of our Company, please see “Summary of the Constitution of the Company and Cayman Islands Company Law” in Appendix III to this prospectus.

Each of the Pre-IPO Investors have agreed to a lock-up arrangement in respect of its pre-IPO investment in our Company for a period of 12 months commencing from the Listing Date. For further details, please see “Underwriting – Undertakings by the Pre-IPO Investors”.

Compliance with the Interim Guidance and the Guidance Letters

On the basis that (i) the consideration for the Pre-IPO Investments was settled more than 28 clear days before the First Application Submission; and (ii) special rights granted to the Pre-IPO Investors in respect of our Company was suspended upon the First Application Submission and/or will be terminated upon Listing, the Joint Sponsors have confirmed that the Pre-IPO Investments are in compliance with the requirements set out in Chapter 4.2 of the Guide For New Listing Applicants issued by the Stock Exchange.

VOTING PROXY ARRANGEMENTS

Pursuant to consent letters executed in April 2024 and confirmation letters executed in June 2024, the Consenting Shareholders agreed to appoint Dream Galaxy, a company wholly owned by Mr. Xu, as their attorney and proxy to exercise the voting rights attached to all the Shares held by them at the general meeting of our Company. The relevant voting rights in concern under the voting proxy arrangements will be conferred to Dream Galaxy upon completion of the Global Offering. Such voting rights entrusted to Dream Galaxy include:

1. rights to convene and attend a general meeting;
2. rights to exercise voting rights on behalf of the Consenting Shareholders with respect to all the resolutions to be considered and approved by the Consenting Shareholders at the general meeting of our Company, including without limitation the rights to propose and elect any Director and any other senior management of our Company to be appointed or removed by our Shareholders; and
3. any other voting rights that may be exercised by our Shareholders in accordance with the Articles of Association as amended from time to time.

By entrusting such voting rights to Dream Galaxy, the Consenting Shareholders affirm their support and faith in the leadership and management of Mr. Xu to act in a manner that is aligned with the interests of our Group and Shareholders as a whole. The voting proxy arrangements will be beneficial to the overall strategic planning and decision-making process of our Company.

All Consenting Shareholders has irrevocably confirmed that, (a) the voting proxy arrangements shall take effect upon Listing and shall remain effective as long as they hold any Share and they will not revoke their respective voting proxy arrangements during such period; (b) they agreed to a lock-up arrangement for the period of 12 months commencing from the Listing Date (the “**Investors’ Lock-up Period**”); and (c) in the event that a Consenting Shareholder transfers any part of its Shares to an Independent Third Party, such part of Shares will no longer be subject to the voting proxy arrangements, while the Shares remained to be held by the Consenting Shareholders will continue to be subject to the voting proxy arrangements.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

Considering the Consenting Shareholders' confirmations above and that the Consenting Shareholders have agreed to lock-up for the Investors' Lock-up Period, we do not expect the voting proxy arrangement to be terminated by any Consenting Shareholder prior to the expiry of the Investors' Lock-up Period. Further, on the basis that each of the Consenting Shareholders entered into the voting proxy arrangements independent from other Consenting Shareholders, and the Consenting Shareholders have also confirmed, the termination by any Consenting Shareholder (if any) will not affect the validity of the voting proxy arrangements of other Consenting Shareholders.

PUBLIC FLOAT

Since each of Taobao China and Magic Logistics will hold more than 10% of the total issued share capital of our Company upon completion of the Global Offering, both of them will be substantial shareholders of our Company. Thus, the Shares held by them will not be counted as part of the public float of our Company upon completion of the Global Offering. The Shares held by the other Consenting Shareholders, namely MPCs, Dustland, Qiming Funds, CBC, Shanghai Shentai and Jumbo Sheen, will also not be counted as part of the public float of our Company, as they agreed to entrust their respective voting rights to Dream Galaxy with effect upon completion of the Global Offering. Except for Taobao China, Magic Logistics, MPCs, Dustland, Qiming Funds, CBC, Shanghai Shentai and Jumbo Sheen, none of the remaining Pre-IPO Investors, namely EverestLu, FG Venture, Golden Valley, Harvest Yuanxiang, Shanghai ZJ, Shanghai ZJ Venture, Titanium Ventures, BOCOM Asset Management and BOCOM Fund (the “**Remaining Pre-IPO Investors**”), (i) is a core connected person of our Group; (ii) is any person whose acquisition of securities has been financed directly or indirectly by a core connected person of our Group; or (iii) is accustomed to take instructions from a core connected person of our Group in relation to the acquisition, disposal, voting or other disposition of the Shares registered in its name or otherwise held by it, the Shares held by the Remaining Pre-IPO Investors representing approximately 22.0076% of the total issued share capital of our Company immediately following the Global Offering (assuming full conversion of the preferred shares of our Company into ordinary shares of our Company on a one-to-one basis, the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any option granted under the Pre-IPO Share Plan), will be counted as part of the public float of our Company upon completion of the Global Offering.

Taking into account the Shares held by the Remaining Pre-IPO Investors and the Shares to be issued to public shareholders pursuant to the Global Offering, our Company will be able to satisfy the public float requirement under Rule 8.08 of the Listing Rules.

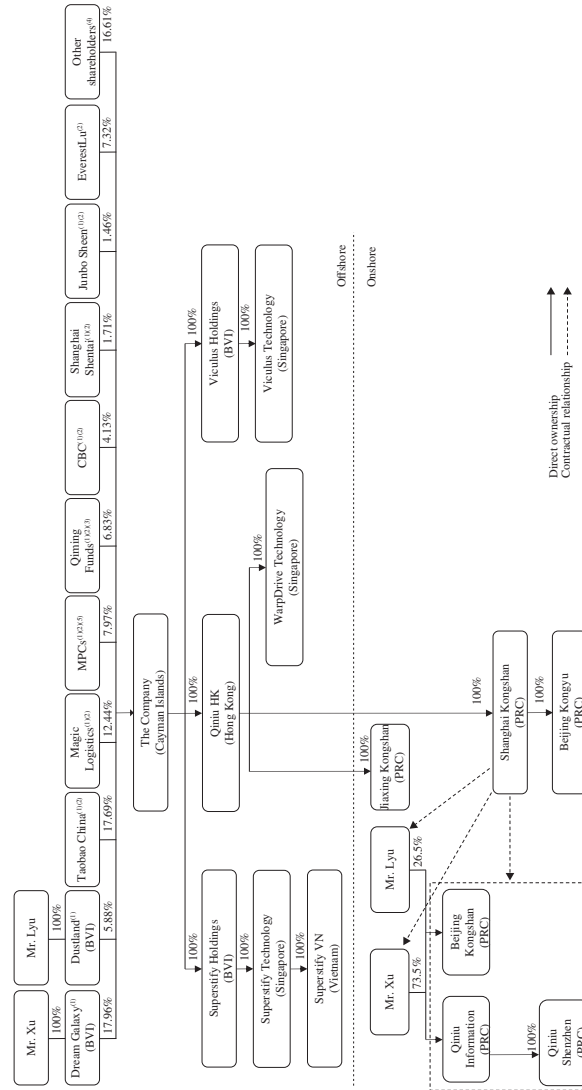
CAPITALIZATION ISSUE

Subject to the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Offer Shares pursuant to the Global Offering, our Directors shall be authorized to allot and issue a total of 1,632,795,088 Shares credited as fully paid at par value to the Shareholders on the register of members of our Company at the close of business on the date immediately preceding the Listing Date in proportion to their respective shareholdings in the Company by way of capitalization of the sum of US\$163,279.5088 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued pursuant to the Capitalization Issue shall rank *pari passu* in all respects with the then existing issued Shares.

CORPORATE STRUCTURE

Corporate Structure before the Global Offering

The following chart sets forth the shareholding structure of our Group immediately before completion of the Global Offering (assuming full conversion of preferred shares of our Company into ordinary shares of our Company on a one-to-one basis and no Shares are issued under the Pre-IPO Share Plan):



Notes:

- (1) In April 2024 and June 2024, the Consenting Shareholders executed consent letters and/or confirmation letters, pursuant to which the Consenting Shareholders agreed to appoint Dream Galaxy, a company wholly owned by Mr. Xu, as its attorney and proxy to exercise the voting rights attached to all the Shares held by them at the general meeting of our Company. See “- Voting Proxy Arrangements” above in this section for details.
- (2) Taobao China, Magic Logistics, MPCs, Qiming Funds, CBC, Shanghai Shentai, Jumbo Sheen and EverestLu are our Pre-IPO Investors. See “Pre-IPO Investments” in this section for details.
- (3) Shares held by Qiming Funds are the aggregation of the shares held by Qiming MD, Qiming Venture and Qiming Annex, which holds 0.18%, 5.62% and 1.03% of our Shares, respectively.
- (4) Other shareholders consist of (i) FG Venture, which holds 2.04% of our Shares; (ii) Golden Valley, which holds 0.26% of our Shares; (iii) Harvest Yuanxiang, which holds 3.83% of our Shares; (iv) Shanghai ZJ, which holds 2.55% of our Shares; (v) Shanghai ZJ Venture, which holds 1.53% of our Shares; (vi) Titanium Ventures, which holds 1.53% of our Shares; (vii) BOCOM Asset Management, which holds 4.19% of our Shares; and (viii) BOCOM Fund, which holds 0.67% of our Shares, all of whom are our Pre-IPO Investors. See “Pre-IPO Investments” in this section for details.
- (5) Shares held by MPCs are the aggregation of the shares held by MPC II L.P. (formerly known as Matrix Partners China II, L.P.) and MPC II-A L.P. (formerly known as Matrix Partners China II-A, L.P.), which holds 7.17% and 0.80% of our Shares, respectively.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

PRC REGULATORY REQUIREMENTS

M&A Rules

Under the M&A Rules, a foreign investor may be required to obtain necessary approvals when it:

- (a) acquires the equity of a domestic non-foreign invested enterprise thereby converting the domestic enterprise into a foreign-invested enterprise;
- (b) subscribes for the increased capital of a domestic non-foreign invested enterprise so as to convert the domestic enterprise into a foreign-invested enterprise;
- (c) establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise; or
- (d) purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise.

The M&A Rules, among other things, further purports to require that an offshore special vehicle, or a special purpose vehicle, that is controlled directly or indirectly by PRC companies or individuals and that is formed for the purpose of an overseas listing of the interests in a PRC company, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisor has advised us that, based on its understanding of the current PRC laws and regulations, we are not required to submit an application to the CSRC for the approval of the listing and trading of our Shares on the Stock Exchange under the M&A Rules, given that (i) our PRC subsidiary that is the foreign invested enterprise was incorporated as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC entities or individuals as defined under the M&A Rules that are our beneficial owners; (ii) we do not constitute a "special purpose vehicle" to which the relevant provisions of the M&A Rules are applicable. However, our PRC Legal Advisor has further advised us that its opinions summarized above are subject to any new laws, regulations and rules or detailed implementations and interpretations in any form relating to the M&A Rules.

SAFE Registration in the PRC

Pursuant to the SAFE Circular 37, promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch 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, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties.

HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

SAFE Circular 37 supersedes the SAFE Circular 75 promulgated by SAFE on October 21, 2005 and became effective on November 1, 2005.

Pursuant to the Circular of the SAFE on Further Simplifying and Improving Policies for the Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity was located.

Our PRC Legal Advisor has advised that Mr. Xu and Mr. Lyu have completed their initial foreign exchange registration on December 6, 2011.

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OVERVIEW

Foreign investment activities in the PRC are mainly governed by the Relevant PRC Regulations. The Relevant PRC Regulations divide industries into three categories in terms of foreign investment, namely, “encouraged”, “restricted” and “prohibited”. Industries not listed under the Relevant PRC Regulations are generally deemed as falling into a fourth category “permitted”. See “Regulatory Overview — Regulations Relating to Foreign Investment” in this prospectus for details.

Below table sets out a summary of the major businesses of Qiniu Information, Qiniu Shenzhen and Beijing Kongshan which are subject to foreign investment prohibition under the Relevant PRC Regulations (the “**Relevant Businesses**”) and their corresponding business sectors:

PRC Companies	Description of Relevant Businesses	Business sector under the Relevant PRC Regulations	Licenses Required for Relevant Businesses	Category under the Relevant PRC Regulations
Qiniu Information	Cloud services including clouding computing, storage and delivery	Internet data center services, internet access services, domestic internet protocol virtual private network services and content delivery network services	VAT License (Business types and coverage: Internet data center services, internet access services, domestic internet protocol virtual private network services and content delivery network services)	Prohibited
Qiniu Shenzhen	Cloud services including clouding computing and delivery	Content delivery network services and Internet data center services	VAT License (Business types and coverage: Content delivery network services and Internet data center services)	Prohibited
Beijing Kongshan	As at the Latest Practicable Date, Beijing Kongshan did not carry out any substantive business, and intended to develop cloud service relating to Internet data center services	Internet data center services	VAT License (Business types and coverage: Internet data center services) (“ IDC License ”)	Prohibited

As at the Latest Practicable Date, Beijing Kongshan has obtained an IDC License to commence, and our Directors confirmed that it will only engage in, the Relevant Businesses which fall under the “Prohibited” business category under the Negative List. Beijing Kongshan is not expected to commence any substantive business operations in the short term.

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We only have one Hong Kong subsidiary, Qiniu HK and it does not meet all the requirements of a Hong Kong value-added telecommunication service suppliers under the relevant rules stipulated in the Mainland and Hong Kong Closer Economic Partnership Arrangement and the Mainland and Macao Closer Economic Partnership Arrangement (collectively, “CEPA”) and does not possess the actual experience needed for applying as a Hong Kong service supplier of value-added telecommunications from the Hong Kong Trade and Industry Department, which is the pre-requisite for enjoying preferential treatment under CEPA. We are therefore not qualified under the CEPA exemption for 50% equity interest in value-added telecommunication services. As illustrated above, since foreign investment in certain areas of the industry in which we currently operate is subject to foreign investment prohibition under current PRC laws and regulations, we determined that it was not viable for us to hold the Consolidated Affiliated Entities directly or indirectly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment prohibition, we would hold the interest and gain effective control over the Consolidated Affiliated Entities through Shanghai Kongshan under the Contractual Arrangements.

We through Shanghai Kongshan, entered into the Contractual Arrangements with each of the Consolidated Affiliated Entities and the Registered Shareholders on May 11, 2023 and June 21, 2024, pursuant to which, Shanghai Kongshan has acquired effective control over the financial and operational policies of the Consolidated Affiliated Entities and has become entitled to all the economic benefits derived from each of the Consolidated Affiliated Entities’ operations.

Our Directors are of the view that the Contractual Arrangements are narrowly tailored for the following reasons:

1. According to the Negative List, within the scope of the telecommunications services that China has promised to open up in its accession to the WTO, foreign investors are restricted from holding more than 50% of the equity interest of enterprises operating such value-added telecommunications services (except for e-commerce, domestic multi-party communication, storage and forwarding and call center). Any value-added telecommunication services that are not included in the scope of China’s WTO commitments to open up to foreign investment, including the provision of internet data center services, internet access services, domestic internet protocol virtual private network services and content delivery network services, are generally prohibited from foreign investment, except for certain allowed investment by qualified telecommunication service enterprise incorporated in Hong Kong or Macau in accordance with the Mainland and Hong Kong Closer Economic Partnership Arrangement or the Mainland and Macau Closer Economic Partnership Arrangement.
2. On May 30, 2023, our PRC Legal Advisor consulted the MIIT (the “**VAT Consultation**”), who provided confirmations that (i) the Contractual Arrangements are not prohibited by the current laws and regulations; and (ii) foreign investors are prohibited from holding equity interest directly and indirectly in any enterprise operating the Relevant Businesses. As advised by our PRC Legal Advisor, the MIIT is responsible for approvals for VAT License of foreign invested entities, and has competent authority to address the inquiries.

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Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into among Shanghai Kongshan, Beijing Kongshan, Qiniu Information, Qiniu Shenzhen and the Registered Shareholders and their spouses; (ii) by entering into the Exclusive Business Cooperation Agreement (as defined below) with Shanghai Kongshan, which is one of our subsidiaries established in the PRC, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen 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.

We will unwind and terminate the Contractual Arrangements wholly or partially in respect of the operation of our Relevant Businesses to the extent permissible and directly hold the maximum percentage of ownership interests permissible by the relevant PRC laws and regulations if our Relevant Businesses are no longer prohibited from foreign investment or the relevant PRC Government Authorities grant the VAT Licenses and/or other requisite permit for our Relevant Businesses to a sino-foreign equity joint venture or wholly-owned foreign investment entity established by our Company.

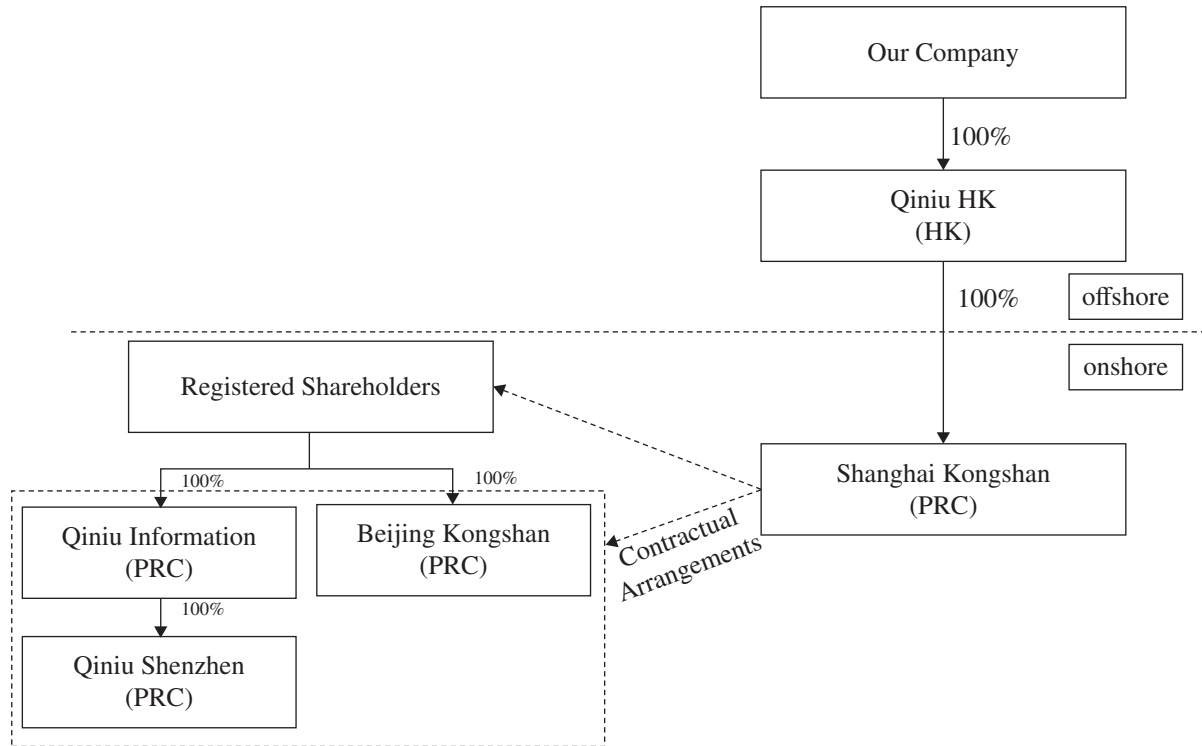
See “Regulatory Overview — Regulations Related to Value-Added Telecommunications Services” in this prospectus for details of the licensing and approval requirements applicable to the Relevant Businesses under PRC laws and regulations.

Furthermore, in our ordinary course of business, we, through Qiniu Information, a Consolidated Affiliated Entity, have made minority investments to hold non-controlling interests in a number of PRC companies (the “**Minority Investment Company(ies)**”), which are generally the upstream and downstream industry players of our business and provide products, services and/or resources that have strong correlation and synergy effect with us. It is practically difficult for Qiniu Information to transfer its respective interests in the Minority Investment Companies to other subsidiaries of our Group due to the transfer restrictions as stipulated under agreements or articles of associations of certain Minority Investment Companies (the “**Transfer Restrictions**”). Our PRC Legal Advisor are of the view that, according to the Transfer Restrictions, Qiniu Information shall obtain written consent from de-facto controller or other shareholders of the relevant Minority Investment Company before transferring any of its interests to any third party. As of the Latest Practicable Date, we have requested the de-facto controllers/other shareholders of the relevant Minority Investment Company to approve the transfer of the interests held by Qiniu Information to Shanghai Kongshan but have failed to obtain the necessary approval. As such, the shares in Minority Investments Company continue to be held by Qiniu Information. We undertake not to engage in new business or make additional investment in any entities apart from the Relevant Businesses after Listing. Given the passive and immaterial nature of the Minority Investment Companies as illustrated by the fact that the percentages of revenue of each of the Minority Investment Companies as compared to our Group’s revenue for each of the three years ended December 31, 2023 were all less than 2%, and the fact that we do not consolidate or control them, and for the reasons outlined above, our Directors consider that the Minority Investments Companies are insignificant to our Group and that our Contractual Arrangements are narrowly tailored. We expect that the percentage revenue contributed by each of the Minority Investment Companies will remain stable and will not exceed 5% as compared to our Group’s total revenue in the near future.

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The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

- (1) “→” denotes legal and beneficial ownership in the equity interests.
- (2) “— →” denotes contractual relationship through the Contractual Arrangements.
- (3) Shanghai Kongshan provides technical support, consulting services and other services in exchange for service fees from each of the Consolidated Affiliated Entities. See “Summary of the Material Terms of the Contractual Arrangements — Exclusive Business Cooperation Agreements” in this section for details.
- (4) The Registered Shareholders executed the exclusive option agreements in favour of Shanghai Kongshan, for the acquisition of all or part of the equity interests and/or assets in each of the Consolidated Affiliated Entities. See “Summary of the Material Terms of the Contractual Arrangements — Exclusive Option Agreements” in this section for details.
- (5) The Registered Shareholders granted first priority security interest in favor of Shanghai Kongshan, over the entire equity interests in each of the Consolidated Affiliated Entities. See “Summary of the Material Terms of the Contractual Arrangements — Equity Pledge Agreements” in this section for details.
- (6) The Registered Shareholders executed powers of attorney in favour of Shanghai Kongshan, for the exercise of all shareholders’ rights in each of the Consolidated Affiliated Entities. See “Summary of the Material Terms of the Contractual Arrangements — Powers of Attorney” in this section for details.
- (7) The spouse of each of Mr. Xu and Mr. Lyu (each being a Registered Shareholder who is an individual and has a spouse) executed an undertaking in favor of Shanghai Kongshan. See “Summary of the Material Terms of the Contractual Arrangements — Spouse Undertakings” in this section for details.

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- (8) As of the Latest Practicable Date, each of Beijing Kongshan and Qiniu Information was held by the following Registered Shareholders in the following percentages:

Shareholders	Approximate percentage of shareholding
Mr. Xu	73.5%
Mr. Lyu	26.5%
Total	<u>100.00%</u>

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

Exclusive Business Cooperation Agreements

Each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen entered into an exclusive business cooperation agreement with Shanghai Kongshan on May 11, 2023 and June 21, 2024 (the “**Exclusive Business Cooperation Agreements**”), pursuant to which, in exchange for a service fee, Shanghai Kongshan agreed to provide each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen with technical support, consultation and other services, including but not limited to:

- conducting market research and providing marketing consulting services;
- providing advertising brokerage and agency services;
- providing content search, finding and processing services;
- providing short-term and medium-term market development and market planning services;
- providing management consulting services and support, and assisting each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen in introducing advanced management concepts and models;
- providing website maintenance and network security services;
- providing business-related software and hardware development and research services;
- providing technology development, technology consultation, technology transfer, and technology promotion services;
- providing intellectual property licensing services, for each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen to carry out business activities through these intellectual property rights;
- providing other technical services;
- providing public relations services;

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- providing agency sales service;
- providing consulting services and support for each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen's labor and employment, including but not limited to organizing and implementing training and assessment for administrative personnel, management personnel and other personnel, assisting in establishing a sound human resource management system and achieving a good allocation of human resources;
- according to the business needs of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, provide relevant administrative management, internal approval monitoring and asset management consulting services; and
- other relevant services requested by Beijing Kongshan, Qiniu Information and Qiniu Shenzhen from time to time to the extent permitted under the PRC laws.

Subject to compliance with the relevant PRC laws and regulations, the service fee under the Exclusive Business Cooperation Agreements shall consist of 100% of the total consolidated before-tax profits without calculation of technical consulting and service fees under the Exclusive Business Cooperation Agreements of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, after offset by any accumulated deficit in respect of the preceding financial year(s) (if any) and deducting necessary operating costs, expenses and taxes. Notwithstanding the foregoing, Shanghai Kongshan is entitled to adjust the amount of services fees with reference to the specific circumstances of the provision of technical advice and services, the operating conditions and development needs of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen. The service fees shall be calculated and paid quarterly.

Shanghai Kongshan shall provide the above services to each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen on an exclusive basis, which means that not only does each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen agree to accept the above services provided by Shanghai Kongshan, each of them also agrees that, during the term of the Exclusive Business Cooperation Agreements, without prior written consent of Shanghai Kongshan, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen shall not (1) directly or indirectly accept services provided by any third party, that are identical or similar to the services contemplated in the Exclusive Business Cooperation Agreements; or (2) establish cooperation relationships similar to that formed by the Exclusive Business Cooperation with other entities, enterprises or any third party. Shanghai Kongshan may appoint other parties, who may enter into certain agreements with each of Beijing Kongshan and Qiniu Information, to provide each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen with the consultations and/or services under the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements also provide that the Shanghai Kongshan shall have the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created by each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and its subsidiaries (if any) during the performance of the Exclusive Business Cooperation Agreements.

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The Exclusive Business Cooperation Agreements shall be effective upon the execution, and shall remain irrevocable ever after, until (i) in the event of the bankruptcy, liquidation, termination, or dissolution of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen occurs during the term of the Exclusive Business Cooperation Agreement, at the date of such bankruptcy, liquidation, termination, or dissolution occurs; (ii) after the entire shareholding of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen held by the shareholders of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and/or all the assets of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen have been legally transferred to Shanghai Kongshan and/or one or more persons designated by Shanghai Kongshan in accordance with the Exclusive Option Agreements signed by the Registered Shareholders, Shanghai Kongshan and each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen; (iii) once Shanghai Kongshan is allowed to directly hold the equity interests of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen in accordance with applicable PRC laws and Shanghai Kongshan and/or its subsidiaries or branches are able to legally engage in the businesses of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, at the time when Shanghai Kongshan or its wholly-owned subsidiary is duly registered as the sole shareholder of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen. Notwithstanding the above, Shanghai Kongshan has the right to terminate the Exclusive Business Cooperation Agreement at any time by issuing a 30 days' notice in writing to each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen. Each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, however, shall have no right to unilaterally terminate the Exclusive Business Cooperation Agreement.

Exclusive Option Agreements

Each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen entered into an exclusive option agreement with Shanghai Kongshan and the Registered Shareholders on May 11, 2023 and June 21, 2024 (the “**Exclusive Option Agreements**”), pursuant to which (i) Shanghai Kongshan (or its designee(s)) was granted an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, at any time and from time to time, at the lowest price legally permissible under the applicable laws of PRC (the “**Share Purchase Rights**”); and (ii) Shanghai Kongshan (or its designee(s)) was granted an irrevocable and exclusive right to purchase from each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen all or any part of the assets of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen at any time and from time to time, the lowest price legally permissible under the applicable laws of the PRC (the “**Asset Purchase Rights**”, together with the Shares Purchase Rights, the “**Exclusive Option Rights**”).

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To exercise the Exclusive Option Rights, Shanghai Kongshan (or its designee(s)) should issue written notice (the “**Notice**”), which should set out the decision to exercise the Exclusive Option Rights and the date of transfer of the relevant equity interests and/or assets. When exercising the Share Purchase Rights to transfer equity interests, each of the Registered Shareholders shall execute shareholders’ resolutions and/or issue a written declaration agreeing to waive any pre-emptive right under PRC laws and agreement among relevant shareholders and also execute share transfer agreement and other necessary agreements and documents and take all necessary actions, so that the relevant equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen as set out in the Notice, without any security interest attached to them, can be effectively transferred to and registered under the name of Shanghai Kongshan (or its designee(s)). When exercising the Asset Purchase Rights to transfer assets, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen execute shareholders’ resolutions, each of the Registered Shareholders shall vote in favour of such asset transfer in the relevant internal approval procedure of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen shall execute asset transfer agreement and other necessary agreements and documents and take all necessary actions, so that the relevant assets of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen as set out in the Notice, without any security interest attached to them, can be effectively transferred to and registered under the name of Shanghai Kongshan (or its designee(s)).

Shanghai Kongshan or its designee(s) shall pay the purchase price within seven business days to the designated bank accounts of the Registered Shareholders and/or each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen once the transferred equity interests and/or assets are officially owned by Shanghai Kongshan and/or its designee(s). Subject to relevant PRC laws and regulations, the Registered Shareholders shall return any amount of the purchase price .

Each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and the Registered Shareholders (as shareholders of each of Beijing Kongshan and Qiniu Information within the authority of shareholders), separately and jointly, irrevocably covenant and warrant, among other things, that:

- without the prior written consent of Shanghai Kongshan, not to supplement, change or modify the articles of association of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen in any form, increase or decrease its registered capital, or change its registered capital structure in other ways;
- maintain the effective existence of the company, prudently and effectively operate its business and handle company affairs in accordance with good commercial standards and practices;
- without the prior written consent of Shanghai Kongshan, not to sell, transfer, mortgage or otherwise dispose of the legal or beneficial interests of any assets, business or income of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and their respective subsidiaries at any time from the date of signing of the Exclusive Option Agreements (other than as required in the ordinary course of business), or permit any other security interest to be encumbered thereon;

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- unless required by PRC law, without the written consent of Shanghai Kongshan, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen is not to be dissolved or liquidated; after liquidation occurs, the Registered Shareholders irrevocably undertakes that they will pay in full any remaining residual value they collected to Shanghai Kongshan or its designated person free of charge or at the lowest price permitted by PRC law at the relevant time. If such payments are prohibited by PRC laws, the Registered Shareholders undertakes to entrust the funds for Shanghai Kongshan in escrow, and cooperate with Shanghai Kongshan to sign an escrow agreement or other relevant legal documents;
- without the prior written consent of Shanghai Kongshan, no debt shall be incurred, inherited, guaranteed or exist, except (1) legal debts incurred in the normal or ordinary course of business rather than through borrowing, and (2) debts that have been disclosed to Shanghai Kongshan and have obtained Shanghai Kongshan's written consent;
- have been operating all businesses in the normal course of business in order to maintain the asset value of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and its subsidiaries, and refrain from any action/omission that would affect each of their operating conditions and asset value;
- without the prior written consent of Shanghai Kongshan, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and their respective subsidiaries shall not sign any material agreements in an amount exceeding RMB1 million (including but not limited to loans, external guarantees, property disposal and other agreements that will incur liabilities or cause substantial adverse impact), except for agreements signed in the ordinary course of business;
- without the prior written consent of Shanghai Kongshan, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and its subsidiaries will not provide loans, guarantees or credits to anyone;
- at Shanghai Kongshan's request, provide Shanghai Kongshan with all information about the operation and financial status of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and its subsidiaries;
- where possible, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen shall purchase and maintain insurance from an insurance company approved by Shanghai Kongshan, and the amount and types of insurance maintained shall be the consistent with those of companies operating similar businesses and owning similar properties or assets in the same area;
- without the prior written consent of Shanghai Kongshan, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and their respective subsidiaries shall not merge or consolidate with or acquire or invest in any entity;

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- immediately notify Shanghai Kongshan of the occurrence or possible occurrence of litigation, arbitration or administrative procedures related to the assets, business and income of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen or their respective subsidiaries, and take all necessary measures according to Shanghai Kongshan's reasonable requirements, and to reach settlement of such procedures only subject to prior written consent of Shanghai Kongshan;
- in order to maintain the ownership of all assets of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and/or their respective subsidiaries, sign all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate charges or make necessary and appropriate claims for all claims appropriate defenses;
- without the prior written consent of Shanghai Kongshan, dividends, bonuses or any assets shall not be distributed to shareholders in any form. If the Registered Shareholders obtain any of the above benefits, it shall notify Shanghai Kongshan within three working days and immediately transfer the relevant benefits free of charge to Shanghai Kongshan; and
- according to Shanghai Kongshan's request, appoint any person designated by Shanghai Kongshan to serve as each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen's director and/or executive director, general manager, chief financial officer and other senior management personnel.

The Registered Shareholders, separately and jointly, irrevocably covenant and warrant that, they shall, among other things:

- sign the Equity Pledge Agreements with Shanghai Kongshan at the same time as the Exclusive Option Agreements, pledge all the equity interest of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen held by them to Shanghai Kongshan in the form of first priority pledge and complete the equity pledge registration procedures;
- without Shanghai Kongshan's prior written consent, not to sell, transfer, mortgage or otherwise dispose of any legal or beneficial interests of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen at any time from the date of signing of the Exclusive Option Agreements, or allow any other security interests to be created, except for the security interests arising under the Exclusive Option Agreements and the pledge on the Registered Shareholders' equity interest under the Equity Pledge Agreements; if Shanghai Kongshan agrees in advance in writing and if the Registered Shareholders sell, transfer or otherwise dispose of the any legal or beneficial rights and interests, the consideration received shall be transferred to Shanghai Kongshan in full (except that it is first used to repay the loan according to loan agreement);

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- guarantee that the shareholders' meeting of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and cause the board of directors or the executive director in the absence of a board of directors, of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, not to approve the sale, transfer, mortgage or other disposal of any legal or beneficial interest held by the Registered Shareholders in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, without the prior written consent of Shanghai Kongshan, or allow any other security interests to be created thereon, except for the approval of security interests arising under the Exclusive Option Agreements and the pledge placed on each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen's equity interests under the Equity Pledge Agreements;
- guarantee that the shareholders' meeting of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and cause the board of directors or the executive director in the absence of a board of directors, of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, not to approve each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen's merger or alliance with anyone, or the acquisition of any company or invest in any company without the prior written consent of Shanghai Kongshan;
- immediately notify Shanghai Kongshan of the occurrence or possible occurrence of any litigation, arbitration or administrative procedure concerning its equity interest in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, and take all necessary measures according to Shanghai Kongshan's reasonable requirements, and to reach settlement of proceedings only with the prior written consent of Shanghai Kongshan;
- guarantee the shareholders' meeting of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and cause the board of directors or the executive director in the absence of a board of directors of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen to vote in favor of the transfer of the purchased equity interest stipulated in the Exclusive Option Agreements and take any other actions at the request of Shanghai Kongshan;
- to execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate charges or defend all necessary and appropriate claims in order to maintain their ownership of the shares in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen;
- upon Shanghai Kongshan's request at any time, to unconditionally and immediately transfer their equity interest and/or assets to Shanghai Kongshan or the person designated by Shanghai Kongshan at any time;
- agree to sign an irrevocable power of attorney to the satisfaction of Shanghai Kongshan, authorizing Shanghai Kongshan and/or the designated person to exercise all rights as a shareholder of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen;

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- strictly abide by the provisions of the Exclusive Option Agreements and other agreements signed jointly or separately by the Registered Shareholders, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and Shanghai Kongshan, earnestly perform the obligations under these agreements, and not to carry out any actions/inactions that can affect the effectiveness or enforceability of these agreements. If the Registered Shareholders still retain any rights to their equity interests under the Exclusive Option Agreements or under the Equity Pledge Agreements signed by the parties to the Exclusive Option Agreements or the power of attorney to Shanghai Kongshan, the Registered Shareholders shall not exercise such rights unless Shanghai Kongshan instructs in writing;
- according to the request of Shanghai Kongshan, to appoint any person designated by Shanghai Kongshan as the director and/or executive director of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, and facilitate the appointment of any person designated by Shanghai Kongshan as the general manager, chief financial officer and other senior management personnel;
- if the Registered Shareholders obtain any profits, dividends, dividends, liquidation proceeds and/or distributes any assets from each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, they shall notify Shanghai Kongshan within three working days and immediately transfer the relevant benefits to Shanghai Kongshan or the party designated by Shanghai Kongshan free of charge.

The Exclusive Option Agreement shall remain effective upon the execution unless terminated in the event that any equity interests of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen held by the Registered Shareholders and/or assets corresponding to the equity of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen held by the Registered Shareholders are legally transferred to Shanghai Kongshan and/or the designated person(s) in accordance with the provisions of the Exclusive Option Agreements. Notwithstanding the above, Shanghai Kongshan always has the right to terminate the Exclusive Option Agreements at any time by giving written notice to the Registered Shareholders and each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen thirty (30) days in advance, and Shanghai Kongshan does not need to bear any liability for breach of contract for unilateral termination of the Exclusive Option Agreements.

Equity Pledge Agreements

Each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen entered into an equity pledge agreement with Shanghai Kongshan and the Registered Shareholders on May 11, 2023 and June 21, 2024 (the “**Equity Pledge Agreement**”), pursuant to which the Registered Shareholders agreed to pledge all of their current and future respective equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen as first priority to Shanghai Kongshan to guarantee all direct, indirect, consequential losses and loss of predictable benefits suffered by Shanghai Kongshan due to any breach of contract by the Registered Shareholders and/or each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, the Registered Shareholders and each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen shall perform in full and on time under the Contractual Arrangements, including but not limited to the payment by each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen to Shanghai Kongshan of the consulting and service fees specified in the Contractual Arrangements (whether or not such fees are due and payable due to the due date, early collection requirements or other reasons).

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The pledge under the Equity Pledge Agreement shall remain valid until (1) the expiration or early termination of the Contractual Arrangements; (2) all service fees under the Contractual Arrangements are paid, and the Registered Shareholders, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and their shareholders no longer undertake any obligations under the Contractual Arrangements; and (3) after the Registered Shareholders legally transfer all the equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen to Shanghai Kongshan and/or the designated person in accordance with the stipulations in the Exclusive Option Agreements.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements) and after sending the notice of default, Shanghai Kongshan shall have the right to exercise all such rights as a secured party under any applicable PRC law and the Equity Pledge Agreements, including without limitations, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interests of the Registered Shareholders.

Powers of Attorney

Each of Registered Shareholders executed a powers of attorney on May 11, 2023 and June 21, 2024 (the “**Powers of Attorney**”), pursuant to which each of the Registered Shareholders unconditionally and irrevocably appoint Shanghai Kongshan or its designee(s) (including but not limited to our Directors and their successors and liquidators replacing our Directors but excluding the Registered Shareholders) as each of their sole and exclusive attorney-in-fact, to exercise on each of their behalf, all the rights that each of them has as the shareholders of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen as set out in the then-valid articles of association of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, including but not limited to:

- attending the shareholders’ meeting of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and sign relevant shareholders’ meeting records, resolutions or other legal documents on each of their behalf;
- exercising all shareholder rights that each of them enjoys in accordance with laws and the articles of association of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, including but not limited to shareholder voting rights, the right to sell or transfer, pledge or dispose of all or any part of each of their equity, decide on matters such as capital increase, reduction, merger, division, equity transfer of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, and decide on the each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen’s business policies and investment plans, determine the financial budget and distribution plan of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, decide on the disposal of any assets of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, approve each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen’s annual budget or declare dividends, decide on the dissolution and liquidation of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, appoint members of the liquidation team of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, approve each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen’s liquidation plan and report, etc;

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- as each of the Registered Shareholders' authorized representative, designate and elect the legal representative, chairman, director (or executive director), supervisor, general manager, and other senior management personnel of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen;
- signing documents, meeting minutes, and documents filed with the relevant market supervision and management department for company registration, retaining signed documents (including but not limited to meeting minutes and resolutions), as well as signing and exercising shareholder rights related to the each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen's equity on each of the Registered Shareholders' behalf, and filing documents with the relevant market supervision and management department;
- representing the Registered Shareholders in exercising voting rights in the event of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen's bankruptcy; and
- any shareholder rights stipulated in other applicable PRC laws and each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen's articles of association (and amendments thereof).

The Registered Shareholders undertake that they will not revoke the appointment of Shanghai Kongshan and its designee(s) as their attorney-in-fact, and there are no actual or potential conflicts of interests in relation to such appointment.

The Powers of Attorney shall be effective upon the completion of execution, and shall remain effective so long as each of the Registered Shareholders hold equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen.

Spouse Undertakings

The spouse of each of the Registered Shareholders has signed an undertaking (collectively, the "**Spouse Undertakings**") to the effect that, among others, (i) she confirms and agrees that in whatever circumstances, the equity interests (together with any other interests therein) of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen held and to be held by each of the Registered Shareholders are personal properties of the Registered Shareholders and do not fall within the scope of communal properties held by the spouses together. The Registered Shareholders may solely determine to pledge, sell or otherwise dispose such equity interests without consent of the spouse; (ii) she unconditionally and irrevocably waives any rights or interests that may be granted to her under the applicable laws of any jurisdictions in respect of equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, and she undertakes not to claim such rights or interests; (iii) no authorization or consent of her is required for the performance, modification or termination of the Contractual Arrangements or execution of other documents in place of any agreements under the Contractual Arrangements; (iv) she will execute all necessary documents and take all necessary actions to ensure the due performance of the Contractual Arrangements; (v) she will not, at any time, take any actions in conflict with the Spouse Undertakings and the Contractual Arrangements; and (vi) she will not take any actions to prevent the performances under the Contractual Arrangements in any circumstances.

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The spouse of each of the Registered Shareholders, has consented that the existing and future equity interests held by the Registered shareholders shall be handled pursuant to the arrangements under the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement, the Equity Pledge Agreement and the Powers of Attorney and amendments to the above from time to time. The spouse of each of the Registered Shareholders further confirms, undertakes and guarantees that in the event of death, incapacity, divorce, bankruptcy or other circumstances regarding the Registered Shareholders which may affect the exercise of each of their equity interests (together with any other interests therein) in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, the Registered Shareholder's respective spouse, successor, custodian, creditor, and any other person/entity which may as a result of the above events claim rights or other benefits on the equity interests (together with any other interests therein) in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen will not in any way take any action in any circumstances that may affect or hinder the Registered Shareholders' performance of their obligations under the Contractual Arrangements.

Confirmations from the Registered Shareholders

Pursuant to the agreements under the Contractual Arrangements, each of the Registered Shareholders undertakes to Shanghai Kongshan that, in the event of death, loss of capacity, divorce, bankruptcy, or any other circumstances regarding the Registered Shareholders which may affect the exercise of his equity interests in Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, the Registered Shareholder's successor, liquidator and any other person/entity which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

Dispute Resolution

Each of the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Shanghai Arbitration Commissions for arbitration, in accordance with the then-effective arbitration rules. The arbitration shall be conducted in Shanghai. The arbitration shall be confidential and the language used during arbitration shall be Chinese. The arbitration rulings shall be final and binding on all parties.

Pending the formation of the arbitral tribunal and where appropriate, parties to the Contractual Arrangements shall have the right to apply to a court of competent jurisdiction for the promulgation and/or enforcement of preservation measures or other applicable interim measures to support the conduct of the arbitration, including, but not limited to, detention or freezing of judgments or awards on the property or equity of the other parties. After the arbitral award becomes effective, any party to the Contractual Arrangements shall have the right to apply to the competent court for enforcement of the arbitral award. Competent courts in the PRC, Hong Kong, the Cayman Islands or other jurisdictions (including the court of the place of incorporation of our Company, the court of the place of incorporation of Shanghai Kongshan, or the court of the location of the principal assets of Shanghai Kongshan or Beijing Kongshan or Qiniu Information or Qiniu Shenzhen) shall be deemed to have jurisdiction for the above purposes.

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However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under the PRC laws and regulations. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of Shanghai Kongshan pursuant to the current PRC laws and regulations. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC.

As a result of the above, in the event that each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen or the Registered Shareholders breaches 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 Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and conduct our business could be materially and adversely affected. See “Risk Factors — Risks Relating to Our Contractual Arrangements” in this prospectus for details.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents, and the maternal grandparents, and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, Shanghai Kongshan can enforce its rights against the successors.

Conflicts of Interests

The Registered Shareholders have undertaken in the Powers of Attorney that each of their authorization under the Powers of Attorney will not give rise to any actual or potential conflict of interest between the Registered Shareholders and Shanghai Kongshan and/or its authorized person. If there is a potential conflict of interest between the Registered Shareholders and each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and the overseas parent company of Shanghai Kongshan or Shanghai Kongshan or its subsidiaries, each of the Registered Shareholders will give priority to protect and will not harm the interests of the overseas parent company of Shanghai Kongshan or Shanghai Kongshan. If each of the Registered Shareholders is also a director (or executive director) or senior management of the overseas parent company of Shanghai Kongshan or Shanghai Kongshan, each of the Registered Shareholders will authorize Shanghai Kongshan or, in accordance with the instructions of Shanghai Kongshan, other directors (or executive directors) and senior managers other than the Registered Shareholders (who are not also shareholders of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen) to exercise the rights under the Powers of Attorney. Each of the Registered Shareholders shall not sign any legal documents that have conflicts of interest or make commitments with Beijing Kongshan, Qiniu Information and Qiniu Shenzhen or Shanghai Kongshan and its nominees. Each of the Registered Shareholders shall not act or omit to cause a conflict of interest between himself and Shanghai Kongshan and its shareholders. If such conflicts of interest arise (Shanghai Kongshan has the right to unilaterally decide whether such conflicts of interest arise), each of the Registered Shareholders shall take measures to eliminate them as soon as possible with the consent of Shanghai Kongshan or its nominee. If the Registered Shareholders refuse to take measures to eliminate conflicts of interest, Shanghai Kongshan has the right to exercise the purchase right under the Exclusive Option Agreements.

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Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that our Company or our wholly owned PRC subsidiary, Shanghai Kongshan, is obligated to share the losses of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen. Further, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under the relevant PRC laws and regulations, our Company or Shanghai Kongshan is not expressly required to share the losses of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen or provide financial support to each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen. Shanghai Kongshan may, however, provide or assist Beijing Kongshan, Qiniu Information and Qiniu Shenzhen in obtaining financial support at its sole discretion. Despite the foregoing, given that our Group conducts the Relevant Businesses in the PRC through the Consolidated Affiliated Entities which holds the requisite PRC licenses and approvals, and that results of operations and assets and liabilities of the Consolidated Affiliated Entities are consolidated into our Group's results of operations and assets and liabilities under the applicable accounting principles, our Company's business, financial condition, and results of operations would be adversely affected if the Consolidated Affiliated Entities suffered losses.

Liquidation

Pursuant to the Exclusive Option Agreement, unless required by PRC law, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen shall not dissolve or liquidate without the written consent of Shanghai Kongshan. After the liquidation, each of the Registered Shareholders irrevocably undertakes to pay in full any remaining residual value received by the Registered Shareholders, Beijing Kongshan, Qiniu Information and Qiniu Shenzhen to Shanghai Kongshan or the party designated by Shanghai Kongshan, or to cause such payment to occur, in accordance with the provisions and requirements of PRC law at that time, and Shanghai Kongshan or the designated party shall obtain such residual value free of charge or at the lowest price allowed by PRC law at that time. If such payment is prohibited by PRC law, each of the Registered Shareholders promises to hold the payment in custody for Shanghai Kongshan and cooperate with Shanghai Kongshan to sign a custody agreement or other relevant legal documents.

Insurance

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. We have determined that the costs of insurance for the risks associated with the 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 of the Latest Practicable Date, our Company did not maintain an insurance policy to cover the risks relating to the Contractual Arrangements. See "Risk Factors — Risks Relating to Our Contractual Arrangements" in this prospectus for details.

Company's Confirmation

As of the Latest Practicable Date, our Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Beijing Kongshan, Qiniu Information and Qiniu Shenzhen under the Contractual Arrangements.

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EFFECT OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, is narrowly tailored to achieve our business purposes and to protect and safeguard the interests of our Company and our future public shareholders in the event of any dispute between us, Shanghai Kongshan and the Registered Shareholders on the following basis:

- (i) the arrangement under the Exclusive Business Cooperation Agreement will ensure that all economic benefits generated from the operations of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen will flow to Shanghai Kongshan whilst ensuring compliance with applicable PRC laws and regulations and allowing each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen to continue to maintain and renew the relevant operating licenses and permits as required by relevant PRC Government Authorities and to operate such value-added telecommunication service and operation service which are prohibited to be conducted by foreign investors or foreign owned or invested entities, and hence, is in the best interest of our Group as a whole. The delineation of the assets and staffing between Shanghai Kongshan, which shall be responsible for driving key business decision-making process and provide overall business advice and consulting services, and each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, which shall be responsible for the operations of the Relevant Businesses and the holding of relevant intellectual properties in compliance with relevant PRC laws and regulations and the conditions of the VAT Licenses granted to each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, would allow a proper discharge of the respective responsibilities of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and Shanghai Kongshan under the Contractual Arrangements and also ensure sound and effective operation of our Company and our Relevant Businesses in compliance with the Contractual Arrangements and applicable laws and regulations;
- (ii) under the Exclusive Option Agreement, the Registered Shareholders has granted Shanghai Kongshan an irrevocable and exclusive right to purchase from the Registered Shareholders all or any part of their equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, at any time and from time to time, for the amount of the registered capital of Shanghai Kongshan multiplied by the proportion of the purchased equity interests in the total equity interests of Shanghai Kongshan or a lowest price legally permissible under the applicable laws of PRC, in which case the purchase price shall be the lowest amount under such request. These provisions enable Shanghai Kongshan or its designee(s) to act as the shareholder(s) of its choice to take over the equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen at any time and thereby ensuring that our Group will continue to maintain our interest in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen upon the exercise of the right pursuant to the Exclusive Option Agreement;

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- (iii) under the Equity Pledge Agreement, the Registered Shareholders shall pledge all of their respective equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen to Shanghai Kongshan, and all such pledges shall be properly registered with the relevant administration. The registered pledges effectively prevent the Registered Shareholders from impeding Shanghai Kongshan's control over each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen by transferring their equity interests in each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen to bona fide third parties without Shanghai Kongshan's knowledge or approval;
- (iv) under the Powers of Attorney, the Registered Shareholders unconditionally and irrevocably appoint Shanghai Kongshan or its designee(s) (including but not limited to our Directors and their successors and liquidators replacing our Directors but excluding the Registered Shareholders) the power to exercise all the rights that they have as the shareholders of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen. These provisions provide Shanghai Kongshan with the powers to determine or change the composition of the board of directors and management team of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen at any time, which in turn provides Shanghai Kongshan with the power to control each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen without the need for any further action or cooperation from the Registered Shareholders and thereby conferring the management control of Shanghai Kongshan on our Company and our legally-owned subsidiaries;
- (v) under the Spouse Undertakings, the spouses of each of the Registered Shareholders undertake not to take any actions to prevent the performances under the Contractual Arrangements; and
- (vi) we, through Shanghai Kongshan, will only approve and consent to each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen carrying out such Relevant Businesses, which would otherwise be prohibited or restricted to be carried out by foreign invested entities under PRC laws and regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the foregoing, our PRC Legal Advisor is of the opinion that:

- (i) as confirmed by the parties to the Contractual Arrangements, each of Beijing Kongshan, Qiniu Information, Qiniu Shenzhen and Shanghai Kongshan has obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;
- (ii) each of the Contractual Arrangements is binding on the parties thereto and none of them would violate the provisions of the PRC Civil Law including in particular "impairing others' legitimate rights and interests with malicious collusion" or fall within any of the circumstances under which a contract may become invalid pursuant to the PRC Civil Law;
- (iii) none of the Contractual Arrangements violates any provisions of the articles of association of Beijing Kongshan, Qiniu Information, Qiniu Shenzhen or Shanghai Kongshan;

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- (iv) the execution and performance of the Contractual Arrangements does not require any approvals or authorizations from the PRC Government Authorities, except that:
 - (a) the exercise of the option by Shanghai Kongshan of its rights under the Exclusive Option Agreement to acquire all or part of the equity interests and/or the assets of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen are subject to the approvals of and/or registrations with the PRC regulatory authorities;
 - (b) any equity pledge contemplated under the Equity Pledge Agreement are subject to the registration with local administration bureau for industry and commerce;
 - (c) the arbitration awards/interim remedies provided under the dispute resolution provisions of the Contractual Arrangements shall be subject to the recognition of the PRC courts; and
 - (d) any transfer of pledged equity interest under the Equity Pledge Agreements is subject to the approval of and/or registration to PRC regulatory authorities.
- (v) the Contractual Arrangements are in compliance with the applicable laws and regulations currently in effect in all material respects, each of the Contractual Arrangements is valid, legal and binding upon each of the parties thereto under the PRC laws, except that the Contractual Arrangements provide that the arbitral tribunal may award remedies over the equity interests or assets of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, and that competent courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and other jurisdictions (being the places where the principal assets of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen are located) also have jurisdiction for the grant or enforcement of the arbitral award and the interim remedies against the equity interests or property interest of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen. However, our PRC Legal Advisor has advised that the interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. See “Summary of the Material Terms of the Contractual Arrangements — Dispute Resolution” in this section for details.

However, there can be no assurance that the PRC regulatory authorities will not take a view that is contrary to or otherwise different from the above opinions of our PRC Legal Advisor in the future. See “Risk Factors — Risks Relating to Our Contractual Arrangements” in this prospectus for details.

Based on the above analysis and advice from our PRC Legal Advisor, and having considered the confirmations given by the PRC Government Authorities during the consultations as mentioned above, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be deemed ineffective or invalid under the applicable PRC laws. See “Risk Factors — Risks Relating to Our Contractual Arrangements” in this prospectus for details.

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Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company upon the Listing, a waiver has been sought from and has been granted by the Stock Exchange. See “Continuing Connected Transactions” in this prospectus for details.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

The Foreign Investment Law (2019)

The FIL 2019 replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》). See “Regulatory Overview — Regulations Relating to Foreign Investment” in this prospectus for details.

Impact of FIL 2019 on Contractual Arrangements

The FIL 2019 defines the foreign investment as the investment activities directly or indirectly conducted by foreign investors in the PRC, and sets forth the specific situations that should be regarded as foreign investment. Furthermore, the FIL 2019 stipulates that foreign investment includes the investment made in the PRC by foreign investors through any other means under the laws, administrative regulations and provisions stipulated by the State Council. Our PRC Legal Advisor confirmed that the FIL 2019 does not specify contractual arrangements as a form of foreign investment. In that regard, if there are no other promulgated national laws, administrative regulations, or regulatory requirements prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the FIL 2019 will not have a material impact on the PRC Contractual Arrangements, and each of the agreements under the Contractual Arrangements and the legality and validity of the Contractual Arrangements would not be affected. See “Legality of the Contractual Arrangements” in this section for details.

However, there are possibilities that future laws, regulations or provisions prescribed by the relevant PRC authorities may regard contractual arrangements as a form of foreign investment, at which time the Contractual Arrangements may be deemed to be in violation of the foreign investment access requirements. Therefore, there is no guarantee that the Contractual Arrangements and the business of our Consolidated Affiliated Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. See “Risk Factors — Risks Relating to Our Contractual Arrangements” in this prospectus for details.

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ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

Consolidation of financial results of our Consolidated Affiliated Entity

Under the Exclusive Business Cooperation Agreement, it was agreed that, in consideration of the services provided by Shanghai Kongshan, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen will pay services fees to the Shanghai Kongshan. On the premise of complying with the PRC law, to make up for the losses of previous years (if necessary) and after deducting the necessary costs, expenses and taxes required for business operation, each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen shall pay Shanghai Kongshan the total amount of the comprehensive pre-tax profit (i.e., the combined pre-tax profit of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and all its subsidiaries) without calculating the service fees under the Exclusive Business Cooperation Agreement as the service fees stipulated in the Exclusive Business Cooperation Agreement. Accordingly, the Shanghai Kongshan has the ability, at its sole discretion, to extract all of the economic benefit of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and its subsidiaries through the Exclusive Business Cooperation Agreement.

In addition, under the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, Shanghai Kongshan has absolute contractual control over the distribution of dividends or any other amounts to the equity holders of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen as Shanghai Kongshan's prior written consent is required before any distribution can be made. In the event that the Registered Shareholders receive any profit distribution or dividend from each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen, the Registered Shareholders must notify Shanghai Kongshan in three business days and transfer such amount to Shanghai Kongshan or its designees free of charge.

As a result of these Contractual Arrangements, our Company has obtained control of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and their respective subsidiaries through Shanghai Kongshan and, at our Company's sole discretion, can receive all of the economic interest returns generated by Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and their respective subsidiaries. Accordingly, Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and their respective subsidiaries' 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 Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and their respective subsidiaries into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen and their respective subsidiaries is disclosed in Notes 1, 2.4 and 3 to the Accountants' Report in Appendix I to this prospectus.

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COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- (i) as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from the PRC Government Authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (ii) our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;
- (iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;
- (iv) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding our status of compliance with the FIL 2019, and the latest regulatory development in relation with the FIL 2019;
- (v) our Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen to deal with specific issues or matters arising from the Contractual Arrangements;
- (vi) the company seals, financial seals, contract seals and crucial corporate certificates of each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen are kept by our Group's finance and legal departments, respectively. Any employee of our Group who wishes to use the seals will have to obtain internal approval from the head of the business, legal and/or finance department(s) (as the case may be) of our Group, as well as approval from relevant superior departments;
- (vii) as the Contractual Arrangements will constitute continuing connected transactions of our Group upon Listing, our Company has applied to the Stock Exchange, and the Stock Exchange has granted a waiver. See "Continuing Connected Transactions" in this prospectus for details. Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given;

CONTRACTUAL ARRANGEMENTS

- (viii) our Board (including the independent non-executive Directors) will ensure that each of Beijing Kongshan, Qiniu Information and Qiniu Shenzhen shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC Government Authorities, and going forward and to the extent permissible under PRC laws and regulations, Shanghai Kongshan or any other legally held member of our Group shall be the registered owner of any other newly developed trademarks which will be material to the business of our Group; and
- (ix) our Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

In addition, notwithstanding that Mr. Xu, our executive Director, and Mr. Lyu, our non-executive Director, are also the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing our business independently after the Listing under the following measures:

- (i) the decision-making mechanism of our Board as set out in the Articles includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of our Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;
- (ii) each of our Directors is aware of his fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;
- (iii) we have appointed three independent non-executive Directors, comprising half of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and
- (iv) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We provide audiovisual cloud service in China and our revenue accounted for 1.5% of the entire audiovisual cloud service market in 2023, according to iResearch. We are the third largest audiovisual PaaS provider in China in terms of revenue in 2023, with a market share of 5.8%, and the second largest audiovisual APaaS provider in China in terms of revenue generated from APaaS in 2023 with a market share of 14.1%, according to iResearch. According to iResearch, the cloud service market in China reached RMB513.7 billion in 2023. The cloud service market in China can be divided into audiovisual and non-audiovisual cloud services market by type of content or data managed. Audiovisual cloud services refers to the producing, storing, processing, distributing, analyzing, auditing, retrieving, and recommending unstructured audiovisual content in multi-media formats, whereas non-audiovisual cloud services refer to other cloud services such as governmental cloud, retail and catering cloud and industrial cloud. Audiovisual cloud service market reached RMB91.5 billion and accounted for 17.8% of the total cloud service market in China in 2023, whereas PaaS market and APaaS market accounted for 25.0% and 2.2% of the entire audiovisual cloud service market in 2023, respectively.

PaaS is a computing service model by which cloud service providers offer a suite of hardware and software resources to their users via a platform, enabling the users to focus on writing codes, configuring the service metrics and monitoring of applications without the need to divert time and resources to the development and maintenance of the infrastructure underlying the platform, including maintenance of hardware, updates of operating system, data backup and recovery, internet security, disaster recovery, etc. Our MPaaS platform is a PaaS platform which has a primary focus on providing cloud services in connection with audiovisual content (primarily consisting of images, audio and video contents), encompassing object storage, content distribution, data processing and real-time interactive live streaming and covering the full cycle of audiovisual data collection, storage, processing, distribution and consumption. We are one of the few companies that have developed comprehensive and high-performance MPaaS products and possessed technology capabilities that are integrated and cover all aspects of the audiovisual business.

BUSINESS

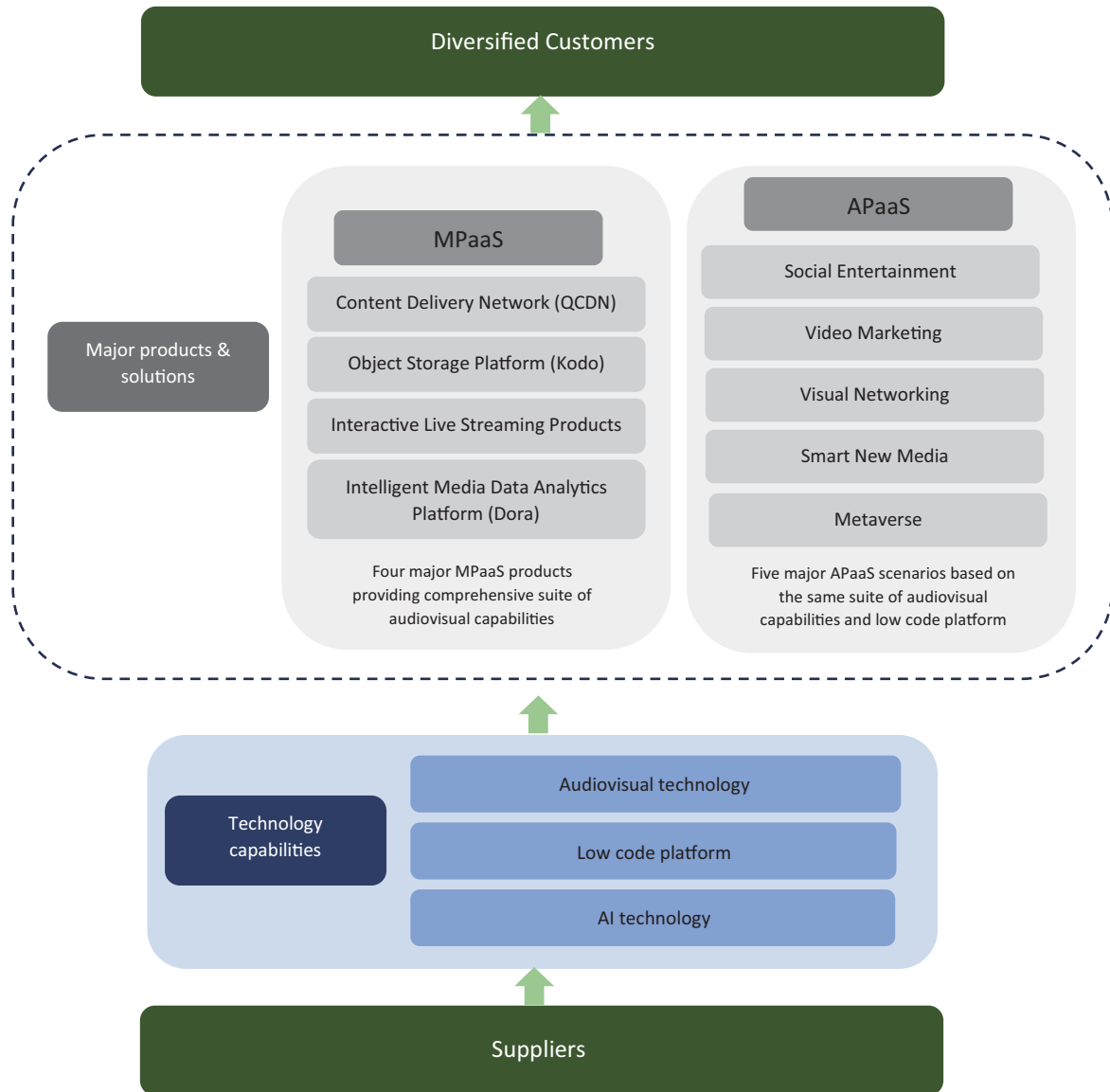
APaaS is a computing service model by which cloud service providers offer a one-stop platform for users to develop, run and manage applications. Leveraging our MPaaS technologies, we further developed a proprietary low-code platform which achieves vertical integration from the underlying technology to high-level scenario-based functions. In short, by accessing our low code platform, our customers can choose the specific solution they want to develop, followed by simple and intuitive steps to configure the audiovisual functions embedded in the application, after which a packaged and ready-to-use solution will be available for immediate deployment, thus reducing the difficulty in the use and access to audiovisual products. Our APaaS solutions currently cover five major application scenarios, including (i) social entertainment, (ii) video marketing, (iii) visual networking, (iv) smart new media and (v) metaverse, which allow for quick deployment and easy expansion, which in turn significantly improves our customers' agility for scenario-based innovation and addresses the challenges posed by personalization of audiovisual content, multiple scenarios, and timeliness requirements.

We aim to cultivate user habits in using our products and services and expand our customer base. The number of our active users increased from 541,578 in 2021 to 600,245 in 2022, and further increased to 654,179 in 2023 and from 600,605 for the three months ended March 31, 2023 to 643,857 for the three months ended March 31, 2024. The number of MPaaS paying customers increased from 68,808 in 2021 to 83,970 in 2022, and further increased to 92,480 in 2023 and from 62,311 for the three months ended March 31, 2023 to 62,563 for the three months ended March 31, 2024. The number of APaaS paying customers increased from 1,319 in 2021 to 1,967 in 2022, and further increased to 2,597 in 2023 and from 1,867 for the three months ended March 31, 2023 to 2,303 for the three months ended March 31, 2024. The total number of paying customers increased from 70,672 in 2021 to 86,451 in 2022, and further increased to 95,848 in 2023 and from 64,918 for the three months ended March 31, 2023 to 65,080 for the three months ended March 31, 2024.

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OUR PRODUCTS AND SERVICES

Our major products and services include (1) MPaaS products encompassing a range of audiovisual solutions, including proprietary content delivery network which accelerates content delivery (“QCDN”), object storage platform which stores content (“Kodo”), interactive live streaming products and intelligent media data analytics platform (“Dora”), primarily aimed to serve customers with strong development capabilities and high flexibility requirements; and (2) APaaS solutions which are scenario-based audiovisual solutions based on our MPaaS capabilities and leveraging our low-code platform, primarily aimed to enable customers to gain quick access to different functionalities with simple steps of deployment to achieve their business aim. The following diagram illustrates our business model:



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Our diversified customers: Our customers encompass a wide array of enterprises (such as application developing companies and SaaS companies) as well as individual developers. We have a strong customer coverage in terms of operating scales, from industry leaders to large-sized corporations, SMEs and individuals. Our products cater to different customer needs, from business enterprises with scenario-based demands and limited technical capabilities (which typically require our APaaS solutions) to sophisticated application developers with limited access to infrastructure resources (which typically require our MPaaS products).

Our MPaaS products: We mainly provide MPaaS products to our customers by way of discrete APIs⁽¹⁾ and SDKs⁽²⁾. Leveraging our MPaaS products, our customers are only required to write codes to connect to our platform through which they can deploy specific audiovisual capabilities via discrete APIs/SDKs. The complexity of the codes would depend on the extent of audiovisual capabilities required. After customizing these parameters, our customers can have these audiovisual capabilities embedded in their applications and they will only need to manage their applications without the need to maintain the underlying infrastructure. Our MPaaS products are therefore suitable for customers with stronger technological capabilities while requiring higher flexibility.

Our APaaS solutions: We mainly provide APaaS solutions to our customers in the form of scenario-based solutions (which are typically a combination of APIs/SDKs). We combine our MPaaS capabilities with the scenario-based knowhow relevant to our customers and, in conjunction with our low code platform, package the APIs/SDKs (corresponding to the underlying audiovisual capabilities) into easy-to-access and high-customized APaaS solutions which our customers can deploy directly. Our APaaS solutions share the same suite of audiovisual capabilities (including but not limited to collection, storage, processing, distribution, analytics) as our MPaaS products. Our APaaS solutions allow our customers to customize and develop their applications through an intuitive step-by-step approach, which further reduce the technical barriers. Therefore, our APaaS solutions are suitable for customers with relatively limited technological capabilities while and clearly delineated business scenarios requiring rapid verification of their business models.

Our technology capabilities: Our years of experience has enabled us to independently develop the key technologies to support our one-stop scenario-based audiovisual solutions. Some of our key technologies include: (i) audiovisual technology, such as audiovisual encoding and decoding capabilities, which reduce storage space and improve the image quality of secondary encoding at lower bandwidth costs, and multi-dimensional integrated intelligent scheduling management system which reduces system risk and cost risk due to unexpected customer traffic; (ii) low code platform which provides a development environment used to create application software generally through a readily accessible user interface, thereby improving their accessibility to our audiovisual capabilities; and (iii) AI technology, which combines audiovisual processing technology and deep learning models which can help assess image quality and aesthetics of images and videos, producing multi-dimensional objective quality indicators to guide and position specific quality issues.

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Our suppliers: In order to provide audiovisual cloud services to our customers, we rely on infrastructure and services provided by our suppliers, most notably, (i) network and bandwidth resources, (ii) hardware (such as servers and storage devices) and software (such as operating system and application services) resources and (iii) computing resources (primarily CPU and GPU). We also procure licenses of audiovisual services from our ecosystem partners engaged in audiovisual related value-added services, such as video conferencing system and audiovisual editing tools, and integrate these features into our platform for easy access to our customers based on their specific business needs.

Our pricing model: We adopt different pricing models depending on the specific products/solutions, and whether the products/solutions are deployed via public cloud or private cloud. The pricing of APaaS solutions has taken into account the value brought by the additional features of APaaS solutions (including low code platform), therefore the unit prices of the APaaS solutions are generally higher than those of the MPaaS products under similar circumstances.

Notes:

- (1) APIs, or application programming interfaces, are used by software developers to execute specific development actions based on their development needs, for example, by introducing live streaming functions to the underlying applications. APIs are typically deployed individually, or embedded in SDKs.
- (2) SDKs, or software development toolkits, generally consist of a collection of APIs, documents, instructions and tools which can be accessed in various formats and used by software developers to achieve specific software functionality.

Competitiveness of Our Products

We are one of the few companies that have developed comprehensive and high-performance MPaaS products and possessed technology capabilities that are integrated and cover various aspects of the audiovisual business. Our MPaaS products leverage a range of audiovisual technologies, including RTC, VoD, live streaming, storage and content delivery, as well as a range of AI technologies, including intelligent vision, intelligent voice, intelligent editing, industry algorithms, content security and business security. Our technologies form the cornerstone of the competitive advantages of our MPaaS products. For example, our QCDN product has achieved extensive network coverage, comprehensive node monitoring and real-time intelligent allocation, providing our customers with low-latency cloud services. For the three months ended March 31, 2024, our MPaaS platform provided an average of over 4.6 billion minutes of audiovisual playback per day, which is at the high end of industry average level, according to iResearch. Our Kodo product support both centralized and edge storage as well as multi-cloud deployment, which enable our customers to conveniently store and manage large volume of data. According to iResearch, Kodo is able to achieve high data reliability with a redundancy rate of 1.14 on our public cloud and 1.10 on our private cloud, both of which are better than industry average levels. Our interactive live streaming products offer end-to-end real-time communication solution for our customers with low latency, high stability and high availability. Finally, our Dora product offers a wide array of data processing and analytics capabilities, enabling our users to process massive volume of audiovisual content on a daily basis. For details, please refer to the section headed “Business – Key Operating Metrics” in this prospectus. Our MPaaS business was our largest revenue contributor during the Track Record Period.

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Building upon our MPaaS technologies, we further developed a proprietary low-code platform which consolidates different scenario-based functionalities into customized solutions for our customers through simple and intuitive setup, reducing the difficulty in the use and access to audiovisual products. Our APaaS solutions allow for quick deployment and easy extension, which significantly improves our customers' agility for scenario-based innovation and addresses the challenges posed by personalization of audiovisual content, multiple scenarios, and timeliness requirements. According to iResearch, the audiovisual APaaS market in China started to commercialize in scale in 2021 and has been experiencing rapid growth. After we decided to officially launch our APaaS business in line with industry development and market demand in 2021, the number of our APaaS paying customers increased from 1,319 in 2021 to 1,967 in 2022, and further increased to 2,597 in 2023. After merely one year of ramp-up, we ranked second in the audiovisual APaaS market in China in terms of revenue in 2022 with a market share of 11.9%, according to iResearch. Our market share further increased to 14.1% in 2023, consolidating our position as the second largest audiovisual APaaS service provider in China. APaaS provides platform-based services based on application scenarios by packaging corresponding tools and functions. According to iResearch, the audiovisual APaaS market size in China was RMB2.0 billion in 2023. The audiovisual APaaS market size is expected to reach RMB14.4 billion in 2028, with a CAGR of 48.6%.

OUR COMPETITIVE STRENGTHS

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

China's third largest audiovisual PaaS provider and second largest audiovisual APaaS provider

According to iResearch, we are the third largest audiovisual PaaS provider in China in terms of revenue in 2023 with a market share of 5.8%. As an independent audiovisual PaaS provider, we can cooperate with various IaaS providers while avoiding direct competition with IaaS providers and high capital expenditure. In addition, we have the flexibility to deploy resources, effectively control costs, empower our customers to choose products and services according to their needs, and improve user experience. We aim to cultivate user habits in using our products and services and expand our customer base. As of March 31, 2024, we had over 1,500,000 registered users, most of which were developers or teams of developers of various companies. In 2023 and for the three months ended March 31, 2024, we had 95,848 and 65,080 paying customers, respectively.

BUSINESS

Our leading market position partly stems from our ability to quickly adapt to the new industry development. Founded in 2011, we established one of the earliest platforms that provides audiovisual cloud services in China, and have been in the audiovisual industry for over ten years. We have developed comprehensive and high-performance MPaaS products and possessed technology capabilities that are integrated and cover various aspects of the audiovisual business. Our MPaaS business was our largest revenue contributor during the Track Record Period. For the three months ended March 31, 2024, our MPaaS platform provided an average of over 4.6 billion minutes of audiovisual playback. As of March 31, 2024, our MPaaS platform had a data storage scale at EB level. With the growing popularity of audiovisual applications including pan-entertainment, e-commerce, and metaverse, the customer demand is increasing and rapidly changing, requiring more integrated and scalable audiovisual cloud service. As a result, APaaS products emerged to cater to the needs of fast development and innovations in different scenarios. According to iResearch, in 2021, the audiovisual APaaS market in China started to commercialize in scale and has been experiencing rapid growth. Closely following market trends and adapting to new industry development, we officially launched our APaaS business in September 2021. After merely one year of ramp-up, we ranked second in the audiovisual APaaS market in China in terms of revenue in 2022 with a market share of 11.9%, according to iResearch. Our market share further increased to 14.1% in 2023, consolidating our position as the second largest audiovisual APaaS service provider in China.

Our APaaS solutions allow for quick deployment and easy expansion using low-code technologies. Our customers are empowered with quick access to different functionalities with simple steps of deployment to achieve their business aim. We empower companies to be agile for scenario-based innovation and assist them in addressing the challenges posed by personalization of audiovisual content, multiple scenarios, and timeliness requirements.

Our market leadership and outstanding performance have been recognized through numerous awards and honors. For example, we were recognized by the China Academy of Information and Communications Technology as the Best Practice of Trusted Cloud Technology for 2020-2021, awarded the Most Watched Startup of the Year by Sina in 2021, and selected as one of the Top 100 Software and Information Technology Service Providers in Shanghai by Shanghai Municipal Commission of Economy and Informatization in 2022 and 2023.

One-stop scenario-based audiovisual solutions with comprehensive capabilities and strong scalability

As a market leader providing one-stop scenario-based audiovisual solutions, we attribute our success and leadership in the market to several key factors:

- *Comprehensive capabilities of MPaaS* – With over a decade of experience in the audiovisual industry, as of March 31, 2024, we had accumulated 1,303 APIs and a large customer base providing us with understanding of market demands. Our basic audiovisual capabilities cover various scenario-settings, comprehensive capabilities, and broad connections. Audiovisual content is collected mainly through mobile phone cameras, monitor cameras and computer cameras. The main forms of interaction include live streaming, on-demand and real-time interaction. We have independently developed relevant products in the areas of audiovisual capture and interaction, thereby achieving wide coverage of scenario-settings. We have also mastered encoding and decoding, storage, distribution and video AI processing involved in audiovisual interaction, including auditing, labeling, enhancement and other capabilities, thereby achieving full capabilities. In addition, we have accumulated experience in tuning and troubleshooting under complex circumstances involving multiple terminals in cross-regions, thereby achieving broad connections.
- *Ability to expand and scalable business operation* – With over a decade of cultivation in the audiovisual industry and co-operation with major participants in the audiovisual industry, we have gained diversified knowledge in audiovisual scenarios and are able to promptly identify demands from different customers for various scenarios. Operators of 15 of the top 20 audiovisual apps in China in 2023 in terms of the number of downloads are our customers, which demonstrates our market leadership. In exploring a new scenario, we usually start by working with a representative company in an industry or a scenario, obtaining an understanding of its needs and developing a new scenario-based audiovisual solution. Subsequently, we would replicate and expand the new solution to serve other potential customers rapidly, thereby achieving scalability. For example, in the interactive video marketing scenario, working with one of the largest local TV stations in China well-known for its entertainment shows, we provided a scenario-based solution in which fans could watch shows with celebrities and interact through an app, achieving real-time marketing and real-time interaction among celebrities and between celebrities and fans. The solution we provided successfully supported the interactive marketing activities for a number of popular shows of this TV station. By working with this TV station, we accumulated the know-how of live chatting and turned multiple audiovisual functionalities into low-code modules. We subsequently replicated this solution to serve several other video marketing customers with similar needs.

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- *Open platform to achieve commercial value gain* – By lowering the access threshold for scenarios with our low-code platform, we not only empower our customers to create codes in a short time, but also provide them with means to independently expand existing scenarios concisely and efficiently. Leveraging the scalable architecture and encapsulation of our low-code platform, we continuously upgrade our low-code platform and functional plugins which allow customers to access new scenario functions simply by selecting updated functional plugins. Using our domain-friendly, visualized, scenario-based and modularized low-code platform, we empower our customers to build and develop what they need for their own business quickly.

In addition, we have developed a solution and plug-in market which introduces third-party developers into our platform, allowing a positive feedback among our customers and third-party developers. Relying on the strong scalability of our low-code platform, we made the platform's SDKs publicly available and allowed third-party developers with audiovisual development capabilities to provide scenario-related audiovisual functional components to enrich and enhance our platform's functionalities. For example, our business partner, SenseTime, provided the beauty SDK plugin, which we integrated and encapsulated on our low-code platform in order to enable customers to use the plugin. As a result, our customers have the option to purchase the latest and preferred components on our platform. This capability is an important consideration why customers choose to use our services.

Based on the above advantages, we have successfully accumulated a large customer base. The number of MPaaS paying customers increased from 68,808 in 2021 to 83,970 in 2022, and further increased to 92,480 in 2023 and from 62,311 for the three months ended March 31, 2023 to 62,563 for the three months ended March 31, 2024. The number of APaaS paying customers increased from 1,319 in 2021 to 1,967 in 2022, and further increased to 2,597 in 2023, and from 1,867 for the three months ended March 31, 2023 to 2,303 for the three months ended March 31, 2024.

Diverse application scenarios support our commercial potential

Since we officially launched our APaaS business in September 2021, our APaaS solutions have been applied to a variety of scenarios, creating a "1+N" commercial layout of one platform and multiple scenarios. At present, we are strategically focusing on five major scenarios, of which we have achieved sizeable revenue for social entertainment and video marketing scenarios, demonstrating our strong product commercialization capabilities. We are also rapidly developing visual networking, smart new media and metaverse scenarios.

In the social entertainment scenario, we provide one-stop solutions for mobile social entertainment that includes image processing and distribution, short video processing and on demand, long video processing and on demand, file distribution and download, live streaming of events or shows, among others. Leveraging our advantages in cloud infrastructure, intelligent processing of multimedia data and intuitive low-code platform, our APaaS solution enables our customers to quickly launch social entertainment application with just about 10 lines of code. During the Track Record Period, the apps operated by our customers of social entertainment scenario included Meipian, Tangdou and Changba.

BUSINESS

Our video marketing scenario offers customers media content such as audiovisual for marketing. We provide solutions with broad connections in our video marketing scenario, assisting customers in reaching their target consumers at various stages of marketing. By combining enterprise live streaming marketing, interactive marketing and other solutions, we empower our customers to swiftly build their own live streaming platform to enhance user loyalty and promote conversion.

In the visual networking scenario, we provide a one-stop visual network solution that integrates audiovisual cloud management, computing engines, scenario awareness analysis, cloud encoding and decoding, storage and other services, support access to various IoT video devices through multiple protocols, provide integrated video intelligent processing services, and other functionalities such as live streaming, remote management, behavior monitoring, warning playback, intelligent operation and maintenance and reading management. Our solution is used in smart homes, visual intelligence on vehicles, intelligent industrial interconnection, remote monitoring at pre-schools, among others.

In the smart new media scenario, leveraging on our capabilities in audiovisual data processing, we developed television broadcasting related solutions including intelligent media resources management, new media filming and production covering full capabilities of the core television broadcasting work stream of filming, editing, multimodal analysis, content audit, data management and content storage. Through cooperation with leading television broadcasting media, we have developed real-time management and monitoring services for filming under the 5G environment. In addition, with strong AI recognition and analysis capabilities, we are able to complete fast editing and stream the content into the data management system in real time, providing customers with solutions with low latency and high throughput.

In the metaverse scenario, we leverage 3D visual engine technology and audiovisual communication technology to provide solutions such as virtual scenario generation, digital person virtual space, metaverse XR live streaming, allowing customers to build metaverse interaction scenes with low-code or zero-code technology. We provide cultural and tourism metaverse experience solutions for various venues such as parks, where end users can take a tour of the park, generate personalized Vlogs or meet other tourists without leaving their homes. From spatial generation, digital person placement, to intra-scenario audiovisual communication, we have achieved a closed loop of interpersonal communication in the metaverse, and helped customers continue to expand their businesses within the metaverse scenario.

With the accumulation of scenario-based experiences, we expect to further improve existing technologies and drive innovation, maintain product and service advantages, and enhance customer loyalty. Our APaaS paying customer retention rate in 2023 and the three months ended March 31, 2024 reached 87.9% and 93.7%, respectively, demonstrating the effectiveness and success of our solutions.

Strong integrated audiovisual technology and low-code platform development capabilities

Our core advantage lies in our strong integrated MPaaS technology, which helps customers deal with issues including large resource investment in servers and storage systems, stringent technical requirements for data transmission and processing, and poor user experience such as live streaming delay. Our technology capabilities allow us to offer a cost-effective and efficient solution for our customers, who benefit from our expertise in addressing the technical complexities of audiovisual solutions. Our years of experience has enabled us to independently develop the key technologies to support our one-stop scenario-based audiovisual solutions. Some of our key technologies include:

AI technology

- *Comprehensive intelligent multimedia technology* – Based on audiovisual processing technology and deep learning models, our comprehensive intelligent multimedia technology utilizes convolutional neural networks and gate recurrent unit (GRU) to learn video content features and timing information on a large-scale expert annotated sample set. By combining multitasking learning, we are able to assess image quality and aesthetics of images and videos, producing multi-dimensional objective quality indicators to guide and position specific quality issues.
- *Intelligent AI services with high business efficacy* – With high-performance cloud servers and large-scale storage resources, we have developed a deep learning platform that can utilize large language models, such as BERT, GPT, Transformer, LLaMA and PaLM. By using large language models, we have the capability to cultivate content generation capabilities such as audiovisual generation and text generation. In addition, we can process multiple structures or types of data by combining multimodal large language models, and continue to contribute to the improvement of large language models through reinforcement learning from human feedback. Our interaction with and repeated utilization of the large language models will enable them to further adapt to our business scenarios improving the controllability and accuracy of our results. We involve business partners in the industry to build an open platform, and provide customers with more comprehensive services in various scenarios.

Audiovisual technology

- *Audiovisual encoding and decoding capabilities* – Our proprietary Avsmart module has embedded scenario adaptive enhancement algorithm and noise reduction detail enhancement algorithm, as well as the high-performance h264 and h265 compression technology, which reduce storage space and improve the image quality of secondary encoding at lower bandwidth costs. The performance of our encoding and decoding technologies is advanced in the audiovisual cloud service industry.
- *Multi-dimensional integrated intelligent scheduling management system* monitors traffic, costs and malfunctions. As a mainstream audiovisual service provider, we are able to achieve nearly 100% real-time accurate and controllable dispatch, reducing system risk and cost risk due to unexpected customer traffic, with low system failure rate.

Low-code platform

- We have leveraged our MPaaS technologies to develop a low-code platform that is designed to empower customers by improving their accessibility. Our platform focuses on ease of use, scalability and openness to ensure that our customers can easily access the features they need. We aim to lower the barrier of entry for customers by providing user-friendly, visualized, scenario-based and modularized plugins.

In addition to possessing advanced technology, we are committed to promoting the development of a strong developer ecology. We operate a number of developer-oriented communities, advocate technology sharing and initiate various activities for technology dissemination. As of March 31, 2024, we had over 1,500,000 registered users, most of which were developers or teams of developers from various companies. By consolidating the experiences of the developers, we are able to continually improve the efficiency of our platform and empower developers. The developers are also our potential customers, providing us with more business opportunities.

Experienced and insightful management team and innovative R&D team

We are led by an experienced and insightful senior management team with abundant industry and management experience, a keen understanding of market trends, and a track record of effective execution and innovative ideas.

Our founder and chief executive officer, Mr. Xu Shiwei, brings over 20 years of industry and management experience to our Company. Mr. Xu founded our Company in May 2011 and has since been leading the strategic development of our Group. He previously served as technical director at Kingsoft Corporation Limited, where he designed the overall structure of the Kingsoft WPS Office 2005, for which he received the State Scientific and Technological Progress Award (Second Class) by the State Council. Mr. Xu is also the creator of the programming language Go+, which has the characteristics of low-code, de-complexity and catering to young people, attracting a wide range of developers.

Our chief operating officer, Ms. Chen Yiling, has over 17 years of professional experience in the Internet and related fields. She joined our Group in October 2014 and made contributions to various aspects of our Company's development including operation, human resource and marketing. Our chief financial officer, Mr. Han Bin, has over 20 years of professional experience in financing and legal industries. Mr. Han had worked at the Stock Exchange as the representative of eastern China. In addition, other members of our senior management team and key employees have experience in globally renowned technology companies.

Our employees are valuable assets to us. In particular, we have a strong R&D team. As of March 31, 2024, our R&D team consisted of 168 members, accounting for 43.3% of our total employees, most of whom have relevant backgrounds and experience in the industry.

We are confident that our experienced management team and exceptional R&D team will enable us to capture opportunities in the audiovisual industry in China and globally, driving us to achieve rapid and sustainable growth.

OUR DEVELOPMENT STRATEGIES

We plan to implement the following strategies to further develop our business:

Develop and expand our customer base by continuing to penetrate and deepen our presence in major scenarios

According to iResearch, the market size of audiovisual PaaS and SaaS market in China was RMB38.1 billion in 2023 and is expected to reach RMB118.3 billion in 2028, representing a CAGR of 25.4%. Leveraging our years of experience and proprietary technologies, we are committed to optimizing the audiovisual interaction experience and further penetrate our presence in the five major scenarios of APaaS market. We also plan to extend our APaaS solutions to other customers in these scenarios to further expand our business.

To that end, we plan to strengthen our understanding of representative companies in different industries or scenarios, accumulate scenario know-how and experience and expand our business. Specifically, we plan to create more solutions in five major scenarios. In the smart new media scenario, we plan to enhance the design and management of intelligent filming, intelligent media resources, intelligent editing and provide other solutions for television broadcasting media, and increase our television broadcasting customers. In the visual networking scenario, we plan to develop a solution for the agricultural setting, which includes connecting camera directly on cloud and AI processing of gathered data, thereby improving the digitization in agriculture and improving efficiency. In the metaverse scenario, we plan to create digital persons for marketing purpose. We plan to design 2D and 3D digital person, that closely resemble humans in appearances, expressions and interactions. These digital persons can showcase their marketing functions through live streaming. Further, through the use of deep learning technology, customers' marketing can be enhanced using user feedback on these digital persons' performance. We believe that the metaverse scenario, which bridges the physical world and the virtual world, may have potential to bring new social and entertainment experiences. We plan to combine AIGC's creativity with 3D content generation technology. For example, digital persons may be generated and enhanced by AI. In addition, we plan to use AI to enhance spatial generation in the metaverse, enabling replication of the physical world to the virtual world.

In addition, we intend to strengthen our business and cooperate with leading companies in various industries and attract more SMEs in the industries by building and maintaining our reputation in serving leading companies, accelerating the expansion of our business with SMEs and creating a virtuous cycle of accumulating experience, resources and reputation. To further expand our customer base, we plan to strengthen our marketing activities and raise our brand awareness, including organizing industry events, holding seminars and conferences, and visiting leading companies in various industries. We also plan to expand our sales team by recruiting personnel with industry knowledge to strengthen our business network.

Accelerate overseas business expansion to create new business growth points

In addition to the booming development of the audiovisual cloud service market in China, the global audiovisual cloud service market is also expected to experience significant growth in the coming years.

BUSINESS

During the Track Record Period, we mainly assisted audiovisual social and e-commerce companies in China in their overseas expansion efforts. Going forward, in addition to assisting Chinese companies in the overseas expansion, we plan to grasp the immense opportunities presented by the overseas market. We currently have subsidiaries in Hong Kong and Singapore where we have conducted business and generated some revenue. According to iResearch, the penetration rate of the audiovisual cloud service market in Southeast Asia and the Middle East are generally low, and the audiovisual cloud service market is at an early development phase presenting significant growth potential. We plan to replicate our success in China in the overseas markets. As a first step, we plan to build PaaS infrastructures to establish a solid technological foundation for providing one-stop scenario-based audiovisual solutions abroad. We also plan to build local sales and technical teams, work with local partners to localize products and services, establish long-term business relationships with corporate customers, and expand our customer base abroad.

In addition, we have also established a subsidiary in Vietnam and plan to expand our presence in this market. In addition, we plan to further develop overseas markets and have conducted feasibility studies for audiovisual cloud markets in Indonesia, Malaysia and Saudi Arabia.

Continuously strengthen R&D investment, build AIGC capabilities and iterate and improve our low-code platform

Our technological capabilities are the core foundation of our success. We plan to maintain our leading position in the audiovisual cloud service market by continuing to invest in R&D and building a technological barrier.

According to iResearch, since 2023, companies have begun to integrate AIGC technology into audiovisual APaaS solutions to enhance product functionalities and improve efficiency. “AIGC + audiovisual APaaS” is expected to become a new form of audiovisual APaaS in the future. Users may be able to automatically write code and assemble a complete audiovisual application by simple demand input, and personalize the application through simple code writing or drag-and-drop. We intend to use multiple generation models, including image generation, emotional voice generation, music sound effect generation, video generation, 3D generation, character animation generation, scene animation generation and code generation, then integrate the results that can be exported to multiple content channels through our audiovisual and RTC.

To build AIGC capabilities, we plan to increase investment in a 3D content generation platform to further improve the accessibility and content generation efficiency of the platform. We also plan to use more AI technology in 3D creation and rendering. Particularly, we plan to optimize 3D generated models and low-precision models that can be used for different scenes. Additionally, we plan to leverage image generation capabilities to generate virtual scene maps. After laying out and segmenting of 3D scenes, we will split small tasks to use basic modeling capabilities and model markets to complete scene construction, thereby overcoming the current shortcomings of 3D model generation. Character animation is also an important part of virtual content. We plan to utilize AI to learn from a large number of videos, extract expressions, movements and animations of persons, animals, game characters, and integrate skeleton-bound animation technology to generate natural character animations that fit seamlessly with the scenes.

BUSINESS

Our low-code platform is also our R&D focus. We plan to continue to improve three aspects of our low-code platform, namely ease of use, scalability and openness. We also plan to continue to consolidate and optimize our technologies in audiovisual data transmission, compression and rendering. We intend to improve our low-code content generation platform to enable low-code or zero-code content creation, and to enhance the interactions of audiovisual content.

Furthermore, to attract and retain professional talents for innovation, we plan to continue investing in and expanding our R&D team, and recruiting more talent in various fields.

Seek strategic investments and acquisitions

We plan to continue to selectively seek strategic investments and acquisitions aimed at creating synergies with our APaaS solutions, strengthening our technology and scenario capabilities, and expanding our customer base. Accordingly, we plan to identify potential targets in areas related to our five major scenarios or relevant fundamental audiovisual technology. Potential targets include businesses with leading audiovisual or AI technologies complementary to our technology stack and businesses with successful PaaS or SaaS products to broaden our customer base, among others. As of the Latest Practicable Date, we had not identified any investment or acquisition targets.

OUR PRODUCTS AND SOLUTIONS

Our business model

We primarily operate under the brand of “Qiniu Cloud”. Our major products and services are broadly categorized into, MPaaS⁽¹⁾ (or Media Platform as a Service) products and APaaS (or Application Platform as a Service) solutions. PaaS is a computing service model by which cloud service providers offer a suite of hardware and software resources to their users via a platform, enabling the users to focus on writing codes, configuring the service metrics and monitoring of applications without the need to divert time and resources to the development and maintenance of the infrastructure underlying the platform, including maintenance of hardware, updates of operating system, data backup and recovery, internet security, disaster recovery, etc. Our MPaaS platform is a PaaS platform which has a primary focus on providing cloud services in connection with audiovisual content (primarily consisting of images, audio and video contents), encompassing object storage, content distribution, data processing and real-time interactive live streaming and covering the full cycle of audiovisual data collection, storage, processing, distribution and consumption. We are one of the few companies that have developed comprehensive and high-performance MPaaS products and possessed technology capabilities that are integrated and cover all aspects of the audiovisual business.

Note:

- (1) “MPaaS”, or Media Platform as a Service as defined by the Company, refers to audiovisual platform as a service, while “APaaS” refers to audiovisual application platform as a service, according to iResearch, in industry terms.

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Our customers encompass a wide array of enterprises (such as application developing companies and SaaS companies) as well as individual developers. We have a strong customer coverage in terms of operating scales, from industry leaders to large-sized corporations, SMEs and individuals. Our products cater to different customer needs, from business enterprises with scenario-based demands and limited technical capabilities (which typically require our APaaS solutions) to sophisticated application developers with limited access to infrastructure resources (which typically require our MPaaS products).

APaaS is a computing service model by which cloud service providers offer a one-stop platform for users to develop, run and manage applications. Leveraging our MPaaS technologies, we further developed a proprietary low-code platform which achieves vertical integration from the underlying technology to high-level scenario-based functions. In short, by accessing our low code platform, our customers can choose the specific solution they want to develop, followed by simple and intuitive steps to configure the audiovisual functions embedded in the application, after which a packaged and ready-to-use solution will be available for immediate deployment, thus reducing the difficulty in the use and access to audiovisual products. Our APaaS solutions currently cover five major application scenarios, including (i) social entertainment, (ii) video marketing, (iii) visual networking, (iv) smart new media and (v) metaverse, which in turn allow for quick deployment and easy expansion, which significantly improves our customers' agility for scenario-based innovation and addresses the challenges posed by personalization of audiovisual content, multiple scenarios, and timeliness requirements.

We provide MPaaS products by way of APIs and SDKs, and APaaS solutions in the form of scenario-based solutions to our customers. Leveraging our MPaaS products, our customers can write codes to connect to the audiovisual capabilities through our platform via discrete APIs and SDKs and customize the parameters based on their business needs. Our APaaS solutions package the APIs and SDKs (corresponding to the underlying audiovisual capabilities) into readily accessible solutions and enable our customers to write minimal codes using our low-code platform with clearly defined configurations and functional plugins to deploy audiovisual capabilities based on their particular business scenarios.

While our MPaaS products leverage the audiovisual capabilities that we have accumulated under our technology platform over the years, our APaaS solutions deploy the same suite of audiovisual capabilities underlying such platform while packaging such capabilities into scenario-based solutions based on the specific business needs of our APaaS customers delivered through our proprietary low code platform which provides for easy access and intuitive application development. In other words, our MPaaS capabilities coupled with our proprietary low-code platform and scenario-based knowhow constituted the core competitiveness of our APaaS business.

BUSINESS

Our customers can use either one or both MPaaS and APaaS solutions depending on their business needs. Typically, new customers who need to quickly validate their business models will prioritize using APaaS for scenario-based business verification. Once the business model is validated and the customer desires more autonomy and the ability to incorporate their specific requirements, they often choose to partially refactor their business using MPaaS products to acquire complete control over the underlying codes and the pace of iteration. For example, enterprise customers with multiple project teams may simultaneously utilize MPaaS products and APaaS solutions based on their specific business needs – project teams which have sufficient technical resources and knowhow and high demand for flexibility would normally choose MPaaS products which allow them to adjust the usage of storage, CDN and other products according to their business needs, while project teams which have limited technical resources and focus on validation of business would typically choose APaaS solutions which have lower development threshold and meet their business needs while having the ability to make quick adjustments.

We adopt different pricing models depending on the specific products/solutions. In addition, we charge differently depending on whether the products/solutions are deployed via public cloud or private cloud. For example, if deployed on the public cloud, MPaaS products are typically charged by actual usage while APaaS solutions are typically charged by actual usage or service packages. In general, we set different unit prices for API calls based on their complexity. In addition, the pricing of APaaS solutions has taken into account the value brought by the additional features of APaaS solutions (including low code platform), therefore the unit prices of the APaaS solutions are generally higher than those of the MPaaS products under similar circumstances. For details of our pricing model, please refer to the section headed “Business – Pricing” in this prospectus.

As of December 31, 2021, 2022 and 2023 and March 31, 2024, the number of our registered users reached 1,217,596, 1,350,001, 1,497,516 and 1,516,411, respectively. The following table sets forth a breakdown of our revenue during the Track Record Period.

	For the year ended December 31,			For the three months ended March 31,
	2021	2022	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
MPaaS	1,369,641	874,997	974,507	249,442
APaaS	24,901	194,013	281,359	83,238
Others	76,468	78,280	78,125	9,693
	<u>1,471,010</u>	<u>1,147,290</u>	<u>1,333,991</u>	<u>342,373</u>

BUSINESS

The following table sets forth a breakdown of our revenue in terms of deployment on public cloud and private cloud in absolute amounts and as a percentage of our revenue for the periods indicated:

	For the year ended December 31,						For the three months ended March 31,	
	2021		2022		2023		2024	
	% of total		% of total		% of total		% of total	
	Revenue RMB'000	revenue %	Revenue RMB'000	revenue %	Revenue RMB'000	revenue %	Revenue RMB'000	revenue %
Public cloud	976,770	66.4	924,123	80.5	1,034,862	77.6	271,655	79.3
Private cloud	494,240	33.6	223,167	19.5	299,129	22.4	70,718	20.7

Note:

- (1) Revenue from public cloud business consists of revenue from MPaaS products and APaaS solutions offered over the public internet. Revenue from private cloud business consists of revenue from all-in-one server, software and related maintenance and internet data hosting services.

Our MPaaS products

Our MPaaS products leverage a range of audiovisual related technologies, including audiovisual technologies associated with RTC, VoD, live streaming, storage and content delivery, as well as a range of AI technologies, including intelligent vision, intelligent voice, intelligent editing, industry algorithms, content security and business security. Through our technologies, we have achieved extensive network coverage, comprehensive node monitoring and real-time intelligent allocation, providing our customers with high-quality and low-latency cloud services. Our MPaaS products include (i) QCDN, our proprietary content delivery network; (ii) Kodo, our object storage platform; (iii) interactive live streaming products; and (iv) Dora, our intelligent media data analytics platform.

The main features of our MPaaS products are as follows:

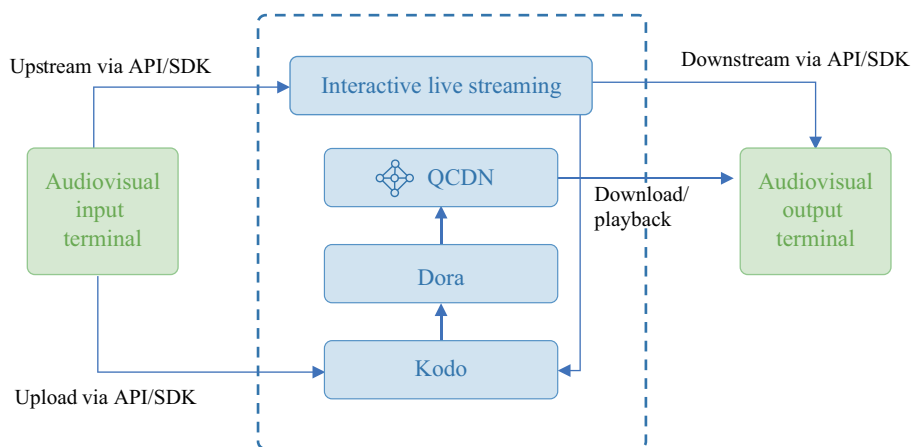
- *Comprehensive* – Our MPaaS solutions are embedded with comprehensive functions to satisfy various needs of customers in use cases of image, audio and video processing and analytics.
- *Cost-effective* – Our comprehensive solutions enable our customers to easily and quickly design, develop and launch their products. Additionally, our pricing model allows our customers to try out new products with no significant upfront cost and reduce their development cost.
- *Stable and reliable* – We offer multi-region disaster recovery capability to reduce operation risks from failures in any single data center. Our MPaaS products are also equipped with various security protections against isolated incidents and security failures. We process tens of millions of requests on a daily basis with an average availability of 99.9%.

BUSINESS

- *Scalable and compatible* – The high scalability of our MPaaS product enables customers to conduct secondary development based on their needs and various use cases. We offer a large number of compatible and easy to embed APIs and SDKs, which can be easily integrated to help customers reduce development and maintenance work. As of March 31, 2024, we had accumulated 1,303 APIs, demonstrating our full-scenario MPaaS capability.
- *Intelligent* – We have built a portfolio of intelligent audiovisual processing capabilities based on large models and deep learning. We possess multimodal processing capabilities through analyzing audiovisual data, enabling functions such as intelligent audiovisual evaluation, intelligent identification and intelligent review in an end-to-end audiovisual setting. We have independently developed the core algorithms based on our over one decade of industry experience and technological iteration, which empower us to meet customer needs on processing accuracy and efficiency.

For the three months ended March 31, 2024, our MPaaS platform provided an average of over 4.6 billion minutes of audiovisual playback per day. As of March 31, 2024, our MPaaS platform had a data storage scale at EB level. Our diverse MPaaS products provide customers with a one-stop integrated service. Many customers purchase and use our multiple products simultaneously to meet their needs. For example, customers may use Kodo to store their media data, which can be edited, transcoded or otherwise processed by Dora, and delivered to their users via our interactive live streaming products and QCDN based on developers' needs. Our MPaaS products serve as a building block for customers to embed various functions in their applications and provide underlying cloud services to support their operations. In particular, QCDN and Kodo are the major MPaaS products in terms of functional importance and revenue contribution. The seamless integration of storage and distribution functionalities empowered by QCDN and Kodo, respectively, forms the backbone of our MPaaS business and provides underlying support for all MPaaS capabilities.

The following diagram illustrates the interaction between our different MPaaS products in providing service to our customers.



BUSINESS

The above diagram illustrates three major use cases involving the interaction of MPaaS products:

- *Video on demand:* The video content originated from the audiovisual input terminal is uploaded to Kodo via the upload API/SDK, which is then processed by Dora and distributed through QCDN. The user can access the video by downloading or playing back via the audiovisual output terminal.
- *Live streaming:* The video content originated from the audiovisual input terminal is upstreamed via API/SDK to our interactive live streaming products, which is then downstreamed via API/SDK to the audiovisual output terminal for playback on the user's device.
- *Live streaming playback:* This is a combination of the two use cases above. Instead of being transmitted to the user's device via the downstream API/SDK after being upstreamed to the interactive live streaming products, the video content is first uploaded to Kodo for storage, and then distributed to the user device through QCDN.

Apart from the above use cases, each of our MPaaS products can be deployed separately by the users via discrete APIs/SDKs depending on their business needs.

As our MPaaS products cover the full cycle of audiovisual data collection, storage, processing, distribution and consumption and can be conveniently deployed in a single platform, our MPaaS customers typically utilize more than one MPaaS product at one time. For the three months ended March 31, 2024, over 50% of our MPaaS customers simultaneously purchased two or more of our MPaaS products.

The following table sets forth a breakdown of our revenue from MPaaS products by product types in absolute amounts and as a percentage of our revenue from MPaaS products for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,	
	2021		2022		2023		2024	
	Revenue	% of total MPaaS revenue	Revenue	% of total MPaaS revenue	Revenue	% of total MPaaS revenue	Revenue	% of total MPaaS revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
QCDN	585,513	42.7	488,932	55.9	628,371	64.5	176,779	70.9
Kodo	650,764	47.5	320,359	36.6	297,791	30.5	63,958	25.6
Interactive live streaming products	87,067	6.4	50,526	5.8	17,175	1.8	3,571	1.4
Dora	46,297	3.4	15,180	1.7	31,170	3.2	5,134	2.1
Total	1,369,641	100.0	874,997	100.0	974,507	100.0	249,442	100.0

BUSINESS

The following table sets forth the number of MPaaS paying customers and their average revenue contribution during the periods indicated. For detailed discussion on the retention rates and expansion rates of MPaaS paying customers, please refer to the section headed “Business — Key Operating Metrics” in this prospectus.

	For the year ended December 31,			For the three months	
	2021	2022	2023	ended March 31,	
				2023	2024
Number of MPaaS paying customers	68,808	83,970	92,480	62,311	62,563
– QCDN	54,892	56,800	61,868	41,586	41,210
– Kodo	39,122	55,370	61,456	41,248	42,177
– Interactive live streaming	2,193	1,906	1,850	967	890
– Dora	4,183	3,917	3,763	2,294	2,235
Average revenue contribution of MPaaS paying customers (<i>RMB</i>)	19,905	10,420	10,537	2,991	3,987

QCDN – Content delivery network

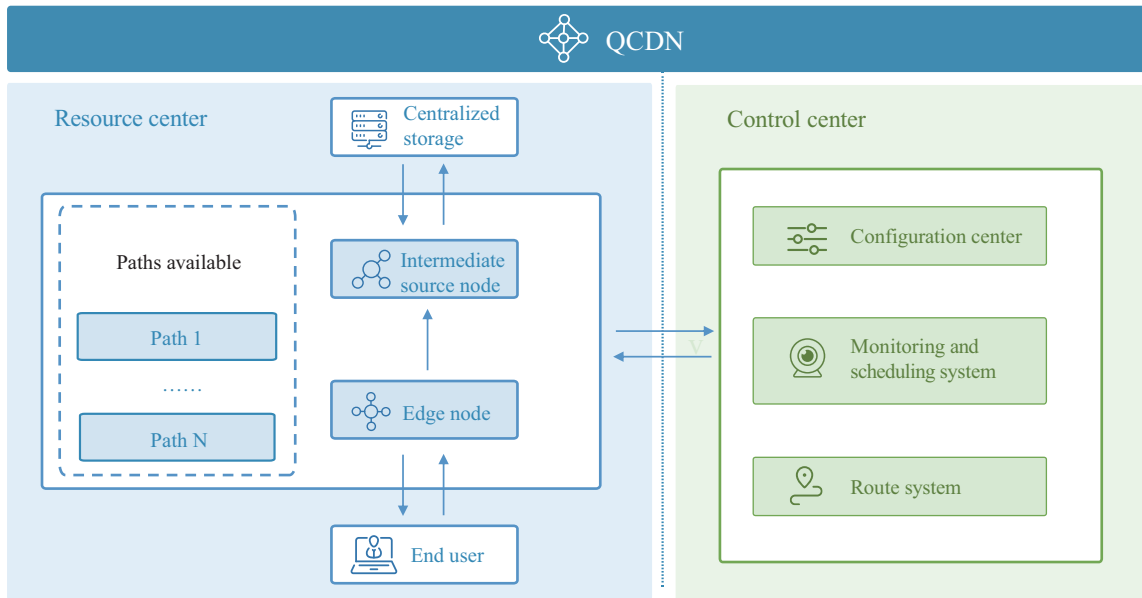
A content delivery network (CDN) is a geographically distributed group of servers that caches content close to end users, thus allowing for the quick transfer of Internet content, including audiovisual content. Our integrated QCDN product optimizes the acceleration of data network through building a global network of CDN nodes from multiple providers (including mainly IaaS cloud providers), and, to a smaller extent, our proprietary infrastructure. It accelerates content delivery time by intelligently routing our customers’ end users through less congested and more reliable paths. With functions such as comprehensive content delivery network monitoring and intelligent dispatch of nodes, QCDN offers stable and fast network access services, ensuring the stability and consistency of our customers’ services. Network resources are crucial to our QCDN products. To enhance our competitive advantages, we have established procurement relationships with an extensive network of suppliers, which enables us to make optimal procurement decisions and adjustments based on market conditions and reduce reliance risks of single suppliers for underlying resources. Moreover, through our self-developed intelligent scheduling services as detailed below, we have the ability to manage different network resources in providing stable and high quality services to our customers.

Key features of QCDN include:

- *Integrated network* – Our QCDN product is an integrated control solution which contains nodes from multiple providers that cover different areas across the globe, thereby ensuring high stability.
- *Real-time control* – We provide real-time network availability and access performance monitoring.
- *Intelligent scheduling* – Based on our IP database and combined with the network downtime and performance monitoring, the integrated scheduling system is developed to support an array of dispatch protocols. These dispatch protocols allow dispatch in real time and protect our customers from access hijacking.

BUSINESS

Our QCDN product addresses the distribution of audiovisual content from centralized storage (such as Kodo) to user terminals (such as mobile devices and web pages). In the absence of QCDN, the user terminals normally retrieve data from centralized storage, which entails a long network path resulting in slow or failed downloads. We provide integrated QCDN services based on intelligent scheduling services. In essence, our QCDN product procures a large number of edge nodes (i.e. small data centres located in various regions) and directs the download requests to the nearest edge node. The edge nodes store the content downloaded from the centralized storage, allowing subsequent downloads of the same content via such edge nodes to bypass centralized storage, thereby significantly increasing the download speed. Intermediate source nodes refer to the nodes positioned between the centralized storage and edge node, which can help reduce the request load on the centralized storage and thus speed up the download requests. Our QCDN product comprises a resource center and a control center, which in turn comprises a configuration center, a monitoring and scheduling system and a route system. The resource center comprises network paths linking the data source, edge nodes, intermediate source nodes and the user terminals representing the end users. The configuration center determines which edge nodes a user utilizes based on domain configuration. The monitoring and scheduling system decides which edge node to direct a download request from the user terminal based on real time network conditions. The route system determines the network path through which the edge node directs the download request to the centralized storage. Enterprise or individual developers can complete configuration management, including resource and content configuration, through the configuration center. Based on the monitoring system, dispatch system and route system of our control center, our QCDN product enables increased content hit rate, improves user access experience and reduces the cost of back-origin bandwidth. The following diagram illustrates the general workflow of our QCDN product:



BUSINESS

Our QCDN product is provided to our customers on public cloud and charged based on network traffic or bandwidth usage. We also provide global QCDN service for customers with overseas business.

Coocaa Technology (酷開科技)

Shenzhen Coocaa Network Technology Co., Ltd. (深圳市酷開網絡科技股份有限公司) was established in 2006 and provides technology, operation and maintenance services for the Internet smart television industry. Its main business segments include big content business, digital marketing business, converged media business and smart screen business.

Main scenarios

- Smart TV on demand content distribution

Solutions and benefits:

- We provide self-developed edge acceleration capabilities and end-to-end quality monitoring system which result in better user viewing experience.
- Our intelligent scheduling capabilities help the customer reduce network traffic costs.
- Based on our audiovisual processing capabilities, we enable the customer to achieve HD and UHD content transcoding which forms the core of its big content business.



Kodo – Object storage platform

Object storage is a data storage architecture for storing unstructured data, which sections data into units, i.e. “objects”, and stores them in a structurally flat data environment. Each “object” includes the data, metadata, and a unique identifier that applications can use for easy access and retrieval. Kodo is our proprietary object data storage and management platform which supports both centralized and edge storage. Kodo can serve as a cloud-based heterogeneous data lake, which essentially means all types of data, including text, image, audio, video, structured table, etc., whether structured, semi-structured or unstructured, at any scale can be consolidated and stored in one centralized place. This heterogeneous data lake provides users with full access to and storage of data and full life-cycle data management without having regard to the original format of the data. Kodo can be used together with other data analytics products such as Dora, enabling users to optimize the underlying value of massive data volume. Users can run different types of analytics on the data stored to provide actionable insights and drive better decision-making. Kodo is designed on a cloud-native architecture which supports multi-cloud deployment. With connection to our platform via simple and reliable APIs and SDKs, customers are able to conveniently transmit and manage their data. As development of artificial intelligence increased the demand for storage and computation, we started to provide storage and computing all-in-one server to our customers in 2023.

Key features of Kodo include:

- *Upload/download* – we provide our users with various APIs/SDKs and tools for different upload or download scenarios and support downloads from servers and direct uploads from customers with acceleration services.
- *Cross-regional synchronization* – Cross-regional synchronization provides users with efficient data migration and synchronization in different storage regions through easy operations to achieve remote data disaster recovery.

BUSINESS

- *Life-cycle management* – Users can choose their storage space based on their business needs with life-cycle management. It can be set up in a way that allows for automatic conversion to designated storage types or automatic deletion after a set amount of time has passed.
- *Low-frequency storage* – Low-frequency storage provides more affordable prices than standard storage and can be applied to business scenarios with real-time access to data and low read frequency, such as data backups, etc.
- *Mirrored storage* – Mirrored storage can be applied for migration of existing data in business systems, which helps users complete data migrations seamlessly without affecting access to the business systems.

OPPO

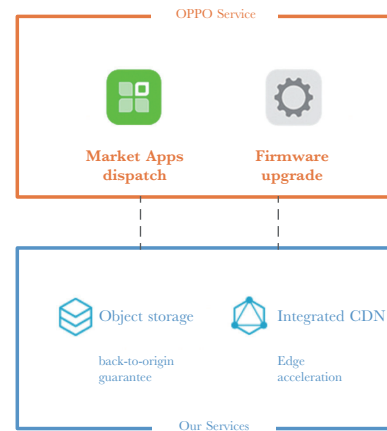
OPPO Guangdong Mobile Telecommunication Corp., Ltd. is a global leading smart device manufacturer.

Main scenarios

- Document download, storage and dispatch

Solutions and benefits

- Our object storage and intelligent audiovisual capabilities support the underlying service for the customer's smartphone cloud services, such as cloud backup of users' data.
- Our object storage and integrated CDN services allow for the seamless storage and distribution of contents relating to the customer's application market, firmware upgrades and system updates.



Kodo is sometimes offered to our customers on public cloud and charged based on the storage capacity. For customers who have a higher demand for compatibility, reliability, privacy and security in the cloud, Kodo can also be deployed on the customer's server or on a private cloud that we build for the customer and charged based on the storage capacity. If a private cloud is built by us, we sometimes offer an all-in-one server service for our customers. We are developing our overseas storage business by building our overseas cloud infrastructure, which will allow us to gradually roll out our cloud storage nodes and overseas supply chain capabilities.

BUSINESS

Following a sharp increase in cloud storage demand driven by the outbreak of COVID-19 and rapid growth in investment in private and public cloud storage by various industries which benefited our Kodo business in 2021, we encountered certain constraints in relation to our all-in-one server business in 2022 as detailed below:

- *Macro-economic factors:* Our all-in-one server business is reliant on the stable supply of semiconductor chips. There has been a global shortage in the supply of semiconductor chips resulting from the COVID-19 pandemic, increased demand for consumer electronics, and disruption in semiconductor chip production due to labor shortage. Moreover, since mid-2022, the U.S. administration announced new rules and export controls policy on AI and semiconductor technologies in China. The restrictions block U.S. AI computer chip companies from selling U.S.-built advanced chips, chip design software, semiconductor manufacturing equipment and components for AI and supercomputing to China. These restrictions have affected the supply of semiconductor chips to China. Notwithstanding that the semiconductor chips we usually use may not be under the relevant export control restrictions, we have noted the macro-economic factors which may increase the uncertainty of our hardware business going forward.
- *Travel restrictions in response to COVID-19:* The COVID-19 in China in 2022 led to temporary restrictions in many cities including Shanghai where our headquarters are located. According to public notices issued by Shanghai government authorities, travel restrictions were imposed in Shanghai during the period from March 22, 2022 to June 1, 2022. Most of our sales and marketing team members were based in Shanghai and they were not able to visit customers or carry out face-to-face marketing activities during the temporary travel restrictions in Shanghai. The travel restrictions also affected the supply and delivery of hardware, and delayed the deployment and implementation of our solutions for customers, causing a serious disruption to our all-in-one server business. For example, the number of delivery orders for all-in-one server decreased from 228 in 2021 to 60 in 2022. Our deliveries for hardware were also delayed as a result of the travel restrictions.

In light of the constraints encountered as detailed above and as a result of the readjustment in our business focus, in particular, the formal launch of our APaaS business in September 2021, the role of our all-in-one server related business has diminished. After evaluating the resource utilization of our various business segments, we made the decision in February 2022 to scale down our all-in-one server business to invest more resources in the APaaS solutions which are less capital intensive and has a higher gross profit margin and commenced to optimize the sales personnel dedicated for hardware business in April 2022. In 2023, with the recovery of all-in-one server business in the industry, we gradually increased our all-in-one server business. We will review the risks associated with our hardware related business and adjust our business strategy if and when the macro-economic factors mentioned above or other relevant factors change in the future.

Interactive live streaming products

Interactive live streaming refers to streaming audiovisual content simultaneously recorded and broadcast over the Internet in real-time or near real-time, where the audience can interact, participate, or influence the streaming experience in prescribed manners. When compared to our QCDN product which addresses primarily the use case of playback of audiovisual content, our interactive live streaming products address the use cases of real-time audiovisual distribution from host to audience. Our interactive live streaming products cater to developers' various needs of cost-efficiency and low latency for different use cases in live streaming and real-time interactions. We offer end-to-end solution modules with various functions including live stream publishing, transcoding, time-shifting, data processing and monitoring, real-time communication etc., with low latency, high stability and high availability. In addition, we offer our customers various additional features in the form of SDKs covering substantially all use cases in short videos and live streaming, such as filming, editing and publishing.

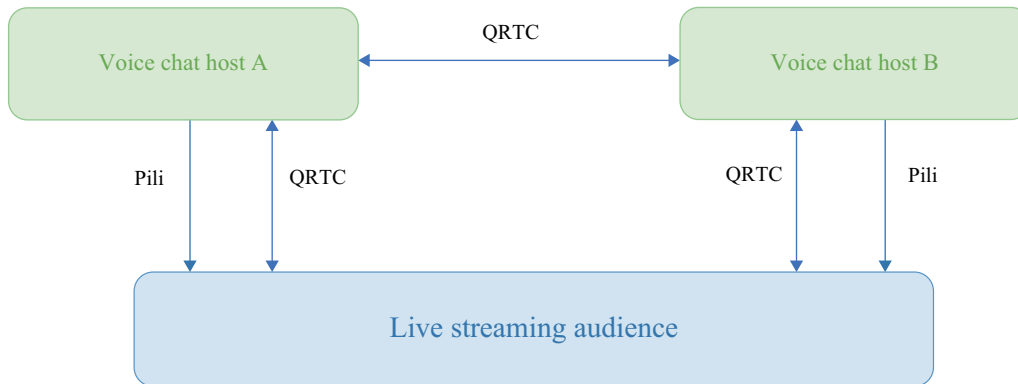
Key features of our interactive live streaming products include:

- *Quality and reliability* – We offer high quality and reliable live streaming and real-time interaction. Our platform delivers high performance around latency and media quality, and works under challenging network conditions. Our customers can take comfort from our service level agreements that provide assurances on availability, such as uptime, and experience, such as latency.
- *Comprehensive functionality* – We offer a breadth of functionality by providing a spectrum of building blocks through APIs/SDKs, product use cases and third-party plugins that improve our customers' offerings and enhance end-user experience, such as HLS time-shifting, live stream recording, stream video views counting, among others.
- *Security and compliance* – Multiple methods of authentication, including IP restrictions, timestamp hotlink protection (an authentication method by limiting the effective time of a link with the use of a timestamp) and call back authentication, among others, are applied to maximize data security. In addition, utilizing features such as content monitoring of Dora, we help our customers meet various compliance requirements.

Our interactive live streaming products are offered to our customers on public cloud which is charged based on usage.

BUSINESS

Our interactive live streaming products address the distribution of real-time audiovisual content from the host to the audience as well as real-time interactions between hosts and between host and audience. In a typical multi-host voice chat scenario, the hosts broadcast real-time audiovisual content through Pili (our live streaming distribution tool) to the user terminals of the audience (such as mobile devices and web pages). In addition, QRTC (our real-time content transmission tool) can simultaneously receive and broadcast content from other hosts and audience, enabling features such as video conferencing and interactive live streaming involving multiple hosts and audience. The below diagram illustrates a typical business flow of our interactive live streaming products.



Dora – Intelligent media data analytics platform

Dora is our cloud-based intelligent media data analytics platform, offering a wide array of data processing and analytics capabilities. Media data analytics requires significant resource investment, advanced technology and complex functional systems. We offer Dora to address these requirements. Leveraging deep learning technologies, Dora provides intelligent data identification, monitoring and analytics functions, enabling our users to process massive volume of audiovisual content on a daily basis.

Key features of Dora include:

- *Media data processing* – Dora offers both basic and advanced processing of images, audio and video, including format conversion, editing, image enhancement, transcoding and portrait beautification, among others.
- *Cognitive services* – We offer cognitive services using deep learning algorithms, such as facial recognition, scenes and objects detection and labeling of media content. We also provide content monitoring features to help customers meet various compliance requirements.
- *Customizable features* – Dora also provides our customers with a rich collection of open APIs/SDKs, allowing them to easily access and integrate various features developed by our business partners based on the individual needs and requirements of our customers.

BUSINESS

Key features of our APaaS solutions include:

- *Highly customized scenario-based solutions* – Our scenario-based APaaS solutions empower enterprise and individual developers to quickly create, process and distribute audiovisual content that can meet the different customized needs based on their business scenarios.
- *High openness* – Our APaaS solutions provide an open platform where software developers can participate in the development of our platform and contribute to the audiovisual capabilities underlying our platform, enabling our users to access a more comprehensive and up-to-date suite of audiovisual capabilities while creating commercial value for us.
- *High compatibility with various systems* – Our low-code platform is broadly compatible with a variety of mainstream systems and can be easily connected to external systems which significantly enhance the accessibility of our APaaS solutions.

Leveraging our experience accumulated from our MPaaS business over the years, we have quickly expanded our APaaS solutions across five major application scenarios, including (i) social entertainment, (ii) video marketing, (iii) visual networking, (iv) smart new media and (v) metaverse. The ever-changing audiovisual industry means that the boundaries of audiovisual application scenarios are subject to constant changes. We will continue to build upon our “1+N” (i.e. one platform and multiple scenarios) strategy to develop and iterate our APaaS solutions to cater for the evolving clients’ needs and technological innovation, as well as to replicate our success in our existing application scenarios to new ones as and when the business opportunity arises.

According to iResearch, in 2023, we are the second largest audiovisual APaaS provider in China, with a market share of 14.1%. In 2023, we had 2,597 APaaS paying customers which represented a 32.0% increase from 2022 and a customer retention rate of 87.9%. For the three months ended March 31, 2024, we had 2,303 APaaS paying customers which represented a 23.4% increase from the same period in 2023 and a customer retention rate of 93.7%.

During the Track Record Period, a significant number of our APaaS paying customers were upgraded from our MPaaS paying customers as the APaaS solutions we offer are attractive to a large customer base with demand for more intuitive and easy-to-access application development environment and tools which cater specifically for their scenario-based business needs, enabling them to build complex audiovisual applications more efficiently.

The following table sets forth the ratio of APaaS customers which were upgraded from MPaaS customers during the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
Ratio of APaaS customers (cumulative) upgraded from MPaaS customers (%)	96.0	94.7	91.3	95.3	92.4

BUSINESS

Notwithstanding the upgrade from MPaaS customers to APaaS, a significant number of our customers simultaneously utilize our MPaaS products and APaaS solutions after the upgrade. The number of APaaS customers upgraded from MPaaS which continued to use our MPaaS products for the three years ended December 31, 2023 and the three months ended March 31, 2024 was 159, 322, 459 and 275, respectively.

Apart from upgrade from MPaaS customers, we have seen a gradual increase in the number of new customers which exclusively use our APaaS solutions and a significant increase in their average revenue contribution. The following table sets forth the number of our new APaaS customers (i.e. not upgraded from MPaaS customers) and their average revenue contribution during the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
Number of new APaaS customers	53	69	162	30	35
Average revenue contribution from new APaaS customers (RMB)	8,079	138,653	244,978	346,795	424,853

The following table sets forth a breakdown of our revenue from APaaS solutions by application scenarios, categorized according to the scenario-based solutions provided to our APaaS customers, in absolute amounts and as a percentage of our revenue from APaaS solutions for the periods indicated.

	For the year ended December 31,						For the three months ended March 31,	
	2021		2022		2023		2024	
	Revenue	% of total APaaS revenue	Revenue	% of total APaaS revenue	Revenue	% of total APaaS revenue	Revenue	% of total APaaS revenue
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Social entertainment	14,450	58.1	97,770	50.4	86,796	30.9	27,754	33.3
Video marketing	9,446	37.9	87,357	45.0	170,261	60.5	45,249	54.4
Visual networking	404	1.6	5,507	2.8	18,935	6.7	8,991	10.8
Smart new media	601	2.4	3,212	1.7	5,063	1.8	1,150	1.4
Metaverse	-	-	167	0.1	304	0.1	94	0.1
Total	24,901	100.0	194,013	100.0	281,359	100.0	83,238	100.0

BUSINESS

We primarily charge our APaaS paying customers by actual usage or service packages (equipped with fixed storage, data, software pack, etc.). The following table sets out the number of APaaS paying customers and their average revenue contribution during the periods indicated. For detailed discussion on the retention rates and expansion rates of APaaS paying customers, please refer to the section headed “Business — Key Operating Metrics” in this prospectus.

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
	Number of APaaS paying customers	1,319	1,967	2,597	1,867
– Social entertainment	531	792	899	702	752
– Video marketing	699	1,017	1,474	1,004	1,318
– Visual networking	70	116	172	122	165
– Smart new media	18	39	65	43	65
– Metaverse	1	3	9	2	7
Average revenue contribution of APaaS paying customers (<i>RMB</i>)	18,879	98,634	108,340	34,319	36,143

The following table sets forth the movement in the number of APaaS paying customers during the periods indicated:

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
	Number of APaaS paying customers upgraded from MPaaS paying customers ⁽¹⁾⁽⁶⁾	1,266	1,862	2,371	1,779
Ratio of APaaS paying customers upgraded from MPaaS paying customers ⁽²⁾ (%)	96.0	94.7	91.3	95.3	92.4
Number of APaaS paying customers upgraded from MPaaS which continue to use our MPaaS products ⁽³⁾	159	322	459	170	275
Number of new APaaS paying customers ⁽⁴⁾⁽⁶⁾	53	69	161	30	35
Average contribution of new APaaS paying customers ⁽⁵⁾ (<i>RMB</i>)	8,079	138,653	244,978	346,795	424,853
Contribution of new APaaS paying customers as a percentage of APaaS revenue (%)	1.7	4.9	14.0	16.2	17.9

BUSINESS

Notes:

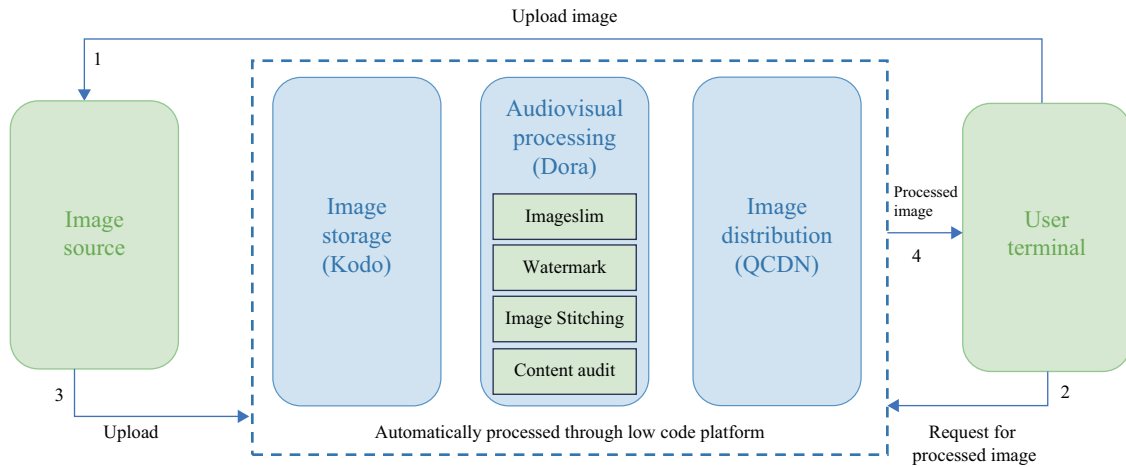
- (1) The number of APaaS paying customers upgraded from MPaaS customers represents the number of APaaS paying customers in the current year/period which have been upgraded from MPaaS paying customers in the previous or current years/periods. For the avoidance of doubt, the number of APaaS paying customers upgraded from MPaaS customers for the three months ended March 31, 2023 and 2024 takes into account only the number of customers which (i) first became our customers by purchasing our MPaaS products; and (ii) have made revenue contribution to APaaS for the three months ended March 31, 2023 and 2024, respectively.
- (2) The ratio of APaaS paying customers upgraded from MPaaS paying customers represents the percentage of the cumulative number of APaaS paying customers in the current year/period which have been upgraded from MPaaS paying customers in the previous or current years/periods over the total number of APaaS paying customers in the current year/period.
- (3) The number of APaaS customers upgraded from MPaaS which continue to use our MPaaS products represents the number of APaaS paying customers in the current year/period which (a) have been upgraded from MPaaS paying customers in the previous or current years/periods and (b) have continued to contribute to the revenue of our MPaaS business since the upgrade.
- (4) The number of new APaaS paying customers represents the number of APaaS paying customers which were not upgraded from MPaaS paying customers in the previous or current years/periods and were not our previous APaaS paying customers.
- (5) The average contribution of new APaaS paying customers represents the average revenue generated by each new APaaS paying customer during the year/period.
- (6) The sum of the number of APaaS paying customers upgraded from MPaaS paying customers and the number of new APaaS paying customers may not add up to the number of APaaS paying customers for the relevant year/period because the APaaS paying customers from the previous year/period who continue to purchase our APaaS solutions are also taken into account for the purpose of calculating the number of APaaS paying customers for the current year/period.

Social entertainment

Under the social entertainment scenario, we provide one-stop solutions for different use cases of social entertainment of our customers which involve the processing, distribution and live streaming of audiovisual content. As of the Latest Practicable Date, we have successfully developed the following solutions under the social entertainment scenario: image processing and distribution, short video processing and on demand, long video processing and on demand, file distribution and download, and live streaming of events/shows.

Case study – Image processing and distribution solution

Traditional image processing and distribution service providers often adopt a fragmented approach in providing their service, which means customers need to procure separate products for image storage, processing and distribution and connect their applications via various APIs/SDKs and conduct multiple testing in order to access the full functionality. Our image processing and distribution solution can provide a one-stop solution simplifying the entire service delivery process. Taking e-commerce image processing as an example, our customers only need to access our APaaS solution via the intuitive low code platform, where they can customize certain image processing functions and basic configurations when uploading images, after which all operations will be automatically processed by our system. The below diagram illustrates the general workflow of our image processing and distribution solution:



As shown in the above diagram, when a user terminal (such as mobile device and web page) requests an image file through our image processing and distribution solution, our QCDN is triggered and automatically sends a download request to Kodo, which simultaneously utilizes the image processing capabilities of Dora based on the customer's configurations and returns the processed image back to QCDN. The processed image is automatically stored on Kodo and distributes back to the user terminal via QCDN. Throughout this entire process, there is no direct interaction between the user terminal and our low code platform. Our customers are only responsible for customizing the configurations and are not required to write codes to connect to the APIs/SDKs corresponding to the image processing functionality of our platform or understand the technical aspects of the interactions between different components, thus greatly lowering the technological barrier for using our audiovisual services. Along with the significant growth of e-commerce platform, the demand for processing image, from storage to style processing, review and copyright protection, has seen significant growth. Our one-stop APaaS solution meets the growing demand for image processing, providing a suite of services such as image upload acceleration, processing, review, storage and content distribution.

BUSINESS

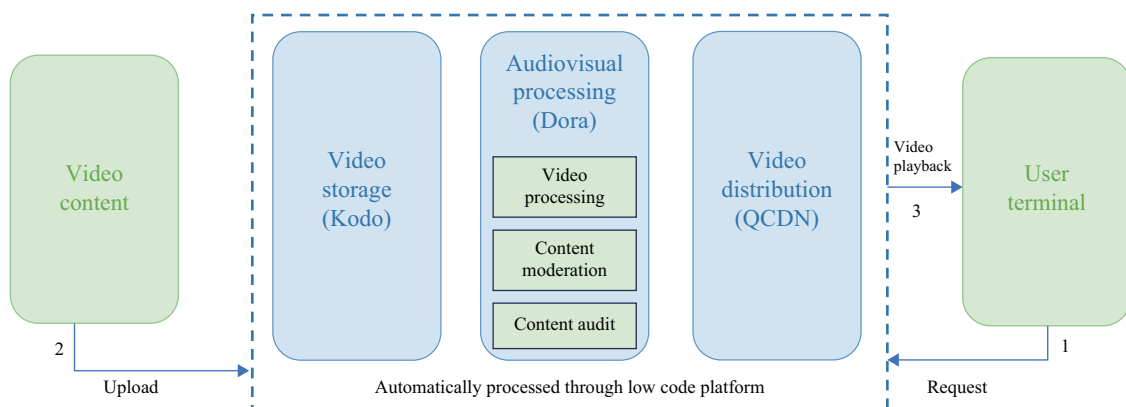
Our one-stop solution for image processing and distribution leverages our underlying MPaaS capabilities as follows:

- *Cloud storage* – The images from our customers’ e-commerce platforms will be automatically stored on Kodo.
- *Processing and analytical tools* – After images are uploaded to Kodo, they will be processed by our cloud-native multimedia processing and analytics tools under the Dora platform, such as standardized formatting, cropping and streamlining, application of watermarks and identification of violent and pornography contents.
- *Content distribution network* – When our customers’ end users request access to the corresponding images, our QCDN will be deployed to accelerate the data network and rout the users through the nearest path, therefore enabling fast loading of pages and improving user experience.

For example, a leading interest-driven mobile social platform in China which provides its users with functions such as mobile game chat rooms and social chat rooms is a customer using our APaaS social entertainment solution during the Track Record Period. Our APaaS solution supports convenient upload, processing and distribution and transcoding of vast amount of audiovisual content (including image, video and audio content) of its over one million of daily active users.

Case study – Audiovisual on demand solution

We provide a one-stop audiovisual on demand solution which covers the majority of the audiovisual playback scenarios, such as short videos on demand, long videos on demand and podcasts. We enable integrated management of the entire process including data upload, processing, content audit, storage and delivery. The below diagram illustrates the general workflow of our audiovisual on demand solution:



As illustrated in the above diagram, our audiovisual on demand solution supports the distribution of pre-produced videos for playback on user terminals such as mobile devices and web pages. In a typical MPaaS scenario, our customers would store videos in Kodo, utilize Dora for video processing or content moderation, and distribute the video content to user terminals using QCDN, which require strong technical development capabilities on the part of our customers to write codes to connect to these capabilities via discrete APIs/SDKs. Our APaaS audiovisual on demand solution packages these capabilities into a single solution for easy access and configuration of our customers. It includes a user-friendly configuration interface that allows customers to configure video upload, storage, processing, content review and distribution in a step-by-step approach. Throughout the entire process, there is no direct interaction between the user terminal and our low code platform. This eliminates the need for additional development by our customers while enabling them to enjoy the full array of audiovisual functionalities offered by us.

Changba

Changba is a music content community application which supports karaoke, recorded singing, live streaming and other functions.

Main scenario

- Audiovisual on demand solution under social entertainment scenario

Solutions

- We provide one-stop audiovisual capabilities, including music video data on demand and download.
- We provide data storage and content audit services, including pornography and sensitive person identification, helping to build a more secure Internet environment.



Video marketing

Our video marketing scenario provides solutions encompassing different use cases of marketing which involves the use of audiovisual content, helping our customers reach a large number of their target consumers simultaneously online. By combining our various MPaaS capabilities such as interactive live streaming and our scenario-based knowhow in connection with marketing strategies, we empower our customers to swiftly build their own customized live streaming platforms with easy access and simple setup to enhance user loyalty and promote conversion. As of the Latest Practicable Date, under our video marketing scenario, we had successfully developed the following solutions: enterprise live streaming, interactive marketing, low code marketing live streaming, unified message dissemination (which is a marketing approach integrating multiple communication channels, such as emails, text messages and social media, to achieve instantaneous and widespread dissemination of messages from one central location) and short video marketing.

Case study – Enterprise live streaming solution

Live streaming has been increasingly applied to marketing events, training, conferences and other common marketing scenarios of enterprises, with an aim to foster a closer relationship with their users through highly interactive marketing strategies. Our APaaS enterprise live streaming solution empowers our enterprise customers with a quick access to live streaming services, where their marketing content from their online shops is accurately streamed to the audience, i.e. their target customers, in real-time. Live streaming data, which is processed by our platform and automatically generated for our customers depending on their configurations, can also be used by our enterprise customers to improve their operational and marketing strategies.

Features of our APaaS enterprise live streaming solution include:

- *Quick assembly of live streaming platform* – Leveraging our easy-to-use and intuitive toolkit via our low code platform, our customers can quickly assemble a customized interactive live streaming platform, which can provide wide range of functionalities including initiation of live streaming, real-time audio interaction with audience, real-time bullet chats and live streaming marketing of products.
- *Strong extension capability* – All our components and modules, such as real-time voice chats and live streaming management, are built into our platform and readily accessible via APIs/SDKs on our low-code platform. Our customers can quickly assemble the components and modules according to their needs to customize the applications, all dispensing with the need to write complicated codes to connect to the respective APIs/SDKs. They can also add new components and modules to their applications via our platform subsequently as the need arises without the need to rewrite the codes.
- *Enhanced security of user data* – Leveraging our low code platform, our customers are free to decide the storage location of their business data, from local IDCs to designated cloud servers, saving the time and resources for our customers to establish separate connections with and procure service from the relevant suppliers.

Kingsoft Office

Kingsoft Office is the largest self-developed office software developer in China. It provides office software products and services such as WPS Office, Kingsoft Document, Docer, and Kingsoft PowerWord.

Main scenario

- Enterprise live streaming solution under the video marketing scenario

Solutions

- We provide intelligent image processing capabilities and massive data storage of marketing content.
- We support accelerated distribution of marketing image content to achieve rapid reach to users and our end-to-end verification function improves the success rate of content distribution to users.



Visual networking

In the visual networking scenario, we provide one-stop solution that integrates audiovisual cloud management, computing engines, scenario awareness analysis, cloud encoding and decoding, video intelligent processing, and other audiovisual functionalities that support a wide range of IoT devices and have applications across a wide range of scenarios in our daily life, all accessible through our intuitive low-code platform which is designed to cater to different application scenarios with lower development complexity on the part of our customers. For examples, our solution can be used in smart homes, visual intelligence on vehicles, intelligent industrial interconnection, remote monitoring at pre-schools, among others. As of the Latest Practicable Date, under the scenario of visual networking, we had successfully developed solutions including smart homes, smart venues and intelligent cloud connected camera.

Case study – Intelligent Cloud Connected Camera Solution

We provide one-stop intelligent cloud connected camera solution for different venues such as vehicles and smart homes. By using our solution, video data from the camera device is uploaded to the cloud in real time, processed on our cloud based on the functions configured by our customers according to their scenario needs, and streamed to the user device to enable real time monitoring. Through the processing of camera data on the cloud, we can further optimize the underlying value of massive data volume and address the demands of more complex business scenarios.

Shenzhou Eagle — Zhangtong Home

Zhangtong Home is an interactive learning exchange platform based on a combination of “hardware + software + service + mobile Internet + cloud technology”. Parents can learn of the latest kindergarten news, communicate one-on-one with teachers and watch real-time videos, thus achieving a seamless connection between home and school.

Main scenario

- Intelligent cloud connected camera solution under the visual networking scenario

Solutions

- We provide integrated monitoring, management and warning services and support real-time streaming and playback of audiovisual content on surveillance cameras or mobile devices.



Smart new media

Under the smart new media scenario, we have developed television broadcasting related solutions covering the core television broadcasting work streams from filming, editing, multimodal analysis to content audit, data management and content storage. Through cooperation with leading television broadcasting enterprises, we have developed real-time management and monitoring services for filming under the 5G environment. In addition, leveraging our strong AI recognition and analysis capabilities, we are able to complete fast editing and streaming of large volume of content into the data management system in real time with low latency. While utilizing the same audiovisual capabilities our MPaaS products, our low code platform and scenario-based knowhow enable our customers to quickly assemble the necessary services that cater to their specific business needs at reduced technological development costs. As of the Latest Practicable Date, under the scenario of smart new media, we had successfully developed various solutions including intelligent media resources and new media filming and production.

Case study – New media filming and production solution

The conventional television variety show’s filming and production process typically takes at least ten days, from site preparation and on-site filming to footage delivery, clustering and transcoding. The development of 5G network, ultra-high-definition video and other advanced technologies increase the demand for alternatives to the traditional production process, including multi-camera centralized management, remote monitoring of production and quick editing of massive raw audiovisual contents.

Our APaaS new media filming and production solution is primarily delivered through a 5G smart box, which enables centralized management and remote control of the filming equipment. The acquisition terminal of the 5G smart box is generally compatible with mainstream interfaces and common video streaming protocols. Its playback terminal supports up to nine concurrent real-time video streams, as well as real-time preview, text markup and various other functions. Our cloud storage enables video file review for a maximum of 30 days. The 5G smart box also provides a wide array of preliminary editing capabilities, including (i) voiceprint recognition, which extracts and identifies the voice information in an audio file by comparing with the voiceprint database; (ii) face recognition, which enables accurate recognition of facial information of guests in a video file; and (iii) scene recognition, which enables identification of footage types based on analysis of information such as the number of people in a scene.

We believe our APaaS solution helps effectively address the pain points underlying conventional media production. Key advantages of our APaaS solution include:

- *Real-time monitoring* – Based on our video live streaming device management capabilities, TV directors can monitor the filming process and control multiple devices in real time through web or mobile devices. Early warnings can be delivered to the monitoring personnel in the event of defects or malfunctions of filming equipment.
- *Improved efficiency* – Our intelligent preliminary editing capabilities also enable various advanced functions which were previously conducted during the more time-consuming post-production processes, such as accurate positioning enabled by our AI capabilities, thus having the potential of significantly shortening the production cycle and driving down the post-production costs.

- *Reduced risk* – Our automatic cloud backup services help address risks associated with hard disk loss or damage. Our platform also enables remote monitoring and filming which is particularly useful in adverse circumstances such as the COVID-19 pandemic. Our intelligent preliminary editing capabilities enable first cut of raw video footages while not compromising the retention of useful contents for further editing.

A post-production technology company of one of the largest TV stations in the PRC well-known for its entertainment shows adopts our new media filming and production solution to manage equipment and tasks during the production process. Our solution enables television directors to achieve real-time monitoring of the production process and supports quick editing of raw footages, batch processing of data, thus improving the efficiency from filming to post-production.

Metaverse

In the metaverse scenario, we combine our audiovisual capabilities with 3D visual engine technologies to enable customers to build metaverse interaction scenes via our low code platform. Our solutions enable scene generation, digital person creation and intra-scenario audiovisual communication which are essential components in allowing interpersonal communication in the metaverse and have huge potential for our customers to expand their business and create commercial value beyond reality into the metaverse scenario. As of the Latest Practicable Date, under the metaverse scenario, we had successfully developed the following solutions: virtual scenario generation, digital person, metaverse XR live streaming.

Case study – Digital person solution for cultural tourism

In this solution, a digital person with distinctive characteristics is created as an avatar to represent cultural tourism spot. Such digital person may be used extensively in promotional videos or virtual live streaming to draw resonance with the audience. Moreover, through the combination of autostereoscopy, holographic projection, AR/VR and motion capture technologies, digital persons guide tourists to visit sightseeing spots and natural sceneries, watch cultural performances and engage in 3D virtual reality interactions.

Shanghai Pujiang Country Park Miracle Garden

Main scenarios

- Digital person solution for cultural tourism under the metaverse scenario

Solutions

- Users can view the park landscape anywhere any anytime through the online metaverse cultural tourism mini program on WeChat.
- Users can quickly generate their personalized park tour Vlogs using the prescribed templates and upload to their social media platform.
- Through the mini program, users can meet other tourists while visiting the park, and interact with each other with their own metaverse image.



BUSINESS

The following table sets forth the major differences between our MPaaS and APaaS businesses in terms of key features, drawbacks, target customers, pricing model, value added to our customers, underlying technology infrastructure and market positioning in China’s audiovisual cloud service market:

	MPaaS	APaaS
Key features	<ul style="list-style-type: none"> Enabled through discrete APIs or SDKs pertaining to individual audiovisual capabilities, which are more readily scalable and particularly suitable for resource-heavy business scenarios 	<ul style="list-style-type: none"> Delivered in the form of scenario-based solutions with access to customized audiovisual capabilities through our low-code platform
Value added to our customers	<ul style="list-style-type: none"> High flexibility Strong stability and reliability 	<ul style="list-style-type: none"> Simple and easy access Diverse audiovisual capabilities catered to specific business scenarios
Drawbacks	<ul style="list-style-type: none"> Requires stronger technical capabilities to access our products Pricing more significantly influenced by resource price fluctuations 	<ul style="list-style-type: none"> Lesser extent of scalability compared to MPaaS products
Target customers	<ul style="list-style-type: none"> Customers with stronger technological capabilities requiring higher flexibility 	<ul style="list-style-type: none"> Customers with relatively limited technological capabilities and clearly delineated business scenarios requiring rapid verification of their business models Customers with requisite technological capabilities but cautious in developing such capabilities with its own resources
Pricing model	<ul style="list-style-type: none"> (For public cloud) Typically charged a monthly service fee based on actual usage (For private cloud) Typically charged a fee based on the scale of software and hardware required and duration of authorization for private cloud 	<ul style="list-style-type: none"> (For public cloud) Typically charged a monthly service fee based on actual usage or based on service package (For private cloud) Typically charged a one-off service fee based on the specific needs of the project

BUSINESS

	MPaaS	APaaS
Underlying technology infrastructure	<ul style="list-style-type: none"> • Basic audiovisual capabilities, resource scheduling, fault isolation, etc. • AI technologies 	<ul style="list-style-type: none"> • Low-code platform • All MPaaS capabilities • Supports upgrade with simple plugins to incorporate new features
Market positioning in China’s audiovisual cloud service market	<ul style="list-style-type: none"> • Professional developers can use for highly customized application development 	<ul style="list-style-type: none"> • Entry-level developers or personnel with no programming knowledge can directly use for highly efficient application development

The following table sets forth a detailed comparison of the target customers for our MPaaS products and APaaS solutions in terms of their industries, business nature, size and positions within their respective industries, spending patterns, and spending level:

	MPaaS target customers	APaaS target customers
Industries	<ul style="list-style-type: none"> • Spans through a wide array of industries, primarily consisting of companies which are in the TMT (technology, media and telecom) sectors, such as short video communities, e-commerce platforms, technological platforms, etc. 	<ul style="list-style-type: none"> • Spans through a wide array of industries, in particular, companies operating in real economy, including finance, energy, manufacturing, real estate, etc.
Business nature	<ul style="list-style-type: none"> • Typically companies with business models driven by advertising traffic 	<ul style="list-style-type: none"> • Typically companies which are in the process of digital transformation
Size and positions within their industries	<ul style="list-style-type: none"> • Top, medium-sized and long-tail enterprises 	<ul style="list-style-type: none"> • Small and medium-sized enterprises
Spending patterns	<ul style="list-style-type: none"> • Typically procurement based on actual demand and occasionally delivered on a project basis 	<ul style="list-style-type: none"> • Typically procurement based on annual budgets and delivered on a project basis
Spending levels	<ul style="list-style-type: none"> • Top and medium-sized enterprises generally have higher spending levels, while a large number of long-tail enterprises have generally lower spending levels 	<ul style="list-style-type: none"> • Customers normally have moderate spending power

BUSINESS

Others

We have developed Pandora to provide our customers with a DPaaS solution. Pandora is a real-time machine data analytics platform, comprised of collection, indexing, search, reporting, analysis, alerting, monitoring and data management capabilities. Pandora enables our customers to develop, run, and manage data analytics applications without the need to build and maintain the infrastructure themselves from scratch.

Pandora can be deployed on-premise at the customers' servers, which is charged on a project basis. In addition, Pandora can also be provided to our customers on public cloud which is charged based on usage. As we are primarily engaged in the audiovisual cloud service market, we have no plans to expand the DPaaS business while we will continue to perform the existing contracts with our customers.

We also provide other cloud services, primarily including QVM, which is a comprehensive suite of solutions including cloud servers, databases, network, security and storage. We provide secure, scalable, on-demand computing resources, enabling customers to flexibly deploy applications and workloads. For our QVM service, we charge our customers based on usage. We provide other cloud services to our customers according to their demand.

Pipeline

The following table sets forth our pipeline of service offering and their respective features and expected commercialization timetable:

Pipeline service	Features	Expected commercialization timetable
APaaS solutions – expand the reach of APaaS solutions across application scenarios		
Television broadcasting filming and production cloud solution under the smart new media scenario	It builds upon and further consolidates our capabilities and experience in variety show filming and production and extends our capabilities to the filing and production process in the general television broadcasting industry. Our reliable cloud service scheduling capabilities enable flexible combination of various audiovisual cloud services, including for example, intelligent filming, intelligent media resources and intelligent editing, thereby further lowering the technical threshold of deployment by the production team.	Second half of 2024

BUSINESS

Pipeline service	Features	Expected commercialization timetable
AIGC digital person solution	It is developed based on the digital person solution under the metaverse scenario and we plan to design 2D and 3D digital persons that closely resemble humans in appearances, expressions and interactions. These digital persons can be used for live broadcasting and live streaming marketing purposes, thus helping save costs and resources for the customers while improving user engagement and satisfaction.	Second half of 2024
Agricultural monitoring solution under the visual networking scenario	It enables security monitoring at agricultural sites and development of algorithms related to the growth and health of agricultural and cattle products. Through connecting camera directly on the cloud and AI processing of gathered data, it aims to improve the digitalization and efficiency in the agricultural industry.	First half of 2025
AIGC 3D content generation platform	It builds upon our digital person generation, 3D object generation and 3D material and picture generation capabilities, which can be used in 3D scene and character generation, as well as game script and code generation, thus accelerating the content creation process and improving the overall quality of their audiovisual content.	Second half of 2025
MPaaS solutions – consolidate and deepen our edge in MPaaS capabilities to reduce access cost of customers, optimize supply chain resources and improve R&D efficiency		
Cloud edge resource scheduling platform	It enables the resource monitoring and scheduling of media resources at the cloud edge, and supports edge computing scenarios which help reduce latency. It also enables scaling of resources to accommodate changing demands on workloads.	Second half of 2024
AIGC Kodo solution	It realizes the integration of data lake and data storage and is compatible with mainstream vector databases (including various open source data, unstructured data and big data, etc.), which can be used to deliver a one-stop AIGC data storage solution and help reduce storage costs and processing time, while enhancing data security and reliability.	Second half of 2024

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BUSINESS SUSTAINABILITY AND PATH TO PROFITABILITY

We did not achieve a net profit during the Track Record Period, mainly attributable to the combined effects of the following:

- (a) *Prioritization of business expansion over short-term profitability:* During the Track Record Period, we prioritized the development and continuous expansion of our audiovisual MPaaS and APaaS business, particularly the relatively new and more profitable APaaS business officially launched in 2021, which we believe to have high market growth potential. According to iResearch, the audiovisual APaaS market size in China was RMB2.0 billion in 2023 and is expected to reach RMB14.4 billion in 2028, with a CAGR of 48.6%. As the APaaS market in China is still at its early development stage in China and experiencing fast growth, we strategically invested in our business and prioritized the business expansion and market share growth instead of short-term profitability to capture the market opportunities in the rising market. For example, the research and development relating to the development of our services, including our APaaS business, involved considerable investments, and such investments had not yet fully entered the period of return. For the three years ended December 31, 2023 and the three months ended March 31, 2024, we have incurred R&D expenses amounting to RMB143.4 million, RMB128.8 million, RMB128.0 million and RMB33.6 million, respectively. In particular, we have made substantial investments in developing new functionality in our APaaS solutions, some of which have not yet brought substantial revenue but we believe to have high market potential, including, among others, (i) audiovisual on demand solution under the social entertainment scenario; (ii) enterprise live streaming solution under the video marketing scenario; (iii) intelligent cloud connected camera solution under the visual networking scenario; (iv) new media filming and production solution under the smart new media scenario; and (v) digital person solution under the metaverse scenario. For details of the market potential of these solutions, please refer to the paragraph headed “— (i) Focusing on and Deepening Our APaaS Business” in this section.

The loss-making position of the Company during the Track Record Period is also in line with the general trend of the industry in terms of the time taken to achieve profitability. According to iResearch, companies operating in the audiovisual PaaS industry have generally yet to achieve profitability, given their heavy investments upfront especially in research and the general pricing strategies adopted to quickly capture additional market share. It usually takes over ten years for audiovisual cloud service providers to achieve profitability. For instance, Competitor A (as listed in the paragraph headed “Industry Overview — Competitive Landscape”), a leading audiovisual cloud service provider established in 2009, announced its first annual positive net profit in 2022 fiscal year, taking 13 years to turn profit. Among the top five audiovisual PaaS competitors, only one of them have reached profitability as of 2023, according to iResearch.

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- (b) *Decision to scale down certain business segments in response to changing market circumstances:* While we recorded strong revenue growth of 35.1% in 2021 under exceptionally favourable market circumstances primarily as a result of the sharp increase in cloud storage demand driven by the outbreak of COVID-19 and rapid growth in investment in private and public cloud storage by various industries which benefited our Kodo business, we made various decisions to adjust our business focus in response to the changing market circumstances in 2022. In particular, the travel restrictions associated with the prolonged resurgence of COVID-19 pandemic as well as the shortage in supply of certain semiconductor chips which are key components of our all-in-one servers we procured for some of our private cloud customers, which required domestic deployment of servers with audiovisual software and solutions pre-installed, caused a supply chain disruption to all-in-one server business, which constituted a significant part of our Kodo business. In light of the above events, we made the decision in 2022 to scale down our all-in-one server business. As a result, our revenue from our Kodo business decreased from RMB650.8 million in 2021 to RMB320.4 million in 2022 and our total revenue and gross profit decreased accordingly. As COVID-19 became largely contained in 2023 leading to the recovery of supply chain stability, we reallocated our resources to our Kodo business in 2023. As our customer engagement efforts typically require time to realize into actual revenue growth in particular since procurement of Kodo products is usually conducted on a project basis and thus it takes time for customers to switch from one service provider to another, our revenue from our Kodo business remained at a relatively low level of RMB297.8 million in 2023 when compared to 2022. On the other hand, the above events did not have any material impact on our APaaS business since our APaaS business was at an early stage of development and therefore registered significant growth and it did not involve any all-in-one servers provided to our customers.
- (c) *Non-recurring items:* We have incurred certain one-off expenses during the Track Record Period, such as consulting and other professional service fees of RMB40.8 million in 2021 mainly in connection with our previous listing attempt on NASDAQ in 2021. We also incurred severance payments associated with the streamline of our employee structure in 2021, 2022, 2023 and the three months ended March 31, 2024 of RMB10.1 million, RMB36.6 million, RMB9.2 million and RMB0.2 million, respectively, and we incurred listing expenses of RMB18.6 million and RMB7.5 million in 2023 and for the three months ended March 31, 2024, respectively. In addition, we recognized fair value losses on convertible redeemable preference shares in 2021, 2022, 2023 and the three months ended March 31, 2024 of RMB96.5 million, RMB83.8 million, RMB156.1 million and RMB111.5 million, respectively. All these had an adverse impact on our financial performance during the Track Record Period.

Path to profitability

Through years of development, we have achieved substantial market share and leading position in the audiovisual PaaS industry, particularly the relatively new audiovisual APaaS industry. According to iResearch, we are the third largest audiovisual PaaS provider and the second largest audiovisual APaaS provider in China in terms of revenue in 2023. Going forward, we intend to focus more on achieving profitability while expanding our business. Our adjusted net loss (non-IFRS measure) reduced from RMB118.7 million in 2022 to RMB115.6 million in 2023 and from RMB30.7 million for the three months ended March 31, 2023 to RMB24.2 million for the three months ended March 31, 2024, and our adjusted net loss margin (non-IFRS measure) reduced from 10.3% in 2022 to 8.7% in 2023 and 7.1% for the three months ended March 31, 2024, respectively. The improvement was primarily as a result of the continuous recovery of our MPaaS business, continued growth of our APaaS business, and reduction of our costs and expenses as a percentage of our revenue attributing to our cost control efforts. Such is partially offset by the fluctuation in the profit or loss from the fair value changes on financial assets at fair value through profit or loss. We expect that our adjusted net loss (non-IFRS measure) will continue to improve in the entire 2024 with the growth in the industry and our businesses and our measures implemented to further enhance our efficiency. Specifically, we plan to further enhance our financial performance by: (i) focusing on and deepening our APaaS business, (ii) maintaining and continuously strengthening our competitive advantages in our MPaaS business, (iii) expanding our customer base and our solutions to them and (iv) effectively managing costs.

(i) Focusing on and Deepening Our APaaS Business

As the audiovisual cloud industry evolved, the demand for (i) more customization of audiovisual capabilities, (ii) deeper understanding of multiple scenarios which the customers operate in, (iii) easier access with lower technological threshold in a timely manner; (iv) more intelligent array of scenario-based audiovisual capabilities; and (v) in general, higher service quality and efficiency, has increased significantly. With over a decade of experience in the audiovisual cloud service industry, we have developed various audiovisual capabilities in our MPaaS business and understanding of audiovisual scenarios and acquired insight into the scenario-based demands of a wide range of customer base. Together with our proprietary low-code platform, we have quickly developed APaaS solutions that cover a wide range of audiovisual scenarios.

We intend to further penetrate and deepen our presence in the various application scenarios of our APaaS business to capture the opportunities in the fast-growing audiovisual APaaS market. As the audiovisual APaaS market is a new industry segment, we, as a market leader, benefit from substantial first-mover advantage such as strong negotiation power. In 2023 and the three months ended March 31, 2024, the gross profit margin of our APaaS business is 30.1% and 29.2%, as compared to 19.3% and 18.2% of our MPaaS business during the same period. We plan to further expand our APaaS business by upgrading and iterating our low-code platform and providing more value-added services under various scenarios, such as a television broadcasting filming and production cloud solution under the smart new media scenario and an agricultural monitoring solution under the visual networking scenario, to our existing and new customers.

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After the formal launch of our APaaS business in 2021, we have received positive recognition for our APaaS solutions, which has led to a significant expansion in our APaaS customer base, primarily driven by (i) a widespread upgrade of our MPaaS customers that have scenario needs to use our APaaS solutions, as well as (ii) a gradual increase in new APaaS paying customers (i.e., not upgraded from MPaaS customers).

We also experienced a significant bump in spending by our new APaaS paying customers from RMB8,079 in 2021 to RMB244,978 in 2023 and RMB424,853 for the three months ended March 31, 2024, which is attributable to a few major factors, including (i) the feature of APaaS solutions as one-stop solutions providing easy-to-access and comprehensive capabilities to meet customers' various scenario-based demands, (ii) the constant accumulation of market confidence on and therefore willingness to spend on APaaS solutions, and (iii) our marketing and customer education efforts, for example, by adopting more proactive customer relationship management strategies to provide personalized customer support and cross-selling products and solutions or upgrading customers' profiles, which are conducive to nurturing customer loyalty and inducing higher spending. Specifically, we have (i) assembled a dedicated customer acquisition team to explore potential customers and understand their demands and preferences; (ii) employed extensive marketing and brand promotion initiatives involving different channels, advertisements, social media, industry conferences, business partnership, etc.; (iii) offered free trials and demonstrations to potential customers to increase their awareness of and acquire first-hand experience with the APaaS solutions; and (iv) engaged in multi-dimensional cooperation with our business partners to jointly promote APaaS solutions. For example, the customer acquisition team is comprised of members from (a) the product team, which is responsible for understanding and analyzing customer needs and ensuring that our APaaS solutions align with their business requirements; (b) the pre-sales team, which provides technical support and addresses customer enquiries, helping potential customers understand the technical details and advantages of our APaaS solutions; and (c) the sales team, which is responsible for direct communication and negotiation with potential customers and ensuring customer conversion and satisfaction. We expect our APaaS customer base, in particular, the number of new APaaS customers as well as their average spending, to further expand as our APaaS business reaches a mature development stage and more of our APaaS solutions become commercialized.

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(ii) Maintaining and Continuously Strengthening Our Competitive Advantages in Our MPaaS Business

We have developed a strong MPaaS business through our decade of experience in the audiovisual cloud industry in China and we will focus on maintaining such competitive advantages in light of the intensifying market competition. We have a proven track record of stability and reliability in our service offering and built a good reputation among our customers. For example, we offer multi-region disaster recovery capability to reduce operation risks from failures in any single data center. Our MPaaS products are also equipped with various security protections against isolated incidents and security failures. Therefore, our MPaaS products are able to process tens of millions of requests on a daily basis with an average availability of 99.9%. In terms of operating metrics, we have accumulated 1,303 APIs as of March 31, 2024, which is among the high end of the industry level according to iResearch. As of March 31, 2024, our MPaaS platform had a total data storage scale of 1.5EB and a total number of files stored at 494.7 billion, which place us among leading industry participants according to iResearch. Our Kodo product is able to achieve high data reliability with a redundancy rate of 1.14 on the public cloud and 1.10 on the private cloud, both of which are better than the industry average level according to iResearch.

We believe our competition with IaaS enterprises is not a zero sum game and we plan to consolidate the competitive edges of our QCDN products which is the major battleground with IaaS enterprises. According to iResearch, the audiovisual PaaS market in China is still in the period of high growth, among which the MPaaS market size is expected to reach RMB63.2 billion by 2028, representing a CAGR of 24.8% during the same period. Therefore, both existing audiovisual cloud service providers like us and new market participants such as the IaaS enterprises will be open to capture the share of the expanding market, rather than taking the shares from the existing market players. In fact, according to iResearch, the growth rate in our revenue in 2023 (i.e. 16.3%) is higher than the average growth rate of top five audiovisual PaaS service providers (including three IaaS enterprises) in China during the same period (i.e. 11.4%), and our market share in the audiovisual PaaS market has increased from 5.7% to 5.8% during the same period. For details of our competition with IaaS enterprises and the competitive edges of our QCDN product, please refer to the section headed “Business – Competition” in this prospectus. Specifically, since CDN service is typically the major battleground in the competition with IaaS enterprises, in order to address the competition with these IaaS providers, we have (i) strengthened our business relationship with the top Internet enterprises in China, which are typically the largest customers of our QCDN product, to further consolidate our competitive edges; (ii) provided different pricing methods (e.g. based on actual usage or service package) to cater to the different business needs and distribution pattern of our customers; and (iii) engaged in the research and development of QCDN products, for example, the integration of CDN nodes and AI computing power to provide more competitive CDN products in the future. As such, we have recorded a rebound in our QCDN business in 2023 and the first quarter of 2024, recording revenue of RMB628.4 million in 2023, compared to RMB488.9 million in 2022, representing a year-over-year increase of 28.5%, and revenue of RMB176.8 million for the three months ended March 31, 2024, compared to RMB145.2 million for the three months ended March 31, 2023, representing a period-to-period increase of 21.7%, respectively. According to iResearch, the leading PaaS providers are making effort in improving their profit margin and service quality, reducing large scale sales promotions and pricing competitions and it is expected that such trend is beneficial to the profitability of the market as a whole and will contribute to a stabilizing competitive landscape.

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We have always placed strong emphasis on the continuous innovation and research and development efforts to expand the service offerings and improve our existing product portfolio. In terms of MPaaS development strategy, we plan to further consolidate and deepen our edge in MPaaS capabilities to reduce access cost of customers, optimize supply chain resources and improve R&D efficiency. For example, we launched a one-stop audiovisual unified access platform in the first half of 2024, which brings together the underlying network of live streaming, real-time interaction and camera on cloud, further reducing the development complexity of audiovisual products by our customers. Specifically, the platform automatically configures storage and moderation settings once the customers complete configuration of streaming domain and playback domain when using the interactive live streaming products. This saves approximately 40% of procedures to access the interactive live streaming products on the part of the customers, thereby reducing the complexity in developing their applications and accordingly, their access costs. The cloud edge resource scheduling platform, which is expected to be commercialized by the end of 2024, will enable the resource monitoring and scheduling of media resources at the cloud edge, support edge computing scenarios which help reduce latency, and enable scaling of resources to accommodate changing demands on workloads. Specifically, it can achieve real-time monitoring of resource status at millisecond (ms) intervals. When a resource failure is detected, the platform can switch to new available resources and achieve failure recovery within seconds, whereas traditional node configurations may take several minutes to accomplish the same tasks. Therefore, the cloud edge scheduling platform can effectively achieve reduced latency when compared to the traditional method. Finally, the AIGC Kodo solution, which is expected to launch in the second half of 2024, can be used to deliver a one-stop AIGC data storage solution and help reduce storage costs and processing time. All these developments are expected to further enhance the functionality and user friendliness of our MPaaS solutions, hereby driving new demands from our existing and new MPaaS customers. Together with our relentless and continuing efforts in addressing competition as set out above, we believe we will continue our track record of effectively competing in the market.

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(iii) Expanding Our Customer Base and Building Long-term Relationship with Our Customers

We successfully expanded our customer base during the Track Record Period. The number of MPaaS paying customers increased from 68,808 in 2021 to 83,970 in 2022, and further increased to 92,480 in 2023 and from 62,311 for the three months ended March 31, 2023 to 62,563 for the three months ended March 31, 2024. We aim to cultivate user habits in using our products and services and expand our customer base. As of March 31, 2024, we had over 1,500,000 registered users, among which 643,857 were active users ^(Note 1). We intend to build long-term relationship with our existing customers and attract more registered users and convert them or the companies they represent into paying customers. We expect our expanded customer base will lead to increasing economies of scale, which in turn helps improve our overall profitability. Specifically:

- (a) *Build long-term relationship with our customers.* As one of the early market participants in the audiovisual cloud industry, we have accumulated a broad customer base which has been developing rapidly alongside us. Leveraging our technologies, we are able to provide our customers with tailored products and services, at different stages of their developments, which further strengthen our long-term relationship with such customers and effectively increase average revenue from these customers, in particular, as they expand their business and increase their demand for audiovisual cloud services. For example, Customer-Supplier Group I, which is a group of companies of a Chinese social media company that provides audiovisual social networking services, and Customer H, which is a Chinese technology company listed on the Stock Exchange that operates a leading content community and social platform, have been our customers since 2015 and 2014, respectively, when both of them were still at its relatively early stage of development. Customer-Supplier Group I and Customer H continued to grow with us and have experienced significant growth in business with us throughout the years and have become our two largest customers for the year ended December 31, 2023 and the three months ended March 31, 2024. For the year ended December 31, 2023, Customer-Supplier Group I and Customer H contributed revenue of RMB157.5 million and RMB104.1 million to us, accounting for 11.8% and 7.8% of our total revenue, respectively, for the same period. For the three months ended March 31, 2024, Customer-Supplier Group I and Customer H contributed revenue of RMB55.2 million and RMB21.1 million to us, accounting for 16.1% and 6.2% of our total revenue, respectively, for the same period. Customer A, Customer H, Customer-Supplier Group I and Customer-Supplier Group J contributed to a total of 13.9%, 22.7%, 27.6% and 28.0% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Our experience accumulated in the audiovisual cloud industry allows us to quickly adapt to the new market demands to enable us to enjoy first-mover advantages and grow with both start-up and more established enterprises which have promising business prospects. We plan to continue to deepen our cooperation with existing customers, with particular focus on customers with favorable business terms and good growth prospect, to build a long-term relationship.

Note:

- (1) The number of active users represents the number of users which have used at least one of our products or otherwise contributed to usage of our platform during the relevant period. For the avoidance of doubt, such active users include users who engage in trial use of our products and may or may not be our paying customers.

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- (b) *Expand across more business scenarios of our customers and actively identify market needs.* We have been focusing on creating scenario-based audiovisual solutions to cater to different scenario needs of our customers. We plan to create more solutions in the five major scenarios of our APaaS business which in turn could increase our customer base and/or their spending. For example, in the smart new media scenario, we plan to enhance the design and management of intelligent filming, intelligent media resources, intelligent editing and provide other solutions for television broadcasting media. In the visual networking scenario, we plan to develop solutions for the agricultural setting. In the metaverse scenario, we plan to create digital persons for marketing purpose. We are actively identifying and exploring unmet customer needs through various online and offline channels, including reputable industry conferences, insights from existing customers, in various industries. For example, as an active participant in industry conferences and forums of the new media industry, we have learnt about the pain points associated with the traditional production process of variety shows, which involved hundreds of cameras simultaneously working in the outdoor, frequent replacement of memory cards and directors shifting to various camera positions to monitor the shooting process, etc., which typically required heavy manpower and maintenance costs. In light of this, we have developed a new media filming and production solution to enable television directors to achieve real-time monitoring of the production process and supports quick editing of raw footages, batch processing of data, thus improving the efficiency from filming to post-production. Apart from the reputable industry conferences we have participated before, we are looking to organize or participate in over 30 exhibitions, trade fairs and industry conferences over the next five years. We aim to integrate and to extend those diversified demands into our product development platform to enable us to innovate and optimize our product and service offerings.
- (c) *Promote the conversion of registered users to paying customers.* We have been focusing on multiple strategies in accelerating the decision-making process of our customers and lowering the payment thresholds to encourage our non-paying registered users to convert to paying customers. For example, our platform interface has been streamlined such that our users can place orders with one click after completing user certification, thus shortening the decision-making process. Cost-effective products with lower payment thresholds, first-purchase discounts or free trials will be pushed and promoted to the non-paying customers to encourage them to spend money on our products, so as to further expand our paying customer base. For example, in November 2021, we introduced special discount on two Kodo resource packages (which bundle various individual Kodo resources at a more competitive price) for our Kodo users which have yet to purchase any of our products. Since the introduction of the promotion initiative, the daily number of Kodo customers purchasing the aforementioned resource packages increased by more than ten times. For the three years ended December 31, 2023 and the three months ended March 31, 2024, we have recorded a conversion rate (which is calculated as the percentage of new registered users of the relevant period which have converted to paying customers during the same period) of 8.0%, 17.3%, 20.4% and 15.3%, respectively. We will consider to carry our similar promotion as appropriate to speed up the conversion of registered users to paying customers. For details, please refer to the section headed “Business – Key Operating Metrics” in this prospectus.

(iv) Effectively Managing Costs and Expenses

During the Track Record Period, we incurred substantial operating expenses, including selling and marketing expenses, administrative expenses and research and development costs, to scale up our business, develop new solutions and enhance our brand recognition. Notwithstanding that 2022 was a difficult year and we recorded decrease in revenue, we downsized both our sales team and administrative team and optimized our R&D team in an effort to control costs without prejudicing our operations and we managed to maintain our adjusted net loss (non-IFRS measure) at similar level as 2021 through our cost control efforts. We intend to further optimize our operating expenses by achieving economies of scale and improving sales efficiency and effectiveness. Going forward, we intend to efficiently manage costs and expenses as a percentage of total revenue and further benefit from operating leverage. Specifically:

Selling and marketing expenses

In 2021, 2022, 2023 and the three months ended March 31, 2024, our selling and marketing expenses amounted to RMB193.0 million, RMB147.5 million, RMB139.1 million and RMB27.4 million, respectively, representing 13.1%, 12.9%, 10.4% and 8.0% of our revenue during the same periods, respectively. The decrease in our selling and marketing expenses as a percentage of revenue since 2022 and further in 2023 and the first quarter of 2024 is attributable to our cost control efforts and the resulted personnel adjustment. Notwithstanding the cost control efforts and personnel adjustment, we expect to continue to benefit increasingly from the effect of our enhanced brand awareness which we have built. Specifically, we intend to improve our sales and marketing efficiency by adopting the following measures:

- (a) We have and will continue to participate in reputable industry conferences such as World Artificial Intelligence Conference, QCon Global Software Development Summit, Global Operation Summit, Global Artificial Intelligence Technology Conference, ArchSummit, Global Internet Architecture Conference, Shanghai Cyber Security Fair and Summit Forum, Smart Manufacturing Forum, International Congress of Intelligent and Connected Vehicles Technology. These conferences and events helped us better demonstrate our latest products and services offerings, as well as research innovations, which helped us attract more developers and customers to our platform, solidifying our market leadership in the audiovisual PaaS industry. For example, we hosted a closed-door conference in Shenzhen in March 2023, which attracted more than 20 biotech companies participating in the conference, which in turn converted into multi-million worth of contract value with the participating companies for the year ended December 31, 2023. We will continue to focus on these efficient and less labor-intensive channels in enhancing our selling and marketing efficiency;

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- (b) We actively explore various marketing channels, whether traditional and alternative, to further improve our marketing efficiency. Our sales and marketing team is well dedicated to customer contact to understand customer needs and improve our service quality. In addition, we adopt search engine optimization as our marketing strategy to improve the quality and quantity of traffic to our platform. We also emphasize the cooperation with enterprises relevant to our business, providing them with the resources and technical guidance they may need in constructing their platforms, which in turn brings more traffic and revenue to our platform. For example, we have entered into business cooperation with 20 enterprises (which are our audiovisual capabilities suppliers) in 2023, primarily consisting of AI service providers and other audiovisual solution providers. We have also entered into business partnership agreement with a third party during the Track Record Period for the purpose of co-development of products with revenue sharing mechanism. For details of such business partnership arrangement, please refer to the section headed “Business – Our Suppliers – Business partnership arrangement” in this prospectus. Through close cooperation with these business partners, we also acquire important knowhow about the business scenarios our customers operate in, which helps improve the depth and breadth of our scenario-based platform in attracting more customers in the same business scenarios;
- (c) We have established a well-trained sales and marketing team through our in-house training and appraisal system. We conduct regular training, covering areas from product knowledge to sales and negotiation skills, as well as ad hoc pre-sales and small-team training sessions, for our sales and marketing team. For example, for the three years ended December 31, 2023 and the three months ended March 31, 2024, we conducted over 80 training sessions in aggregate for our employees. We will continue to invest resources in our internal training system to improve the capabilities and efficiency of our sales and marketing team; and
- (d) We have implemented advanced and efficient systems in the management of our customers. Apart from the Customer Relationship Management (CRM) system which empowers a streamlined and optimized sales process, real-time review of sales opportunities and communication records, etc., we have also introduced the data platform operated by GuanData in 2022, which helps facilitate sales data analysis, optimized resource allocation, forecasts and planning through a combination of business intelligence tools. Our sales and marketing team has been able to retrieve data charts generated by the GuanData platform which covered various aspects of customer management and sales incentives, including daily monitoring of customer usage, profit/loss analysis, cycle comparisons and performance incentives, etc. In addition, we have implemented a multi-tier customer follow-up strategy primarily depending on the revenue contribution and industry features of our customers. For example, customers classified at higher tiers will be followed up by our more experienced offline sales team on a one-on-one basis. The offline sales team can provide a full range of professional consulting services and provide solutions most relevant to such key customers, which aim to further improve customer loyalty and satisfaction and thus retention rate. All these are expected to continuously improve our marketing efficiency.

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Research and development costs

We had a R&D team with 168 members as of March 31, 2024, accounting for 43.3% of our total employees at the relevant time. In 2021, 2022, 2023 and the three months ended March 31, 2024, we incurred research and development costs of RMB143.4 million, RMB128.7 million, RMB128.0 million and RMB33.6 million, respectively, accounting for 9.7%, 11.2%, 9.6% and 9.8% of our total revenue during the respective periods. Our R&D team experienced a downsize in 2022 as we decided to make redundant of the R&D personnel of businesses that made less contribution to the Company's business and no longer a focus of the Company, for instance, the DPaaS business.

Looking forward in the near future, we will continue to enhance our research and development capabilities to maintain our competitiveness. We expect to maintain a R&D team of a size appropriate for our scale and long-term business growth and continue to offer competitive compensation and benefits to attract and retain talents. Meanwhile, we plan to continue to improve our R&D efficiency. We will strike an optimal balance between short-term financial performance and long-term business prospects and profitability through the adoption of the following measures:

- (a) We have conducted and will continue to conduct profound review of product portfolio to focus our R&D efforts on products with meaningful financial impact and/or higher returns, such as our APaaS solutions, so as to improve our R&D efficiency. For example, in light of the explosive growth in AI application, we plan to develop the AIGC Kodo solution which can be used to deliver a one-stop AIGC data storage solution and help reduce storage costs and processing time of our customers. Furthermore, in the metaverse scenario, in order to address the pain points in e-commerce settings such as 24-hour live streaming marketing which typically involves significant cost of live broadcasting hosts, we are developing an AIGC digital person solution which involves 2D and 3D digital persons that closely resemble humans in appearances, expressions and interactions and can be used in live broadcasting and live streaming marketing purposes. All these are business scenarios which have long-term business prospects and we believe our ability to quickly adapt to our customers' business scenarios will be conducive to future profitability in the mid-to-long term as these solutions become commercialized; and
- (b) We have implemented a cross-team collaborative mechanism across our R&D department to improve R&D efficiency. Specifically, we integrate our R&D staff from different product teams to facilitate collaboration and co-development of projects, which are especially efficient for products which depend on similar underlying resources and infrastructure. In combination of our cross-product and cross-team architecture design review mechanism, we achieve rapid completion of projects through reusing previous R&D efforts, thus enabling more efficient use of resources and enhanced overall R&D efficiency. Taking a certain R&D project of our QCDN product as an example, the average number of tasks accomplished per month increased from 186 in 2022 to 232 in 2023.

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Notwithstanding the R&D team optimization during the Track Record Period, we successfully developed our APaaS business in 2021 which has gained market recognition and secured our leading position in the audiovisual cloud service industry which is a testament to our R&D capabilities. With the R&D efficiency enhancement measures mentioned above, we expect that, as our business continues to grow and we invest on R&D cautiously, our research and development expenses as a percentage of total revenue will decrease over time.

Administrative expenses

Our administrative expenses accounted for 8.1%, 9.7%, 10.2% and 9.0% of our total revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Our administrative expenses as a percentage of total revenue increased from 2021 to 2022 largely due to (i) the decrease in revenue and (ii) the increase in severance payments due to the downsizing of our team in 2022 in a cost control effort. Our administrative expenses as a percentage of total revenue further increased in 2023 primarily due to (i) the increase in staff cost mainly due to the increase in share-based payments, and (ii) the increase in listing expenses in relation to our proposed Listing, partially offset by the decrease in severance payment as less staff redundancy was made in 2023. Our administrative expenses as a percentage of total revenue decreased in the three months ended March 31, 2024 primarily due to the decrease in severance payment. We intend to optimize our administrative expenses by enhancing our standard of management, streamlining our internal workflows, and leveraging technology to drive convenience, cost-efficiency and productivity.

As we conduct regular management review according to the market condition to ensure efficient and effective operation, we believe there is significant headroom for us to further improve our operating efficiency. We have conducted and will continue to conduct comprehensive review of our operations, including R&D, sales and marketing and client support processes, to streamline our business processes with a focus on core procedures to increase efficiency and cost-effectiveness. For example, we have introduced an HRSaaS talent management platform to systematize employee onboarding, transfers and departures, improving efficiency in handling administrative matters. By implementing more standard operating procedures on administrative matters, we expect to further improve our operational efficiency.

With the operating efficiency enhancement measures mentioned above and the reduction of non-recurring expenses such as listing expenses, we expect that administrative expenses as a percentage of total revenue will decrease over time due to the greater economies of scale and improved operational efficiency.

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Working Capital Sufficiency

Taking into account our cash and cash equivalents, operating cash flows, bank borrowings, the available bank facilities, and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus. Taking into account the above, and based on the written confirmation from the Company in respect of working capital sufficiency, review of the accountants' report, the financial due diligence conducted on the historical financial information of the Group during the Track Record Period and the discussion with the Directors, nothing material has come to the attention of the Joint Sponsors that would cast doubt on the Company's conclusion that the Company has sufficient working capital for its present requirements and for at least the next twelve months from the date of this prospectus.

OUR INFRASTRUCTURE AND TECHNOLOGIES

Our cloud-native infrastructure and network

Our technology infrastructure is built on a highly scalable, cloud-native technology architecture through our cooperation with mainstream cloud computing service providers. Cloud native infrastructure represents an approach to designing, constructing, and operating workloads that are built in the cloud and take full advantage of the cloud computing model. Based on such cloud architecture, we have established an extensive network in China and overseas and achieved EB-level storage capacity. Our cloud infrastructure and network allow us to process large volumes of data on a real-time basis and ensure high-speed and stable performances on a large scale to accommodate and support the increased demands from our customers. We have made continuous investment in our technology infrastructure and network to ensure our cloud infrastructure can effectively address our growing business needs.

Our technology infrastructure is supported by servers in geographically dispersed data centers across China and other countries and regions so our network is able to ensure service consistency and eliminate operation risks from failures in any single data center. In addition, we have in place a comprehensive set of contingency plans to manage potential risks of any emergency or service disruption. We also regularly test the data recovery capability of our systems, which helps us ensure our backup data can be completely retrieved. As of the date of this prospectus, we had not experienced any material service disruptions.

We create an open platform architecture, encouraging third-party developers and business partners to provide innovative applications to our customers, which we believe will enrich our products and technology platform. Our open architecture facilitates the integration of customers' and third-party applications into our platform. With minimum or low-code requirements, we support rapid application development, deployment, execution and management using declarative, high-level programming abstractions.

Our technology capabilities

Our over-a-decade experience has enabled us to independently develop key technologies to support our one-stop scenario-based audiovisual solutions. Some of our key technologies include:

Audiovisual technology

Audiovisual encoding and decoding capabilities

We have self-developed scenario adaptive enhancement algorithms, noise reduction detail enhancement algorithms and self-developed high-performance compression algorithms of H264 and H265 in Avsmart scenario, which reduce storage space and improve the image quality of secondary encoding at lower bandwidth costs. Avsmart reduced the storage space (an industry-leading average saving rate of 45%) and transmission bandwidth costs, improved the video quality and sound effect for live streaming/VoD scenarios through smart scenario recognition, image quality enhancement (anti-interlacing, texture detail enhancement), audio enhancement (noise reduction, volume and loudness normalization), region of interest (ROI) code, and efficient scenario adaptive compression algorithm.

Multi-cloud intelligent scheduling management

Our multi-cloud intelligent scheduling management technology integrates network downtime and performance monitoring, and is able to automatically choose the best route and achieves duplication and backup of files. As compared to conventional CDN service providers which only provide standard content delivery services, our multi-cloud intelligent scheduling management technology adopts an integrated control protocol which chooses high quality routes from multiple providers that cover different areas across the globe, thereby ensuring high stability. Moreover, based on our IP database and combined with the network downtime and performance monitoring, our intelligent scheduling system is developed to support an array of dispatch protocols. These dispatch protocols effectively protect customers from access hijacking and allows for accurate and controllable dispatch in real time. Leveraging the decoupling network architecture, our intelligent scheduling management system is able to quickly switch routes in the event of network failures, shortening the average failure recovery time to within five minutes.

As a mainstream audiovisual traffic carrier service provider, we can achieve real-time precise and controllable dispatch and reduce system risks and cost risks caused by sudden customer traffic. According to iResearch, we are one of the first PaaS players to develop multi-cloud intelligent scheduling management for CDN services.

Software-defined global live streaming network

Deployed upon global acceleration nodes, we have developed a software-defined global live streaming network, LiveNet. As compared to conventional live streaming networks which adopt a tree structure with multiple centers and hierarchy, LiveNet adopts a decentralized mesh network, where the infrastructure nodes connect directly, dynamically and non-hierarchically to as many other nodes as possible and cooperate with one another. LiveNet is able to continually measure the transmission performance between each nodes and optimize and route. Therefore, supported by LiveNet, we are able to offer interactive live streaming and real-time communication products with high elasticity, high availability and low latency, and which offer various functions including elastic on-demand network resource, automatic timeout for failing nodes, flexible node operation, policy-based routing, among others.

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According to iResearch, we are one of the first PaaS players in China to develop a software-defined global live streaming network.

Cloud-native media data analytics platform

Leveraging cloud-native architecture, our media data analytics platform enables smooth operation and development of media applications in a distributed multi-cluster environment. We enable our customers to choose the products and features based on their actual business needs, which provides them with great flexibility. Furthermore, we allow users to scale rapidly as we serve more users or develop additional use cases without incurring significant costs, while maintaining the quality of the user experience. We are also able to constantly update and develop new features without affecting other feature modules or the entire infrastructure. This facilitates the customization, iteration and delivery of configurable functions that meet the requirements and preferences of our customers.

According to iResearch, we are one of the first PaaS players in China to develop a cloud-native media data analytics architecture.

Low redundancy erasure code

With our erasure code architecture, we provide customers with high data reliability in a cost-efficient manner. Kodo is able to achieve high data reliability with an industry leading redundancy rate of 1.14 on our public cloud. For on-premise deployment customers, Kodo is able to adjust the redundancy rate based on business needs, which can reach industry leading level of 1.10. In addition, Kodo is able to reduce the storage cost as compared to traditional replication methods.

AI technology

Comprehensive intelligent multimedia technology

Based on audiovisual processing technology and deep learning models, our comprehensive intelligent multimedia technology utilizes convolutional neural networks and gate recurrent unit (GRU) to learn video content features and timing information on a large-scale expert annotated sample set. By combining multitasking learning, we are able to assess image quality and aesthetics of images and videos, accurately producing multi-dimensional objective quality indicators to guide and position specific quality issues.

Intelligent AI services with high business efficacy

With high-performance cloud servers and large-scale storage resources, we have developed a deep learning platform that can utilize large language models, such as BERT, GPT, Transformer, LLaMA and PaLM. By using large language models, we are able to cultivate content generation capabilities such as audiovisual generation and text generation. In addition, we can process multiple structures or types of data by combining multimodal large language models, and continue to contribute to the improvement of large language models through reinforcement learning from human feedback. Our interaction with and repeated utilization of the large language models will enable them to further adapt to our business scenarios improving the controllability and accuracy of our results. We involve business partners in the industry to build an open platform, and provide customers with more comprehensive services in various scenarios.

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Besides, we have applied the development components of large language models in providing our audiovisual cloud services and we will build more AI development components with commercial value for the quick access by our customers to empower their applications. For example, based on visual recognition technology (such as object detection, portrait matting and tracking), we have developed advertisement placement tool which can quickly generate advertising replacement content by combining scenario keywords and models such as Diffusion and GAN, which enables our customers to quickly insert or replace the advertising content in the videos. We intend to use large language model, multimodal large model, generative large model, NeRF 3D reconstruction, auto-rigging and other algorithms in the AIGC development components to provide more competitive service capabilities in the areas of image generation, audio generation, text generation, video generation, 3D generation, action generation, etc.

Low-code platform

Low-code platform underpins the core strength of our APaaS solutions. Our APaaS solution is embedded with various APIs and SDKs with simple designs and comprehensive functions. Our APaaS solutions take advantage of our existing technological capabilities platform to offer low-code development tools to our customers, helping them quickly and conveniently develop applications, while substantially lowering the technological barriers for accessing complex applications. Customers utilizing our APaaS solutions can enjoy our intuitive, extensive and easy-to-use development tools to pick necessary modules from our low-code audiovisual library that cater to their business needs and as such, we help our customers integrate our products into their applications efficiently.

Our low-code platform has the following advantages:

- *Improve development efficiency* – Our low-code platform enables developers to build audiovisual applications faster, thus improving development efficiency and saving manpower and time resources.
- *Improve application quality* – Our low-code platform integrates various audiovisual processing technologies and AI technologies, which can help developers build more intelligent applications and provide high-speed, efficient, and highly available audiovisual processing services, thereby improving the quality and performance of applications.
- *Expand product functionality* – Our low-code platform provides diversified audiovisual processing capabilities and AI technologies, which can add new functions and features to our existing APaaS solutions and expand product functionality.

According to iResearch, we are one of the first market participants to develop audiovisual APaaS solutions and achieve commercialization.

KEY OPERATING METRICS

We manage our business using the following key operating metrics. We use these metrics to assess the progress of our business, make decisions on how to allocate capital, time and technology investments.

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The following table sets forth the key operating metrics relevant to our business as of/ for the year ended December 31, 2023 (for the purpose of comparison with industry peers), the revenue segments or sub-segments that they correspond to in measuring the operational performance, and a comparison with industry peers (where applicable):

Key operating metrics	As of/for the year ended December 31, 2023	Relevant revenue segments or sub-segments	Comparison with industry peers (if applicable)
Number of applications utilizing our network modules	Approximately 21,000	MPaaS	Within industry level (10,000-35,000)
Data storage scale	1.4 EB	MPaaS	Within industry level (EB level)
Number of files stored	491.9 billion	MPaaS	N/A
Daily average audiovisual playback minutes	3.6 billion	QCDN	At high end of industry level (over one billion)
Redundancy rate	1.14 on public cloud and 1.10 on private cloud	Kodo	Better than industry level (1.25 on public cloud and 1.15 on private cloud)

Number of registered users and active users

	As of/For the year ended December 31,			As of/For the three months ended March 31,	
	2021	2022	2023	2023	2024
Number of registered users	1,217,596	1,350,001	1,497,516	1,407,087	1,516,411
Number of active users ⁽¹⁾	541,578	600,245	654,179	600,605	643,857

Note:

- (1) The number of active users represents the number of users which have used at least one of our products or otherwise contributed to usage of our platform during the relevant period. For the avoidance of doubt, such active users include users who engage in trial use of our products and may or may not be our paying customers.

The number of registered users and active users measure the penetration and popularity of our platform and demonstrate our ability in attracting users to our platform. Our registered user base serves as an important engine for our future growth as we convert these users to our paying customers. We have grown in our registered user base during the Track Record Period. According to iResearch, the number of registered users of our platform at over 1.4 million as of December 31, 2023 is above the industry level, which ranges from tens of thousands to millions.

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Number of paying customers

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
Number of MPaaS paying customers	68,808	83,970	92,480	62,311	62,563
Number of APaaS paying customers	1,319	1,967	2,597	1,867	2,303

Our ability to grow the number of MPaaS and APaaS paying customers is a key indicator of our ability to scale our business and future growth opportunities. For the avoidance of doubt, the number of MPaaS/APaaS paying customers for the three months ended March 31, 2023 and 2024 takes into account only the customers which have made revenue contribution to MPaaS/APaaS (as the case may be) for the three months ended March 31, 2023 and 2024, respectively.

Number of APIs

The number of APIs possessed measures the scope of functionalities provided by an audiovisual cloud service provider. The larger the number of APIs, the more comprehensive scope of functionalities a service provider offers to its users to build and enhance audiovisual applications on their platforms. With over a decade of experience in the audiovisual industry, we had accumulated 1,292 and 1,303 APIs as of December 31, 2023 and March 31, 2024, respectively.

Conversion rate from registered users to paying customers

Conversion rate from registered users to paying customers measures the effectiveness of the conversion process in generating revenue from user engagement through PaaS services. It is calculated as the percentage of new registered users of the relevant period which have converted to paying customers during the same period. Our conversion rates from registered users to paying customers for the three years ended December 31, 2023 and the three months ended March 31, 2023 and 2024 are 8.0%, 17.3%, 20.4%, 16.4% and 15.3%, respectively.

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Average revenue contribution, retention rate and dollar-based net expansion rate

	For the year ended December 31,			For the three months ended March 31,	
	2021	2022	2023	2023	2024
Average revenue contribution (RMB)⁽¹⁾:					
– MPaaS paying customers	19,905	10,420	10,537	2,991	3,987
– APaaS paying customers	18,879	98,634	108,340	34,319	36,143
Retention rate (%)⁽²⁾:					
– MPaaS paying customers	72.1	72.5	67.6	84.7	84.0
– APaaS paying customers	–	88.8	87.9	94.2	93.7
Dollar-based net expansion rate (%)⁽³⁾:					
– MPaaS paying customers	133.3	63.9	111.7	93.5	96.1
– APaaS paying customers	–	779.1	145.0	119.8	108.4

Notes:

- (1) The average revenue contribution of MPaaS/APaaS paying customers represents the average revenue generated by each MPaaS/APaaS paying customer (as the case may be) during the relevant year/period.
- (2) The MPaaS/APaaS paying customer retention rate represents the percentage of MPaaS/APaaS paying customers (as the case may be) in the immediately preceding year/period who remain our MPaaS/APaaS paying customers (as the case may be) in the current year/period.
- (3) The dollar-based net expansion rate represents the ratio of revenue contribution of the MPaaS/APaaS paying customers (as the case may be) in the current year/period to the revenue contribution of the MPaaS/APaaS paying customers (as the case may be) for the immediately preceding year/period.

Our ability to maintain long-term revenue growth depends on our ability to improve customer loyalty and stickiness, increase customers’ usage of our platform over time and grow revenues generated from existing customers. We track our performance in this area by measuring retention rate and dollar-based net expansion rate for our MPaaS and APaaS paying customers. The retention rate of our MPaaS paying customers declined in 2023 primarily as a result of the loss of long tail customers due to the decision of the Company to focus on larger customers in 2023. For detailed reasons for the fluctuations of the dollar-based net expansion rate, please refer to the paragraph headed “Financial Information — Key Operating Metrics” in this prospectus. Our MPaaS paying customer dollar-based net expansion rate is also within the range of the industry norm, which ranges from 85% to 122% among leading players.

Number of applications utilizing our network modules

The number of applications utilizing our network modules measures the popularity of network modules offered by audiovisual cloud service providers. It also reflects the ability of audiovisual cloud service providers in matching market demands with the various functions offered by different network modules. For the year ended December 31, 2023 and the three months ended March 31, 2024, we had approximately 21,000 and 22,000 applications utilizing our network modules, respectively. According to iResearch, the number of applications utilizing our network modules for 2023 at approximately 21,000 is above industry level. The industry level ranges from 10,000 to 35,000.

Data storage scale and number of files stored

Data storage level measures data storage capability and scalability. The higher data storage level, the more data can be stored, and more customers can be served. As of December 31, 2023 and March 31, 2024, our MPaaS platform had a total data storage scale of 1.4 EB and 1.5 EB, and the total number of files stored on our MPaaS platform amounted to 491.9 billion and 494.7 billion, respectively. According to iResearch, the average data storage scale among leading industry participants is around EB level. According to iResearch, due to the diverse file types and sizes stored, the number of stored files ranges from millions to trillions among the industry players. Therefore, no meaningful comparison can be made with industry peers.

Duration of audiovisual playback

Duration of audiovisual playback measures the amount of audiovisual content consumed (through on-demand video and live streaming) by users through PaaS services. For the years ended December 31, 2022 and 2023 and the three months ended March 31, 2024, our MPaaS platform provided a daily average audiovisual playback of 1.5 billion minutes, 3.6 billion minutes and 4.6 billion minutes, respectively. According to iResearch, the daily average audiovisual playback of our MPaaS platform as of December 31, 2023 is at high end of industry level, where the leading audiovisual PaaS service providers provide a daily average of over one billion minutes of audiovisual playback.

Redundancy rate of Kodo

Redundancy rate for erasure coding measures how much redundant data pieces is required to recover failed original data. Within reasonable level of reliability, lower redundancy rate means higher storage efficiency and lower storage costs. Kodo is able to achieve high data reliability with a redundancy rate of 1.14 on our public cloud and 1.10 on our private cloud. According to iResearch, the average redundancy rate for public cloud service is around 1.25, while the average redundancy rate for private cloud service is around 1.15.

RESEARCH AND DEVELOPMENT

We believe our strong research and development abilities and ability to keep up with the rapid development and advances in technologies through developing innovative solutions that are crucial to our continued success. For the three years ended December 31, 2023 and the three months ended March 31, 2024, we have incurred research and development expenses amounted to RMB143.4 million, RMB128.7 million, RMB128.0 million and RMB33.6 million, respectively representing 9.7%, 11.2%, 9.6% and 9.8% of our revenue during the same periods, respectively. Our continuous investments in research and development activities result in a wealth of intellectual properties.

Research and development team

Our technological capabilities are built by our talented and dedicated research and development team. We focus on building and maintaining a large pool of talented researchers to drive our research and development efforts. We provide rigorous training to new recruits to get them familiarize with our platform. As of the Latest Practicable Date, we had a team of 174 R&D professionals, representing approximately 45.0% of our total employees. Over 90% of the members in our R&D team have a bachelor's degree or higher. We encourage different perspectives as they lead us to inspirations and improve our products and solutions.

Our R&D team is led by our founder, chief executive officer and chief technical officer, Mr. Xu Shiwei, who brings over 20 years of industry and management experience to our Company. He previously served as the technical director at Kingsoft Corporation Limited, where he was responsible for the overall architecture of the Kingsoft WPS2005 software and led the distributed storage laboratory. Mr. Xu is also the creator of the programming language Go+ with characteristics of low-code and de-complexity, Go+ caters to young people and attracts a wide range of developers.

Research and development process

Our development process for our solutions generally takes up to 8 months depending on the complexity of the project. The key steps in our development process consist of:

- *Demand gathering* – We gather information from various sources such as customer feedback (through pre-sales, sales and after-sales support), market demand analysis conducted by product managers, and the Company's top-down strategic planning.
- *Demand review* – We prioritize the development of new functions for our solutions which are highly demanded in our sprint session, which is a set period of time during which our R&D team will focus on the building, testing and release of new functions. While it normally takes two weeks for one sprint session, we are able to launch the new function within two weeks if that new function is relatively straightforward.
- *Framework design* – We devise a technical design based on the outcome of the review. Our plan, besides meeting with the technical standards, must be able to meet a series of non-technical requirements such as usability and intuitive user interface. We finalize the design plan after it is reviewed by the leader of the sprint or chief technical officer (when more complicated projects are involved).

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- *Functions development and self-testing* – Once we complete the new function, we write a unit test to test the code and conduct self-testing to review holistically whether the new function meets both technical and non-technical standards and requirements.
- *Quality assurance and user acceptance* – We conduct a user acceptance testing on the user end to review whether the new function meets users’ demands and expectations.
- *Grayscale release (available to some users)* – We launch a new version of our solution with the new function to some selected users who expressed their demands for the new function. During the grayscale release, we monitor the progress and test whether the actual performance of the new function meets real users’ demands and expectations.
- *Official launch (available to all users)* – We launch the new version of our solution in full functionality to all users.

INTELLECTUAL PROPERTY

We regard our patents, copyrights, trademarks, trade secrets and other intellectual property rights as critical to our business operations. In this regard, we rely primarily on a combination of patents, copyrights, trademarks, trade secret and anti-unfair competition laws and contractual rights, such as confidentiality agreements entered into with our employees, customers and others, to protect our intellectual property rights. We clearly state all rights and obligations regarding the ownership and protection of our intellectual properties in employment agreements and commercial agreements we enter into. In addition, we have implemented a set of comprehensive measures to protect our intellectual property. For details, please refer to the paragraph headed “Risk Management and Internal Control — Intellectual property risk management” in this section.

As of March 31, 2024, we had fourteen material patents and seven material software copyrights in the PRC, mainly for technologies in, among others, cloud storage, content delivery, media data processing and analytics. In addition, as of March 31, 2024, we had nine material trademarks and four material domain names in the PRC, five material trademarks in Hong Kong, and three material domain names overseas. For details of our material intellectual properties, please refer to the paragraph headed “Statutory and General Information — 2. Further information about our business — B. Intellectual Property Rights” set out in Appendix IV to this prospectus.

During the Track Record Period and as of the Latest Practicable Date, we were not subject to any material disputes or claims for infringement upon third parties’ intellectual property rights.

DATA PRIVACY AND DATA SECURITY

We value data security and privacy as a top priority in our business. The Group's cloud services are operated in-house. During the course of our business, we may collect, process and store personal data of our customers. The personal data, as specified in our Qiniu Cloud Privacy Rights Policy (《七牛雲隱私權政策》), the “**Privacy Rights Policy**”, which our customers have to consent to before they proceed to register an account with us, can be categorized into (i) account registration information (such as real name, e-mail addresses), (ii) real-time identity authentication information (such as mobile number and facial image), (iii) payment information (such as bank account, payment and order information), and (iv) other information which the customers voluntarily provide to us when enrolling in our marketing and promoting activities. We process such personal information only to the extent necessary for verifying the identity of the customers, providing them with relevant products or services, security and communications, and processing payment. For the avoidance of doubt, we have no access to the data of our customers/end users and our customers/end-users retain full ownership and control of their data when using our cloud platform.

Pursuant to the Privacy Rights Policy, unless we have obtained our customers' permission and authorization, we will not share, disclose or transfer our customers' personal data to third parties. During the course of business, some of our products or services may be procured from or offered by third parties such as our suppliers, service providers and third-party SDKs. Under these circumstances, we will seek our customers' permission and authorization separately before we share with third parties the personal data necessary for providing such products or services.

To prevent any unauthorized access to or illegitimate use of data, we only grant access to employees holding specific positions at certain levels to data on a need-to-know basis and maintain the access records of such employees. During our ordinary course of business, we do not need to access or use any sensitive personal data (i.e. data relating to an individual that can be used to identify such individual). If there are circumstances which render the access to or use of such sensitive personal data necessary, we require that such access or use be authorized in advance. We monitor and record any access or use of sensitive personal data in real time.

Data security system and infrastructure

To reinforce data protection, we deploy different encryption methods at both software/application and infrastructure levels. Data collected in the course of our business is stored in our firewall-secured database subject to additional encryption and decryption procedures. We adopt RSA cryptosystem to prevent data leakage and secure communications and transmission of data. The data is randomly partitioned by way of database sharding, that is, the data is partitioned in a large number of small chunks across machines in specific format to enhance security.

We will store our customers' personal data during the period when they use our products or services. Unless it is required by relevant laws or regulations or authorized by our customers, we will not store the personal data longer than necessary to achieve the permitted purposes and will delete or anonymize such personal data as appropriate.

Data security policies

To mitigate the risks of data misuse, we provide data security and protection training to our employees on a regular basis. According to our internal policies, our employees would be penalized for breaching our data security policies. The level of penalty depends on the severity and frequency of the breach. We also have contingency plans and conduct regular data backup and recovery tests to enhance the resilience, reliability and stability of our systems. We have set up a data security team consisting of seven members, which is responsible for overseeing our data security and data compliance. Two members have obtained the Certified Internet Security Administrator by the Public Security Bureau by the PRC and the core members have years of working experience in the IT industry. Our employees are required to report any data security incidents (e.g. leakage or loss of confidential data) to our data security team which will then investigate the causes of the incident and monitor the implementation of any rectification measures and any follow up measures to be taken by the responsible department or team to prevent recurrences of similar incidents.

Our data security system is certified with ISO27001 (Information Security Management System Certification), an internationally recognized standard for information security management system. Where collection of personal information is involved, we require our customers to agree in the Privacy Rights Policy that they will comply with all relevant laws applicable to the collection of personal information. Our storage services have been certified as Trust Cloud by the Chinese Academic of Information of Communication Technology since 2015, showing our public and private cloud services are secure and trustworthy pursuant to industry and regulatory standards. We have also completed the grading and filing of our primary business information systems under the PRC Multiple-level Protection System according to the Administrative Measures for the Hierarchical Protection of Information Security (《信息安全等級保護管理辦法》). For example, Qiniu Information has obtained the information system security level protection record certificate for its website system (second-level) and cloud storage system (third-level).

In addition, we have established a holistic system to ensure data security and privacy :

- We have formulated and implemented various policies and measures such as Data Security Management System (《數據安全管理制度》), Personal Information Security Management System (《個人信息安全管理制度》) and Internet Security Management System (《網絡安全管理制度》) in compliance with the applicable laws and regulations to ensure our employees have clear and transparent guidelines to follow when handling data and conducting business.
- We have applied access control through our internal policies including Data Classification Protection Implementation Plan (《數據分級保護實施方案》). Data are classified into four tiers, namely confidential, secret, internal use only, and external use), and allow only employees with prior authorization to access confidential data and secrets.
- We conducted regular in-house training with employees in relation to data security and privacy laws, regulations and internal policies to raise their awareness towards data security and personal privacy, and prevent data misuse. Our employees would be accessed on the training materials and penalized for breaching our data security policies.

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- We have established a data backup and recovery mechanism, as well as a disaster recovery emergency plan based on Qiniu Cloud Backup and Recovery Management System (《七牛雲備份與恢復管理制度》) to enhance the resilience, reliability and stability of our systems. Structured sensitive data are stored using field encryption.

During the Track Record Period, we did not experience any material data leakage or loss of data and we were not subject to any administrative investigation, or punishment in relation to cybersecurity, data protection or other similar incidents. We believe we had complied with the applicable laws and regulations regarding the collection, possession, use and disclosure of data in all material respects during the Track Record Period and up to the Latest Practicable Date.

Data privacy and protection laws and regulations

In terms of data collection, the Data Security Law provides that network operators shall abide by the principles of “lawfulness, legitimacy and necessity” when collecting and using personal information by stating expressly the rules, purpose, methods and scope of such collection and use, and obtain the consent of the person whose personal information is to be collected (“**Data Subject**”). Network operators shall not disclose such information to others without prior consent of the Data Subject.

In terms of data management and data security, the Data Security Law stipulates that whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security, in accordance with the provisions of laws and regulations. See the sections headed “Regulatory Overview — Regulations Relating to Cybersecurity and Data Security” and “Regulations Relating to Privacy Protection” for more information for details.

Our Group has never been subject to any penalties or claims for violating applicable data security or cybersecurity laws and has adopted the relevant measures to satisfy the aforesaid data security and cybersecurity requirements.

During the Track Record Period and as of the Latest Practicable Date, (i) any data (including personal information) collected and generated during the domestic operations is and will be stored within the Mainland China and will not be transferred outside the Mainland China; (ii) any data stored domestically is not accessible to any institutions, organizations, or individuals outside the Mainland China; (iii) the development of our generative artificial intelligence service and the subsequent provision of such service do not and will not involve cross-border data transfer; (iv) our generative artificial intelligence services will be provided only within the Mainland China and will not involve the export or provision of algorithms, technologies, or applications abroad. Considering that our business does not involve cross-border data transfer, our PRC Legal Advisor is of the view that Security Assessment Measures and Standard Contract Measures shall not apply to us. Based on the above, our Directors are of the opinion that Security Assessment Measures and Standard Contract Measures will not materially affect our current and future business operations and financial performance.

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As (i) we have adopted measures and policies regarding personal information and data security pursuant to applicable laws and regulations; (ii) our Group has never been subject to any penalties or claims for violating applicable personal information and data security laws and regulations; (iii) we will closely monitor and assess further regulatory developments regarding cybersecurity and data security laws and comply with the latest regulatory requirements; and (iv) our PRC Legal Advisor is of the view that our business operations are in compliance with all current PRC data privacy and protection laws and regulations during the Track Record Period and up to the Latest Practicable Date in all material aspects. Our Directors are of the view that our Group in all material respects complies with all applicable PRC laws and regulations with respect to data privacy and protection and has never been subject to any penalties or claims for violating applicable data security or cybersecurity laws.

SALES AND MARKETING

We primarily sell and market our audiovisual cloud services through our in-house direct sales forces, consisting of 121 employees as of the Latest Practicable Date. We generally conduct sales through leveraging the network effect and word-of-mouth referrals by stakeholders across the business cycle, and occasionally through phone calls and on-site visits, to strategically expand our market presence and scale up our business in a cost-effective manner. By engaging in various direct marketing campaigns, such as summits and forums across different industries, we are also able to reach out to various enterprises and organizations.

Our industry-leading clients include listed companies and other large-sized enterprises, covering 15 of the Top 20 audiovisual mobile applications in China published by iResearch. The total revenue contributed by these industry-leading clients accounted for 19.6%, 26.3%, 31.4% and 33.0% of our revenue for the three years ended December 31, 2023 and the three months ended March 31, 2024, respectively.

For the three years ended December 31, 2023 and the three months ended March 31, 2024, our selling and marketing expenses amounted to RMB193.0 million, RMB147.5 million, RMB139.1 million and RMB27.4 million, respectively, representing 13.1%, 12.9%, 10.4% and 8.0% of our revenue during the same periods, respectively.

Pricing

We generally charge cloud service customers based on usage, and to a lesser extent, on a project basis. We adopt different pricing models depending on the specific products/solutions. For example, if deployed on the public cloud, MPaaS products are typically charged by actual usage while APaaS solutions are typically charged by actual usage or service packages. In addition, we charge differently depending on whether the products/solutions are deployed via public cloud or private cloud. Typically, customers deploying products/solutions via public cloud are charged a monthly service fee based on actual usage or service package, whereas customers deploying products/solutions via private cloud are charged a one-off deployment fee based on the scale of software and hardware required and maintenance fee based on the duration of the authorization for the specific project. In general, We adopt a holistic and case-by-case approach when formulating our service fees chargeable for our customers, taking into account various factors including but not limited to (i) types of services; (ii) market prices for similar services offered by our competitors in the audiovisual cloud services market; (iii) types of customers and their industries; (iv) market demand; and (v) our costs and profit margin.

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In general, we set different unit prices for API calls based on their complexity. For example, the unit price for image synthesis API (which involves processing multiple images) is typically two times that of image compression API.

The following table sets forth a breakdown of the pricing model based on the core revenue segments (and therefore core services) offered by us:

Product/Solution	Pricing model
Public cloud	
QCDN	Typically charged by actual usage based on data traffic (i.e. the amount of data transmitted over the network) and bandwidth (i.e. the speed at which data is transmitted through the CDN network, which typically increases with the number of users and volume of data)
Kodo	Typically charged by actual usage based on storage (i.e. the storage space occupied by the data on the cloud), data traffic, API calls, etc.
Dora	Typically charged by actual usage based on different processing items and methods. Such include processing duration, number of images processed, API calls, and others
Interactive live streaming	Typically charged by actual usage based on data traffic (i.e. the amount of live streaming data transmitted over a network) and bandwidth (i.e. the speed at which data is streamed to the users, which typically increases with the number of audience and volume of data)
APaaS solutions	Typically charged by actual usage (such as volume of data or storage, data traffic, bandwidth, processing duration, API calls, etc.) or based on service package (equipped with fixed storage, data, software pack, etc.)
Private cloud	
All products/ solutions (including MPaaS and APaaS)	Typically charged a one-off deployment fee based on the scale of software and hardware required and maintenance fee based on the duration of the authorization for the specific project

For details of our pricing model, please refer to the paragraph headed “Financial Information — Material Accounting Information and Estimates — Revenue recognition” in this prospectus.

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OUR CUSTOMERS

We have a broad base of customers across various industries including, among others, pan-entertainment, social networking, healthcare, e-commerce, education, media, financial services, automotive, telecommunications and intelligent manufacturing. The majority of our customers were situated in the PRC. For the three years ended December 31, 2023 and the three months ended March 31, 2024, we had 68,808, 83,970, 92,480 and 62,563 MPaaS paying customers, respectively. For the three years ended December 31, 2023 and the three months ended March 31, 2024, we had 1,319, 1,967, 2,597 and 2,303 APaaS paying customers, respectively.

For the three years ended December 31, 2023 and the three months ended March 31, 2024, our revenue amounted to RMB1,471.0 million, RMB1,147.3 million, RMB1,334.0 million and RMB342.4 million, respectively. For the three years ended December 31, 2023 and the three months ended March 31, 2024, we did not have any substantial reliance on any single customer. Our revenue generated from our largest customer for the three years ended December 31, 2023 and the three months ended March 31, 2024 accounted for 11.3%, 8.1%, 11.8% and 16.1%, respectively, of our revenue during the period. Our revenue generated from our five largest customers for the three years ended December 31, 2023 and the three months ended March 31, 2024 accounted for 22.7%, 25.5%, 34.3% and 38.5%, respectively, of our revenue during the period. During the Track Record Period, our customers generally settled their payments through bank transfer. We have established and maintained stable and good relationships with our five largest customers for each year during the Track Record Period, having a relationship of five years or above with a majority of them.

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Below is the breakdown of our revenue derived from our five largest customers for each year/period during the Track Record Period, and their respective background information:

For the year ended December 31, 2021:

Rank	Customer	Types of services provided	Transaction amounts (RMB'000)	Percentage contribution to total revenue (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁹⁾
1	Customer A	MPaaS	166,107	11.3	A group of PRC companies (associates of a company listed on the Stock Exchange and NASDAQ) principally engaged in mobile games production and the operation of VoD platform	2017	Note (1)	90 days after receipt of invoice
2	Customer E	MPaaS	65,031 ⁽⁶⁾	4.4	A PRC company principally engaged in the operation of a social media and e-commerce platform	2015	USD100 million	90 days after receipt of invoice
3	Customer F	MPaaS	37,582	2.6	A PRC company principally engaged in information technology and computer software services	2020	RMB10.98 million	Five working days after receipt of invoice/nil
4	Customer G	MPaaS	33,904	2.3	A PRC company principally engaged in cloud and edge computing services	2018	RMB17 million	90 working days after receipt of invoice
5	Customer-Supplier Group D	MPaaS	30,927 ⁽⁷⁾	2.1	A group of PRC companies (associates of a company listed on the Stock Exchange and NYSE, being one of the largest Internet companies in China) principally engaged in e-commerce, Internet, cloud computing, retail and technology services	2014	Note (2)	45 working days after receipt of invoice

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For the year ended December 31, 2022:

Rank	Customer	Types of services provided	Transaction amounts (RMB'000)	Percentage contribution to total revenue (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁹⁾
1	Customer H	MPaaS	92,466	8.1	A PRC company (associate of a company listed on the Stock Exchange) principally engaged in the operation of social media and live streaming platforms	2014	USD6 billion	30 days after receipt of invoice
2	Customer-Supplier Group I	MPaaS and others	71,146	6.2	A group of PRC companies principally engaged in cloud services and the operation of social media and live streaming platforms	2015	USD100 million	60 days
3	Customer A	MPaaS	61,450 ⁽⁸⁾	5.4	A group of PRC companies (associates of a company listed on the Stock Exchange and NASDAQ) principally engaged in mobile games production and the operation of VoD platform	2017	Note (1)	90 days after receipt of invoice
4	Customer-Supplier Group J	MPaaS	34,140	3.0	A group of PRC companies (subsidiaries of a company listed on the Stock Exchange, being one of the largest Internet companies in China) principally engaged in Internet and cloud services	2015	Note (3)	20 working days after receipt of invoice
5	Customer G	MPaaS	32,300	2.8	A PRC company principally engaged in cloud and edge computing services	2018	RMB17 million	90 days after receipt of bill

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For the year ended December 31, 2023:

Rank	Customer	Type of services provided	Transaction amounts (RMB'000)	Percentage contribution to total revenue (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁹⁾
1	Customer-Supplier Group I	MPaaS and others	157,457	11.8	A group of PRC companies principally engaged in cloud services and the operation of social media and live streaming platforms	2015	USD100 million	60 days
2	Customer H	MPaaS	104,092	7.8	A PRC company (associate of a company listed on the Stock Exchange) principally engaged in the operation of social media and live streaming platforms	2014	USD6 billion	30 days after receipt of invoice
3	Customer-Supplier Group J	MPaaS	85,824	6.4	A group of PRC companies (subsidiaries of a company listed on the Stock Exchange, being one of the largest Internet companies in China) principally engaged in Internet and cloud services	2015	Note (3)	28 working days after receipt of invoice
4	Customer K	MPaaS	73,501	5.5	A PRC company (subsidiary of a company listed on the Shanghai Stock Exchange) principally engaged in data processing and telecommunications services	2023	RMB700 million	80% received in advance, 20% received in six months after goods receipt
5	Customer Group M	MPaaS and others	36,957	2.8	A group of PRC companies (subsidiaries of a company listed on NASDAQ, one of a leading online video playback platform in China	2018	Note (4)	90 days after receipt of invoice

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For the three months ended March 31, 2024:

Rank	Customer	Type of services provided	Transaction amounts (RMB'000)	Percentage contribution to total revenue (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁹⁾
1.	Customer-Supplier Group I	MPaaS	55.2	16.1	A group of PRC companies principally engaged in cloud services and the operation of social media and live streaming platforms	2015	USD100 million	60 days
2.	Customer H	MPaaS	21.1	6.2	A PRC company (associate of a company listed on the Stock Exchange) principally engaged in the operation of social media and live streaming platforms	2014	USD6 billion	30 days after receipt of invoice
3.	Customer N	MPaaS	20.3	5.9	A PRC company principally engaged in the provision of intensive computing service in China, focusing on IT technology services in the fields of supercomputing, artificial intelligence and big data	2023	RMB10 million	Six months after receipt of goods and invoice
4.	Customer-Supplier Group O	MPaaS	18.3	5.4	A group of PRC companies (subsidiaries of a company listed on the Stock Exchange), principally engaged in the research and application of artificial intelligence (AI) software	2020	Note (5)	180 days after receipt of goods and invoice

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Rank	Customer	Type of services provided	Transaction amounts (RMB'000)	Percentage contribution to total revenue (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁹⁾
5.	Customer-Supplier Group J	MPaaS	16.8	4.9	A group of PRC companies (subsidiaries of a company listed on the Stock Exchange, being one of the largest Internet companies in China) principally engaged in Internet and cloud services	2015	Note (3)	28 working days after receipt of invoice

Notes:

- (1) It included Customer A and its affiliate. The registered capital of Customer A and its affiliate are RMB10.99 million and RMB500 million, respectively.
- (2) The registered capital of our customers in Customer-Supplier Group D are RMB1 billion, RMB1.8 billion and RMB0.24 million, respectively.
- (3) The registered capital of our customers in Customer-Supplier Group J are RMB65 million, RMB1.04 billion and USD2.0 billion, respectively.
- (4) The registered capital of our customers in Customer Group M are RMB5 million and RMB30 million, respectively.
- (5) The registered capital of our customers in Customer-Supplier Group O are RMB239.4 million, RMB16.25 billion and RMB3.5 billion, respectively.
- (6) During the Track Record Period, we decided to gradually reduce our sales to Customer E since 2022 as a result of our strategy to allocate our resources to other customers with more favourable commercial terms.
- (7) During the Track Record Period, we made substantial sales to Customer-Supplier Group D in 2021 and 2022 mainly because of some projects of Customer-Supplier Group D which required procurement of audiovisual PaaS services from us. Our sales to Customer-Supplier Group D had diminished gradually.
- (8) During the Track Record Period, we gradually scaled down businesses with Customer A with less favorable commercial terms for better allocation of resources to other customers with more favorable commercial terms.
- (9) Invoice in the credit term refers to a VAT invoice.

During the Track Record Period, save for Customer-Supplier Group D, being an associate of Taobao China (our substantial shareholder), all of our other five largest customers for each year/period during the Track Record Period were Independent Third Parties. Save for Taobao China, none of our Directors, their close associates or any of our shareholders (who, to the knowledge of the Directors, own more than 5% of our issued share capital) had any interest in any of our five largest customers for each year during the Track Record Period and as of the Latest Practicable Date. For details, please refer to the paragraph headed “Continuing Connected Transactions — Partially Exempt Continuing Connected Transactions”.

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The summary of the salient terms of our standard agreements with our customers for MPaaS and APaaS products or solutions during the Track Record Period are set out below:

- *Scope.* We generally set out the scope of our MPaaS services (QCDN, Kodo, interactive live streaming products and Dora) and APaaS solutions (social entertainment, video marketing, visual networking, smart new media and metaverse) within the terms of services.
- *Pricing.* We primarily charge our customers by actual usage (such as volume of data or storage used, API calls, etc.) or based on service package (equipped with fixed storage, data, etc.). For details on our MPaaS and APaaS fee model, see “Business — Sales and Marketing — Pricing”.
- *Payment and credit terms.* We send an invoice to customers every month detailing their actual usage of our services in the previous month. Customers are typically required to settle the invoice on a monthly basis. We generally grant a credit term of 30 to 90 days to our customers.
- *Confidentiality.* Both parties are obliged to treat all confidential information made known to it by the other party in strict confidence during and after the contract term.
- *Term and termination.* The agreement typically has a term of one year. The agreement can be terminated by either party with prior written notice of 30 days or payment in lieu of notice. The term of the agreement can be extended on the same terms until such time as our customers cease to use the service.

Customer support

We are devoted to serving customers and empowering them with cloud technologies. With our customer-centric service philosophy, we always prioritize the needs of our customers and strive to provide an exceptional experience to them. As a result, our brand has received broad recognition in the audiovisual cloud industry and 15 of the Top 20 audiovisual mobile applications in China are our customers during the Track Record Period.

In our ongoing efforts to enhance customer satisfaction and improve service quality, we maintain a dedicated customer support and service team that is focused on real-time problem-solving with the ultimate goal of improving user experience and customer stickiness. Moreover, we also provide helper libraries, comprehensive user guides and a wide range of code samples and demos to our customers.

OUR SUPPLIERS

Our suppliers primarily consist of enterprises in the cloud technology industry that provide (i) network and bandwidth services, (ii) IDC services and (iii) server and storage services. Our transaction amounts with our largest supplier for the three years ended December 31, 2023 and the three months ended March 31, 2024 accounted for 36.1%, 16.3%, 5.9% and 8.0%, respectively, of our total purchase during those periods. Our transaction amounts with our five largest suppliers for the three years ended December 31, 2023 and the three months ended March 31, 2024 accounted for 63.5%, 52.4%, 25.7% and 28.6%, respectively, of our total purchase. During the Track Record Period, we generally settled our payments to our suppliers by bank transfer. We have established and maintained stable and good relationships with our five largest suppliers for each year during the Track Record Period, having a relationship of 6 years or above with a majority of them.

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Below is the breakdown of our five largest suppliers for each year/period during the Track Record Period, and their respective background information:

For the year ended December 31, 2021:

Rank	Supplier	Types of services provided	Transaction amounts (RMB'000)	Percentage contribution to total purchase (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁵⁾
1	Customer-Supplier Group D	Network and bandwidth and server and storage	478,398	36.1	A group of PRC companies (associates of a company listed on the Stock Exchange and NYSE, being one of the largest Internet companies in China) principally engaged in e-commerce, Internet, cloud computing, retail and technology services	2014	Note (1)	Around three months/nil
2	Supplier Group D	Server and storage	132,160	10.0	A group of PRC and Macau companies (subsidiaries of a company listed on the Stock Exchange and Shenzhen Stock Exchange) principally engaged in information technology infrastructure services	2020	Note (2)	Nil
3	Supplier A	Network and bandwidth and IDC	94,678	7.1	A PRC company principally engaged in network and bandwidth and IDC services	2014	RMB5 billion	Around three to four months after receipt of bill
4	Supplier E	Server and storage	81,416	6.1	A PRC company principally engaged in software engineering and artificial intelligence services	2021	RMB50 million	Nil

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Rank	Supplier	Types of services provided	Transaction amounts (RMB'000)	Percentage contribution to total purchase (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁵⁾
5	Supplier F	Server and storage	55,929	4.2	A PRC company principally engaged in server and storage services	2021	RMB70 million	Nil

For the year ended December 31, 2022:

Rank	Supplier	Types of services provided	Transaction amounts (RMB'000)	Percentage contribution to total purchase (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁵⁾
1	Customer-Supplier Group D	Network and bandwidth and server and storage	136,499	16.3	A group of PRC companies (associates of a company listed on the Stock Exchange and NYSE, being one of the largest Internet companies in China) principally engaged in e-commerce, Internet, cloud computing, retail and technology services	2014	Note (1)	Around three months
2	Customer-Supplier Group G	Network and bandwidth	84,839	10.2	A group of PRC companies principally engaged in cloud services and the provision of information and communication technology infrastructure and devices	2020	Note (3)	Three months after receipt of bill
3	Supplier A	Network and bandwidth and IDC	76,178	9.1	A PRC company principally engaged in network and bandwidth and IDC services	2014	RMB5 billion	Around three to four months after receipt of bill

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Rank	Supplier	Types of services provided	Transaction amounts (RMB'000)	Percentage contribution to total purchase (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁵⁾
4	Supplier Group D	Server and storage and technical service	73,064	8.7	A group of companies (subsidiaries of a company listed on the Stock Exchange and Shenzhen Stock Exchange) principally engaged in information technology infrastructure services	2020	Note (2)	Nil/around one month after receipt of invoice
5	Customer-Supplier Group I	Network and bandwidth and technical service	67,813	8.1	A group of PRC companies principally engaged in cloud services and the operation of social media and live streaming platforms	2015	Note (4)	60 days

For the year ended December 31, 2023:

Rank	Supplier	Type of services provided	Transaction amounts (RMB'000)	Percentage contribution to total purchase (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁵⁾
1	Customer-Supplier Group I	Network and bandwidth and technical service	58,034	5.9	A group of PRC companies principally engaged in cloud services and the operation of social media and live streaming platforms	2015	Note (4)	60 days
2	Supplier H	Server and storage	51,313	5.2	A PRC company principally engaged in providing cloud computing overall solutions for software and hardware integration	2023	RMB20 million	Nil

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Rank	Supplier	Type of services provided	Transaction amounts (RMB'000)	Percentage contribution to total purchase (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁵⁾
3	Supplier A	Network and bandwidth and IDC	48,491	5.0	A PRC company principally engaged in network and bandwidth and IDC services	2014	RMB5 billion	Around three to four months after receipt of bill
4	Supplier C	Network and bandwidth and IDC	47,183	4.8	A PRC company principally engaged in information technology management and cloud computing services	2011	RMB51 million	90 days
5	Customer-Supplier Group G	Network and bandwidth	46,514	4.8	A group of PRC companies principally engaged in cloud services and the provision of information and communication technology infrastructure and devices	2020	Note (3)	Two months after receipt of bill

For the three months ended March 31, 2024:

Rank	Supplier	Type of services provided	Transaction amounts (RMB'000)	Percentage contribution to total purchase (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁵⁾
1.	Customer-Supplier Group I	Network and bandwidth and technical service	19.1	8.0	A group of PRC companies principally engaged in cloud services and the operation of social media and live streaming platforms	2015	Note (4)	60 days

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Rank	Supplier	Type of services provided	Transaction amounts (RMB'000)	Percentage contribution to total purchase (%)	Background and principal business activities	Year of commencement of relationship with the Group	Registered capital	Credit term ⁽⁵⁾
2.	Supplier I	Server and storage	16.6	6.9	A PRC company principally engaged in providing comprehensive technical services and overall solution for social informatization	2024	RMB12 million	Six months after receipt of goods and invoice
3.	Customer-Supplier Group G	Network and bandwidth	11.8	4.9	A group of PRC companies principally engaged in cloud services and the provision of information and communication technology infrastructure and devices	2020	Note (3)	Two months after receipt of bill
4.	Supplier J	Network and bandwidth	10.8	4.5	A PRC company principally engaged in providing electronic computer technology services and technical consulting	2022	RMB10 million	60 days after receipt of invoice
5.	Supplier K	Technical service	10.4	4.3	A PRC company listed on the Stock Exchange principally engaged in providing full stack interactive AI solutions to enterprise level users	2023	RMB31.06 million	30% paid in 30 days after contract signed, 60% paid in 15 days after receipt of goods, 10% paid in 15 days after final acceptance

Notes:

- (1) The registered capital of our suppliers in Customer-Supplier Group D are RMB1 billion, RMB80 million and SGD4.2 billion, respectively.
- (2) The registered capital of our suppliers in Supplier Group D are MOP1.03 million and RMB1.04 billion, respectively.
- (3) The registered capital of our suppliers in Customer-Supplier Group G are RMB5 billion and RMB500 million, respectively.

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- (4) The registered capital of our supplier in Customer-Supplier Group I is RMB1 billion.
- (5) Invoice in the credit term refers to a VAT invoice.

We have a vast number of suppliers for sourcing network and bandwidth services, server and storage services and IDC services and they are scattered across different regions in China and overseas. For instance, our IDC suppliers are scattered across over 20 cities in different regions of China, which provide for enhanced stability of our services in the event of server failures in certain regions. During the Track Record Period, we have not experienced any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or delay in delivery of our orders from our suppliers.

During the Track Record Period, save for Customer-Supplier Group D being an associate of Taobao China (our substantial shareholder), all of our other five largest suppliers for each year/period during the Track Record Period were Independent Third Parties. Save for Taobao China, none of our Directors, their close associates or any of our shareholders (who, to the knowledge of the Directors own more than 5% of our issued share capital) had any interest in any of our five largest suppliers for each year/period during the Track Record Period and as of the Latest Practicable Date. For details, please refer to the paragraph headed “Continuing Connected Transactions — Non-Exempt Continuing Connected Transactions”.

The summary of the salient terms of our agreements with our suppliers for network and bandwidth and IDC services during the Track Record Period are set out below:

Network and bandwidth and IDC services

- *Scope.* For network and bandwidth services, we are entitled to use the CDN that accelerates the data network for data-heavy products and solutions. For IDC, we procure both space and infrastructure of the data center.
- *Pricing.* We are typically charged by actual usage.
- *Payment and credit terms.* We are generally required to settle payment to our suppliers within three months after the suppliers issue invoices for services accrued the previous month.
- *Confidentiality.* Both parties are obliged to treat all confidential information made known to it by the other party in the strictest confidence during and after the contract term.
- *Term and termination.* The agreement typically has a term of one year. The agreement can be terminated by either party with prior notice. The term of the agreement can typically be extended for one year on the same terms unless otherwise agreed by both parties.

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Business partnership arrangement

While we primarily focus on the development of proprietary technologies to maintain our core competitiveness, we are committed to building and maintaining our relationships with industry participants. For example, we procure licenses of audiovisual services from our suppliers which are typically our business partners engaged in audiovisual related value-added services, such as video conferencing system and audiovisual editing tools, and integrate these features into our platform for easy access to our customers based on their specific business needs.

We also enter into agreement with third party business partners to engage in joint development of products or solutions with revenue sharing mechanism in limited circumstances. During the Track Record Period, we have entered into business partnership agreement with a third party which is specialized in building software with beauty retouch and filter features. Neither the total purchase was material when compared to our total cost of sales and total revenue during the same period.

The key terms of business arrangement with the aforementioned business partner are set out below:

- *Term of cooperation:* One year.
- *Mode of cooperation:* We are authorized to integrate the business partner's software into our products, which are deployed by our customers in the form of live streaming and short video SDKs.
- *Revenue sharing:* According to a prescribed revenue sharing ratio based on the price of the underlying service which should not be set substantially lower than the standard price set out in the agreement (except where prior consent has been obtained from the business partner).
- *Ownership right:* The intellectual property is jointly owned by the business partner and us.

OVERLAPPING CUSTOMERS AND SUPPLIERS

Certain of our top five customers during the Track Record Period (Customer-Supplier Group D, Customer-Supplier Group I, Customer-Supplier Group J and Customer-Supplier Group O) were also our suppliers during the Track Record Period, of which Customer-Supplier Group D and Customer-Supplier Group I were top five suppliers in one or more periods during the Track Record Period. In addition, one of our top five suppliers for the years ended December 31, 2022, 2023 and the three months ended March 31, 2024, Customer-Supplier Group G, was also our customer during the Track Record Period.

Customer-Supplier Group D is a group of companies which are associates of a Chinese technology company listed on the Main Board of the Stock Exchange that specializes in e-commerce, Internet, cloud computing, retail and technology. Customer-Supplier Group D was our fifth largest customer in 2021 and our largest supplier in 2021 and 2022. During the Track Record Period, we provided MPaaS (including our Dora, QCDN and Kodo products) to Customer-Supplier Group D. At the same time, as Customer-Supplier Group D is a cloud service provider, we purchased network and bandwidth and server and storage services from them for our business.

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Customer-Supplier Group I is a group of companies of a Chinese social media company which provides audiovisual social networking services. Customer-Supplier Group I was our second largest customer and fifth largest supplier in 2022 and largest customer and supplier in 2023. During the Track Record Period, we provided Kodo, Dora, QCDN and Pandora to Customer-Supplier Group I. At the same time, as Customer-Supplier Group I is a cloud service provider, we purchased network and bandwidth services from it for our business to enhance our cross-regional cloud technical capabilities and efficiency.

Customer-Supplier Group J is a group of companies under one of the largest Internet companies in China listed on the Main Board of the Stock Exchange that operates a leading multi-purpose instant messaging, social media and mobile payment mobile application. Customer-Supplier Group J was our fourth and third largest customer in 2022 and 2023, respectively. During the Track Record Period, we provided Kodo, Dora, QCDN and interactive live streaming products to Customer-Supplier Group J. At the same time, as Customer-Supplier Group J is a cloud service provider, we purchased network and bandwidth services from it for our business to enhance our cross-regional cloud technical capabilities and efficiency.

Customer-Supplier Group G is a group of companies of a Chinese technology company that provides information and communication technology infrastructure and devices. Customer-Supplier Group G was our second largest supplier in 2022. During the Track Record Period, we primarily provided Kodo to Customer-Supplier Group G. At the same time, as Customer-Supplier Group G is a cloud service provider, we purchased network and bandwidth services from it.

Customer-Supplier Group O is a group of companies of a company listed on the Stock Exchange principally engaged in the research and application of artificial intelligence (AI) software. Customer-Supplier Group O was our fourth largest customer for the three months ended March 31, 2024. During the Track Record Period, we primarily provided Kodo to Customer-Supplier Group O. At the same time, as Customer-Supplier Group O is an AI software company, we purchased AI audiovisual SDK services from it.

For details of these customers and suppliers, please refer to the paragraphs headed “Our Customers” and “Our Suppliers” in this section. It is an industry norm to have overlapping customer-suppliers in the audiovisual cloud services industry, according to iResearch.

BUSINESS

The following table sets out our total sales revenue and our purchases amount from these overlapping customer-suppliers during the Track Record Period:

	For the year ended December 31,			For the three months ended March 31,
	2021	2022	2023	2024
Sales to the overlapping Customer-Supplier Group D, I, J, G and O (<i>RMB'000</i>)	51,283	115,916	251,934	100,296
As a percentage of total revenue	3.5%	10.1%	18.9%	29.3
Purchase from the overlapping Customer-Supplier Group D, I, J, G and O (<i>RMB'000</i>)	514,212	289,881	142,618	39,305
As a percentage of our total purchase	38.8%	34.7%	14.6%	16.4

Our Directors confirm that our sales to and our purchases from all overlapping customer-suppliers were conducted in the ordinary course of business under normal commercial terms and on an arm's length basis. To the best knowledge and belief of our Directors, save for Customer-Supplier Group D, these overlapping customer-suppliers are Independent Third Parties. Save for Customer-Supplier Group D, none of our Directors, their respective close associates, or any Shareholder who, to the best knowledge of our Directors, owns more than 5% of our issued capital nor did they have any interest in each of these overlapping customer-suppliers during the Track Record Period. Save as disclosed above, to the best knowledge of our Directors, we did not have any other overlap between our major customers and major suppliers during the Track Record Period.

SANCTIONS

We had transactions with certain companies on the Entity List and/or the list of Specially Designated Nationals and Blocked Persons (the "**SDN List**") during the Track Record Period.

Procurement

As of the Latest Practicable Date, we had six suppliers that are on the Entity List and none of the suppliers are on the SDN List. During the Track Record Period, we primarily procured CDN services and cloud servers from suppliers on the Entity List. The transaction amount with such companies for the three years ended December 31, 2023 and the three months ended March 31, 2024 were RMB15.9 million, RMB85.0 million, RMB46.6 million and RMB11.8 million, which amounted to 1.2%, 10.2%, 4.8% and 4.9% of our total purchase amount, respectively. For the risk associated with our procurement from entities on the Entity List, please see "Risk Factors — Risks Relating to Our Business and Industry — Export control and economic or trade restrictions that were imposed on our business partners may affect our business, financial conditions and results of operations" in this prospectus.

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Under the EAR, a license from the BIS (the “**BIS License**”) would be required for any transactions involving the export, re-export or in-country transfer of any items subject to the EAR where entities on the Entity List is a purchaser, end-user, intermediate consignee or ultimate consignee. During the Track Record Period, to the best of our Directors’ knowledge, none of the items that we procured from the companies on the Entity List were subject to the EAR nor involved in any actual or suspected violation of the EAR. Accordingly, our legal advisor as to U.S. export control laws is of the view that the items and scope of services that we procured from our suppliers on the Entity List during the Track Record Period and up to the Latest Practicable Date did not violate any applicable restrictions of the EAR. Our legal advisor as to U.S. export control laws confirmed that, absent a very significant change in the Group’s business or operations, there is no foreseeable risk that the Company or any member of the Group would be added to the Entity List, the SDN List, the Unverified List (the “**UVL**”) or the Non-SDN Chinese Military-Industrial Complex Companies List (the “**NS-CMIC List**”) in the future. In the event that procurement from any of our suppliers becomes restricted or forbidden as a result of any sanctions imposed on them, we will be able to procure similar services from alternative suppliers with comparable terms.

Provision of Services

As of the Latest Practicable Date, we had 17 customers that are on the Entity List and three customers that are on the SDN List. During the Track Record Period, we primarily supplied public and private cloud services to customers on the Entity List and the SDN List. The transaction amount with such companies for the three years ended December 31, 2023 and the three months ended March 31, 2024 were RMB4.3 million, RMB5.5 million, RMB12.2 million and RMB10.8 million, which amounted to 0.3%, 0.5%, 0.9% and 3.1% of our total sales amount, respectively.

As the services that we provided to our customers did not involve the export, re-export or in-country transfer of any items subject to the EAR where entities on the Entity List or the SDN List is a purchaser, end-user, intermediate consignee or ultimate consignee, we would not need a BIS License to carry out the transaction and our provision of such services did not constitute any actual or potential violation of the EAR. Accordingly, our legal advisor is of the view that the items and scope of services that we supplier to the customers on the Entity List and the SDN List during the Track Record Period and up to the Latest Practicable Date did not violate any applicable restrictions of the EAR. Our legal advisor confirmed that, absent a very significant change in the Group’s business or operations, there is no foreseeable risk that the Company or any member of the Group would be added to the Entity List, the SDN List, the UVL or the NS-CMIC List.

Pursuant to our internal control policy, namely Qiniu Cloud Anti-Bribery and Anti-Corruption Management System (《七牛雲反舞弊反賄賂管理機制》), all employees of our Group would be penalized for engaging in bribery, corruption, misappropriation and fraud in exchange for personal or commercial benefits. The audit department is responsible for identifying, assessing and reporting corruption incidents to the CEO in accordance with a prescribed set of criteria, including the scope, severity and complexity of the suspicious activity. As precautionary measures, we also strengthen our internal control measures against bribery and corruption from time to time. In addition, we include a warranty in our procurement contract that suppliers shall guarantee to us that all goods or services that they provided comply with relevant U.S. trade control and sanctions laws and regulations.

COMPETITION

The market competition of the audiovisual PaaS industry is intense. We face competition in every major aspect of our business. In particular, we compete primarily with other audiovisual PaaS service providers in the PRC. We compete mainly on product functionality and scope, performance, service scalability and reliability, technical strengths, marketing and sales capabilities, user experience, pricing, brand awareness and reputation. In addition, emerging and enhanced technologies are likely to further intensify competition of our industry. In terms of revenue in 2023, we are the third largest audiovisual PaaS provider and the second largest audiovisual APaaS provider in the PRC, with a market share of 5.8% and 14.1%, respectively. For details, please refer to “Industry Overview — Competitive Landscape”.

Competition with IaaS providers

During the Track Record Period, we have experienced intensifying competition from large internet enterprises which previously focused on IaaS that have expanded to provide PaaS and SaaS solutions. These IaaS enterprises typically have accumulated significant underlying resources, which give them competitive edge in resource-heavy segments, particularly CDN business. According to iResearch, the price reduction pressure among our competitors will mainly concern CDN business going forward because of the nature of CDN business which typically comes with lower switching costs when changing from one service provider to another. Notwithstanding this, we believe we are strategically well-positioned to overcome competition from these IaaS enterprises since (i) we are focused on providing a one-stop platform which achieves a vertical integration from the underlying technology (such as content delivery network and object storage services) to high-level scenario-based functions based on the customized business needs and pain points of our customers, which allow us to avoid direct competition with IaaS enterprises which typically provide non-customized infrastructure to its customers; (ii) we primarily provide integrated CDN services which place less reliance on single IaaS supplier and provide multi-cloud scheduling capabilities which enable flexible control over underlying resources and various product features such as reduced back-to-origin costs (i.e., the cost for sending requests and retrieving data back to/from the original CDN server) for our customers; and (iii) our asset-light business model and strong focus on maintaining the access to a wide source of underlying resources allow us to perceive and respond quickly to changing market circumstances.

Given our market share and our competitive advantages as detailed in the section headed “Business — Business Sustainability and Path to Profitability” in this prospectus, we are of the opinion that we are well positioned to compete effectively. However, some of our existing competitors have higher recognition, broader layout, longer operating history, larger customer base and greater financial, technical and other resources. Please refer to “Risk Factors — Risks Relating to Our Business and Industry — The market in which we participate is competitive, if we do not compete effectively, our business, operating results and financial condition could be harmed” for the risks concerning market competition. For more information on the competitive landscape of our industry, please refer to “Industry Overview”.

Competition with SaaS providers

APaaS refers to a service that leverages the MPaaS technologies by using a low-code platform and packaging the functionalities to provide services based on application scenarios. Users can leverage the APaaS's flexibility and ease of use to design applications that address specific needs in a short time, fostering innovation and adaptability. In contrast, SaaS requires users to rely on ready-to-use features and updates provided by SaaS service providers, limiting the ability to customize the application to meet specific demands. Therefore, APaaS is interchangeable to SaaS in achieving specific functions with less development resources and shorter development cycle. The below table sets forth a comparison of MPaaS/APaaS and SaaS in terms of key features, target customers, value added to customers, underlying technology infrastructure, application and pricing model:

	SaaS	MPaaS/APaaS
Key features	<ul style="list-style-type: none"> • Enabled through ready-to-use software applications that run on the cloud • Fixed functions pre-set by providers 	<ul style="list-style-type: none"> • Enabled through higher-level (i.e. more specialized and scenario-based) APIs/SDKs with access to multiple capabilities through our low-code platform • More customized functions, achieving greater flexibility
Target customers	<ul style="list-style-type: none"> • Customers with limited or no technological capabilities and clear business needs (often business personnel) 	<ul style="list-style-type: none"> • Customers with relatively limited technological capabilities and clearly delineated business scenarios requiring rapid verification • Customers with the necessary technological knowhow but reluctant to expend resources on developing such capabilities
Value added to our customers	<ul style="list-style-type: none"> • Easy access • Diverse capabilities based on business scenarios 	<ul style="list-style-type: none"> • Easy access • Diverse capabilities based on business scenarios • Strong scalability and iteration ability • Data can be stored on customers' own platform and leveraged for inter-enterprise applications

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	SaaS	MPaaS/APaaS
Underlying technology infrastructure	<ul style="list-style-type: none">• Ready-to-use software applications• Supports upgrade automatically	<ul style="list-style-type: none">• Low-code platform• Supports upgrade with simple plugins to incorporate new features
Application	<ul style="list-style-type: none">• Widely applied in various audiovisual scenarios with greater focus on delivering scenario-specific functions	<ul style="list-style-type: none">• Widely applied in various audiovisual scenarios with greater flexibility to deliver cross-scenario functions
Pricing model	<ul style="list-style-type: none">• Generally charged a regular subscription fee (usually annually)	<ul style="list-style-type: none">• Charged a monthly service fee based on actual usage or based on service package• Or charged a one-off service fee based on the specific needs of the project

According to iResearch, it is expected that APaaS will be able to penetrate SaaS market, especially meeting the customization needs of medium and small-sized clients. Audiovisual service market exhibits characteristics that favors the development of APaaS as most of the audiovisual content processing and engagement are applicable across various scenarios, for which APaaS can be delivered easily. For example, under our Company's APaaS image processing and delivery solution, customers can achieve streamlined image processing, distribution, and editing functionality which are also available in SaaS applications, but can further customize image storage setup, image CDN domain setup and image presets setup, thus optimizing the process to suit individual customer's needs. Such customization capabilities of which are not possible in similar SaaS application. Another example is our APaaS digital person solution, where customers can generate short videos of digital persons similar to SaaS applications offered by other companies. However, our APaaS solution allows much more customizations than our counterpart SaaS applications such as person's appearance, physique, voices, emotions for different purposes, and also room for post productions.

To the best of the Company's knowledge, We are not aware of any material loss of our APaaS customers during the Track Record Period.

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EMPLOYEES

As of the Latest Practicable Date, we had 387 full-time employees. The following table sets forth the number of our employees by function as of December 31, 2021, 2022, 2023 and March 31, 2024 and as of the Latest Practicable Date:

Function	2021		As of December 31,		2023		As of March 31		As of the Latest Practicable Date	
	Count	%	Count	%	Count	%	Count	%	Count	%
Research and Development	254	40.3	172	39.3	170	43.6	168	43.3	174	45.0
Sales and Marketing	281	44.5	177	40.4	137	35.1	134	34.5	121	31.3
General and Administrative	69	10.9	62	14.2	59	15.1	62	16.0	68	17.6
Operation and Maintenance	27	4.3	27	6.1	24	6.2	24	6.2	24	6.2
Total	631	100.0	438	100.0	390	100.0	388	100.0	387	100.0

Our employees are currently represented by a labor union. We believe that we maintain a good working relationship with our employees and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

Recruitment policy

We primarily recruit our employees through recruitment agencies, campus job fairs, internal referral program and online channels, including our company website and social networking platforms. We focus on and devote resources to ensure that our culture and brand remain highly attractive to potential and existing employees. As part of our recruiting and retention strategy, we have established comprehensive training programs that cover topics such as corporate culture, employees' rights and responsibilities, team building, professional behavior, compliance and job performance. We provide regular technical training to our employees so that they can familiarize with the new features of our products and solutions. We also invite managers to participate in company retreats and encourage them to contribute to the shaping of our business strategy. Through these trainings, we ensure that our employees' skill sets are up-to-date and enable them to discover and meet our customers' needs. We believe our training culture has contributed to our ability to recruit and retain qualified employees.

We enter into standard employment, confidentiality and non-compete agreements with our employees. As required by PRC laws and regulations, we participate in housing provident fund and various employee social security plans that are organized by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury and unemployment benefit plans.

We believe that we maintain good working relationship with our employees and we have not experienced any material labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period and up to the Latest Practicable Date.

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Compensation and benefits

We believe that our success depends on our ability to attract, retain and motivate qualified talents. As part of our human resources strategy, we offer competitive salaries, performance-based promotion, incentive stock options, bonuses and other incentives such as fitness allowance. We also provide a team building budget for departments to organize meetings, trainings and retreats for employees. As a result, we have successfully attracted and retained our core employees since our inception.

PROPERTIES

Our headquarters is located in Floors 1-4, Building Q, No.66 Boxia Road, Pudong New District, Shanghai, PRC. We do not own any properties as of the Latest Practicable Date. As of the Latest Practicable Date, we leased seven properties in the PRC with an aggregate gross floor area of approximately 7,857.9 square meters. These properties serve as our management headquarters, which accommodate our sales and marketing, research and development, and general and administrative activities. We believe that there is sufficient supply of properties in mainland China and we do not rely on any of the existing leases for our business operations.

As of the Latest Practicable Date, five lease agreements of our leased properties had not been registered and filed with the competent PRC Governmental Authorities as required by applicable PRC laws and regulations. Our PRC Legal Advisor has advised us that failure to complete the registration and filing of lease agreements will not affect the validity of such leases or impede our use of the relevant properties but could result in fines of up to RMB10,000 per unregistered leased agreement if we fail to rectify such non-compliance within the time frame prescribed by the relevant authorities. Our PRC Legal Advisor is of the view that the non-registration of lease agreements will not affect the validity of the lease agreements, and we are entitled to use such properties in accordance with the lease agreements insofar as these lease agreements are legal, valid and enforceable. Furthermore, our leased properties mainly serve as office spaces, which give us the flexibility to relocate them with relative ease and minimal impact on our business continuity. As a result, we do not believe that the non-registration of these lease agreements will, individually or in the aggregate, have a material adverse effect on our business operations. For details, please refer to the paragraph headed “Risk Factors — Risks Relating to Our Business and Industry — We face certain risks relating to the properties that we lease, our rights to use some of our leased properties could be challenged by property owner or other third parties, and we may be subject to fines as a result of unregistered leases which may adversely affect our business operations and financial condition” in this prospectus.

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As of the Latest Practicable Date, the lessors have provided us with the relevant title certificates for six leased properties. We have not yet obtained the relevant title certificates for one leased property with a gross floor area of approximately 31.82 square meters, representing approximately 0.4% of the gross floor area of all of the leased properties. Our PRC Legal Advisor has advised that the failure to obtain the relevant title certificates of the leased property may result in a risk that the relevant lease agreements to be deemed invalid by competent authorities or that we will not be able to continue to use the leased property. However, if we suffer losses due to the title defects of such leased property, we may request rent reduction or need not to pay the rent to the lessor according to the relevant provisions of the Civil Code of the People's Republic of China. As of the Latest Practicable Date, although the actual use of the leased property has not been affected and the leased property has not been subject to any disputes or investigation or punishment from the competent authorities due to such failure to obtain the relevant title certificates, if our leases of such property was terminated or voided as a result of challenges from third parties or the authorities, we would need to seek alternative premises and incur relocation costs. We believe that there are alternative properties at comparable rental rates available on the market, the use of which would not materially and adversely affect our business operations. Moreover, one of our leased properties is subject to mortgage and therefore, in case the mortgagees enforce the mortgage, we may not be able to continue using such leased properties.

We have enhanced our internal control measures in the following: (i) strengthen legal compliance training for employees, including appointment of external PRC legal advisor to provide relevant legal and regulatory training to employees; and (ii) keep abreast of the latest developments in the PRC laws and regulations relating to property leasing.

INSURANCE

Our employee-related insurance consists of pension insurance, unemployment insurance, work-related injury insurance and medical insurance, as required by PRC laws and regulations.

In line with general market practice, we do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain key-man life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. During the Track Record Period, we did not make any material insurance claim in relation to our business.

We believe our insurance policy complies with the relevant rules and regulation in the PRC. For details, please refer to the paragraph headed "Risks Factors — Risks Relating to Our Business and Industry — We may not have sufficient insurance coverage to cover our potential liability or losses, and 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.

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LICENSES, PERMITS AND APPROVALS

During the Track Record Period and up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant regulatory authorities that are material to our operations in China. The following table sets out a list of our material licenses and permits:

License/Permit	Holder	Granting Authority	Grant Date	Expiry Date
Value-Added Telecommunications Business Operating License (增值電信業務經營許可證)	Qiniu Information	MIIT	2023.8.17	2026.03.24
High and New Technology Enterprise Certificate (高新技術企業證書)	Qiniu Information	Science and Technology Commission of Shanghai Municipality; Shanghai Municipal Finance Bureau; Shanghai Municipal Tax Service, State Taxation Administration	2022.12.14	2025.12.14
Information System Security Level Protection Record Certificate (信息系統安全等級保護備案證明) (second-level website system)	Qiniu Information	Shanghai Municipal Public Security Bureau	2018.04.25	–
Information System Security Level Protection Record Certificate (third-level Qiniu cloud storage system)	Qiniu Information	Shanghai Municipal Public Security Bureau	2018.04.25	–
Value-Added Telecommunications Business Operating License	Qiniu Shenzhen	MIIT	2023.03.08	2027.10.31
Value-Added Telecommunications Business Operating License	Beijing Kongshan	MIIT	2023.04.19	2028.04.19

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LEGAL PROCEEDINGS AND NON-COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings (including any administrative penalties, bankruptcy or receivership proceedings), which we believe would have a material adverse effect on our business, results of operations or financial condition. As of the Latest Practicable Date, we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors, which we believe would have a material adverse effect on our business, results of operations or financial condition.

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any material non-compliance incidents that we believe would have a material adverse effect on our business, results of operations or financial condition.

During the Track Record Period and as of the Latest Practicable Date, we have not experienced any major error, defect, security vulnerability or service interruption in our products and solutions, nor have we been subject to any material claims brought against us by any of our customers.

COMPLIANCE WITH AI MEASURES

As of the Latest Practicable Date, we are developing generative artificial intelligence service, but have not yet provided generative artificial intelligence services to any third parties. We intend to provide the generative artificial intelligence services through Qiniu Information. We had not been subject to any investigation or administrative penalty by any competent authority due to the violation of the AI Measures. We have taken and will take a series of measures in accordance with the AI Measures and relevant regulations, including:

- Qiniu Information carried out training by using data (such as open source data set) which were publicly available on the Internet, and complied with relevant open source agreements, statements or licensing agreements.
- Qiniu Information intends to mainly provide services to enterprises rather than individuals, and will enter into service agreements with Users to specify the rights and obligations. Qiniu Information did not use personal information in the training data processing activities.
- Qiniu Information will improve and strictly implement the internal control system, and perform network information security obligations. Qiniu Information will promptly take measures such as stopping generation, stopping transmission, eliminating any illegal content discovered, take model optimization training and other measures for rectification, and report the same to the competent authorities; in case personal information is involved, Qiniu Information will perform personal information protection obligations according to laws and regulations.

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- Qiniu Information will not mark data during the research and development process of generative artificial intelligence technologies. Qiniu Information will take appropriate protection measures for Users' input information and use records, mark pictures and videos and other generated content as required by applicable laws, clarify and disclose the applicable groups, occasions and purposes of the services, and guide Users to acquire a scientific and rational understanding and use generative artificial intelligence technology in accordance with the laws and regulations.
- Qiniu Information will establish a complaint and reporting mechanism and set up a convenient portal for complaints and reports.

Based on the above, our PRC Legal Advisor is of the view that we comply with the AI Measures in all material respects.

Our Directors believe that the AI Measures will not materially affect our current and future business operations and financial performance, on the grounds that: (i) our PRC Legal Advisor's opinion mentioned above; (ii) we have taken or will take sufficient measures to comply with the AI Measures and relevant regulations and such measures will not have any material adverse effect on the business and financial performance of us; and (iii) we will continue to closely monitor market practice and any further interpretation of the AI Measures.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE MATTERS

We do not operate any production facilities. Therefore, we are not subject to any significant health, safety or environmental risks. To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. We do not expect any material liabilities or expenditures to be incurred in these respects. During the Track Record Period and as of the Latest Practicable Date, we had not been subject to any fines or other penalties due to non-compliance with health, safety or environmental regulations.

CORPORATE SOCIAL RESPONSIBILITY

We have aimed for long-term sustainable growth since our inception. To achieve this aim, we strive to work with all stakeholders to ensure that our Group is not only an exceptional audiovisual cloud services provider, but also a respected market player. This includes continually assessing and improving our role in the communities and environment in which we operate. We are therefore committed to working with our partners, customers, investors, employees, and society as a whole to play our part in building a healthy, robust and sustainable future.

Economic responsibility and employee care

We strive to consistently reach our business and development targets in order to create value which will enable us to reinvest in our talents, as we believe that our talents are an integral part of our success. We have invested significant resources in career development and training for our employees of all levels. Such training includes newcomers' training, on-the-job training, professional development seminars and accredited educational courses. We also have comprehensive review systems and promotion pathways in place to clarify the career advancement opportunities within the Group for our employees. By providing resources for professional development and a clear career pathway, we foster a corporate culture of professionalism and demonstrate to our employees that we value their contributions.

We also offer a comprehensive compensation and benefits package, with competitive salaries, bonuses, maternity leave, and other allowances, on top of social insurance and housing provident fund contributions. We also embrace diversity and inclusion, so all our employees enjoy equal opportunities in all respects, ranging from recruitment, training, welfare coverage, career and personal development during their time with us. Besides, we will also continue to encourage a culture of work-life balance, in order to create a positive and comfortable work environment for our employees. For details, please refer to the paragraph headed "Employees — Compensation and benefits" in this section. We treat all employees equally regardless of age, race or sex.

Environmental responsibility

We are committed to reducing our environmental impact. Although we do not believe that the audiovisual cloud services industry is a major source of environmental concerns, we believe that everyone in society should do their part in conserving the environment.

As such, we have adopted environmentally friendly practices and policies, including but not limited to:

- switching off all electronic equipment and light when they are not in use;
- installing energy saving lights;
- encouraging recycling by providing recycling bins at easily accessible points;
- stop providing disposable cutlery at our canteens and pantries;
- using electronic channels for internal communication to minimize paper waste;
- encouraging double-side printing and reusing of waste paper; and
- switching off all the air conditioners after normal business hours and during non-working days, encouraging our employees to close the doors and windows when the air conditioners are turned on and not to set the air conditioners lower than 26 degrees Celsius in summer and arranging technicians to maintain the cooling systems regularly.

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The following table sets forth the electricity, paper and water consumption of our headquarters during the Track Record Period:

	For the year ended December 31,			For the three months ended March 31, 2024
	2021	2022	2023	
Electricity consumption of our headquarters (kwh)	610,697	549,497	457,882	133,627
Paper consumption of our headquarters (in thousands)	92.2	145.0 ⁽¹⁾	264.2 ⁽²⁾	41.9
Water consumption of our headquarters (m³)	2,445	1,697 ⁽³⁾	1,736 ⁽⁴⁾	337

Notes:

- (1) We experienced a significant increase in paper consumption in 2022 due to the travel restrictions in Shanghai during COVID-19 and the consequential increase in-house printing needs.
- (2) Our paper consumption for the year ended December 31, 2023 increased significantly as a result of the confidential printing of sheer amount of documents in connection with the listing application.
- (3) Our water consumption for the year ended December 31, 2022 decreased significantly as a result of the travel restriction measures and therefore closure of office premises between March and May 2022 due to resurgence of COVID-19 in the PRC.
- (4) The total area of office premises at our headquarters reduced since November 2022 and thus our water consumption for the year ended December 31, 2023 is smaller than that for the year ended December 31, 2021.

In 2023, we restructured our infrastructure layout and relocated our servers as cost control measures. The data centers we choose comply with national standards for carbon emissions. We collaborate with quality service providers with low-energy consumption in our selection of data centers. In particular, we choose data centers with high power usage effectiveness (PUE) values.

To effectively address environmental risks along the supply chain, we have implemented rigorous quality requirements and standards when selecting suppliers. We prioritize hardware and software suppliers who have obtained recognized environmental certifications to demonstrate a strong commitment to sustainable practices and strictly require hardware and software suppliers to comply with relevant environmental standards and regulations. Moreover, we emphasize transparency and information sharing to effectively manage environmental risks across the supply chain. Open communication is encouraged among suppliers regarding their environmental practices and regulatory updates. This collaborative approach fosters a collective effort towards sustainability. By promoting transparency, we ensure suppliers are well-informed and empowered to make environmentally responsible decisions. By prioritizing suppliers that align with our environmental values and promoting transparency, we actively manage and mitigate environmental risks.

Social responsibility

We have made contributions to the welfare of society and sharing our corporate social responsibility. For example, we donated medical supplies to a hospital and procured agricultural produce from the Yunnan province during the COVID-19 pandemic. We also took up social responsibility by communicating with relevant stakeholders to understand and fulfill their needs. Our Group encourages employees to participate in social and charitable activities and promotes harmony in social development. In 2022, 15 of our employees volunteered, under our encouragement, to provide logistical support to the community during the COVID-19 pandemic.

ESG-related Risks and Opportunities

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any investigations, inquiries, fines or penalties for non-compliance with applicable laws and regulations in relation to health, work safety or environment. We had not encountered any incident, or received any third-party claim or legal proceedings for breach or violation of applicable laws and regulations which had materially and adversely affected our financial condition or business operations.

We have established Qiniu Comprehensive Risk Management Measures (《七牛全面風險管理辦法》), which specifies the roles and duties of our Board, management and employees in relation to the identification, assessment, monitoring and management of, among others, credit and liquidity risks, market risks, operational risks, reputational risks, compliance risks, and information and data security risks. We have set up a risk management working group which comprises department heads of various disciplines. For instance, the finance department, the marketing department and the audit department are responsible for managing and handling liquidity risks, reputational risks, and comprehensive risk management, respectively. The risk management working group will identify and assess the risks that we face, formulate measures to alleviate or resolve the identified risks, and report to the Board regularly.

Our compliance management department has been assessing and managing ESG-related risks and opportunities over the short, medium and long terms. The table below outlines our assessment regarding ESG-related risks that we consider material to us and our stakeholders.

BUSINESS

Risks and Impact

Our Responses

Short-term

Climate risks: Extreme weather such as flooding, typhoons and heat waves caused by climate change worldwide may seriously affect the stability and sustainability of electricity supply, which may result in power shortage and disruption of our business operations. These natural disasters may also seriously affect the safe and stable operation and business continuity of our suppliers' data centers. Service interruption or major equipment damage may negatively impact the sustainability of our services.

Our QCDN product adopts an integrated CDN approach through building a global network of CDN nodes. Our data centers are dispersed across different regions thus diversifying the risk of extreme weather disruptions. We select data center providers which strictly follow the Emergency Operating Procedure (EOP) for extreme weather in the data centers.

Reputational and market risks: As the PRC government and global investors pay more attention to ESG issues, particularly environmental issues, inaction or reactive response to policy changes or market sentiments may negatively affect our reputation, market position or loss of financing opportunities.

To proactively address such risks, our risk control department has incorporated climate-related risks into its risk assessment model and has studied the possible impact on reputation and taken the next steps. In addition, we have established a transparent information disclosure mechanism to better communicate to our stakeholders our efforts and objectives related to ESG.

BUSINESS

Risks and Impact

Our Responses

Medium-term *Policy risk:* Implementation of regulatory policies relating to employment, health and safety, and carbon emission and power restrictions may increase our operational and compliance costs. In particular, power restrictions may negatively affect the operations of our suppliers' internet data centers and our cloud storage facilities, which will in turn materially affect our business operations and financial position.

Our risk management team pays close attention to changes in policies and regulations to ensure that our business operations comply with the relevant regulatory requirements. In order to reduce the impact of power restrictions on us, we implement strict control of our supply chain and choose data centers which are power efficient and environmentally friendly. Specifically, we evaluate our data center suppliers based on national industry standards and regulations, such as Power Usage Effectiveness (“PUE”) level, in selecting our suppliers.

Technology risk: With the rapid development of low-carbon technologies and other emerging technologies, failure to identify and apply emerging technologies promptly may present greater climate-related risks to our operations.

We plan to keep abreast of latest technology development, in particular low-carbon technologies and other ESG related technologies, and consider to adopt ESG related technologies.

BUSINESS

	Risks and Impact	Our Responses
Long-term	<i>Climate risk:</i> Climate change may bring about weather-related hazards such as flooding, storms, sandstorm, prolonged droughts etc. more frequently, which may negatively affect our and our business partners' business operations if such hazards happen in our vicinity, which may lead to operational instability and higher costs in the long term.	We place huge emphasis on sustainability standards when selecting our business partners such as data center service providers. We will actively explore and prioritize business cooperations with data center suppliers which utilize clean and renewable energy sources such as wind power, hydro power and solar power and use natural resources and waste heat recovery for server cooling.

RISK MANAGEMENT AND INTERNAL CONTROL

We established, and currently maintain, risk management and internal control systems consisting of policies and procedures which we consider appropriate for our business operations. We are dedicated to continually improving these systems. We adopted and implemented comprehensive risk management policies in various aspects of our business operations, such as information technology, financial reporting, compliance, and human resources. Our Board is responsible for the establishment and updating of our internal control systems, while our senior management monitors the daily implementation of the internal control procedures and measures with respect to each subsidiary and functional departments.

Information and data security risk management

To ensure a healthy and sustainable development of our business, we are dedicated to building and maintaining well-functioning information security management and operational risk management systems through policies and procedures.

During the course of business, we handle and process customers' data which is stored on the cloud platform. Other than collecting customers' phone numbers for the purpose of account registration and verification, we do not collect or utilize the data and only provide reports or analysis subject to customers' demands. We have never been subjected to any penalties or claims for violating applicable data security or cybersecurity laws. We have adopted a rigorous encrypted algorithm to store data and have strictly executed a data access and transmitting policy to ensure the confidentiality of our customer data. We have also developed strict internal control and data access mechanisms as well as detailed approval and operation procedures regarding customer data processing. Under such mechanisms and procedures, any operations violating information security regulations will result in internal disciplinary action. In general, the information that our staff have access to is anonymous and insensitive. Our staff are expected to undertake trainings on data protection, which we organize regularly.

BUSINESS

We also have a comprehensive data backup system to encrypt and store data on servers in different locations in order to minimize the risk of data loss. In addition, we conduct data recovery tests to examine the status of the backup system on a regular basis.

Furthermore, our data security team is also responsible for inspecting any suspicious data deriving and transmitting activities, as well as enhancing our data protection system pursuant to the changes of laws and regulations and technology development. Meanwhile, this team takes charge of reviewing, discussing and improving our technologies in managing information security and our internal control system to ensure adequate protection is given to our users' data.

The Group has not experienced any disruption, loss of data and/or received complaints from the customers that materially affected the Group's operation during the Track Record Period.

Intellectual property risk management

Aside from making trademark and patent registration applications, we have also adopted the following key measures to manage our intellectual property risk: (i) establishing a dedicated intellectual properties legal taskforce to guide, manage, supervise and monitor our daily work regarding intellectual properties; (ii) applying for registration of our intellectual properties before we commence relevant business; (iii) timely registration, filing and application for ownership of our intellectual properties; (iv) actively tracking the registration and authorization status of intellectual properties and take action in a timely manner if any potential conflicts with our intellectual properties are identified; (v) separating physical areas for technology development areas and business secrets protection areas which are only accessible with authorization under strict visiting rules; and (vi) clearly stating all rights and obligations regarding the ownership and protection of intellectual properties in all employment contracts and commercial contracts we enter into.

Operational risk management

We pay detailed attention to the review of contents published by our customers. We have developed a proprietary intelligent content censor system, which leverages the machine learning technology to determine within several seconds whether the contents published by customers (including texts, graphics, and videos) have violated or is likely to violate any policies, and we manage this accordingly, through measures such as blocking such content from being published. At the same time, we set up an operational risk management team, members of which will conduct comprehensive reviews of contents used in our platform.

In addition, end customers can give feedback or report any violating contents published by our customers through different channels. Our operational risk management team will, pursuant to applicable laws and regulations, delete or remove offending contents and penalize such customers.

Regulatory compliance risk management

In order to effectively manage our exposure to compliance and legal risk, we adopt strict internal procedures to ensure compliance of our business operations with the relevant rules and regulations.

BUSINESS

In accordance with these procedures, our in-house legal department performs the basic function of reviewing and updating the form of contracts we enter with our customers. Our legal department examines the contract terms and reviews all relevant documents for our business operations, including licenses and permits obtained by the counterparties to perform their obligations under our business contracts and all the necessary underlying due diligence materials, before we enter into any contract or business arrangements.

We also have in place detailed internal procedures to ensure that our in-house legal department reviews our services and distribution contents, including upgrades to existing services, for regulatory compliance before such services and distribution contents are made available to the general public. Our in-house legal department is responsible for obtaining any requisite governmental pre-approvals or consents, including preparing and submitting all necessary documents for filing with relevant Governmental Authorities, within the prescribed regulatory timelines.

We continually improve our internal policies in accordance with changes in laws, regulations and industry standards, and update internal templates for legal documents. We undertake compliance management over various aspects of our operations and employee activities. We have also established an accountability system in respect of employees' violations of laws, regulations and internal policies. In addition, we continually review the implementation of our risk management policies and measures to ensure our policies and implementation are effective and sufficient.

We have an employee handbook in place, which has been approved by our senior management and distributed to all our employees. It contains internal rules and guidelines regarding basic working rules, work ethics, confidentiality, negligence, anti-bribery, and anti-corruption. We provide our employees with regular training to explain the guidelines contained in the employee handbook.

Financial reporting risk management

We have a set of policies in connection with our financial reporting risk management, such as financial system management, assets protection management, budget management, and operation analysis management. We also have procedures in place to implement such policies, which our financial department follows when reviewing our management accounts. In addition, we provide regular training to our financial department staff to ensure that they understand our accounting policies and procedures.

Investment risk management

We invest in or acquire businesses that complement ours, such as those that can expand our service scope and strengthen our R&D capabilities. We usually plan to hold our investments for the long term. To protect Shareholders' interests and control potential risks related to investments, we generally require the investees to grant us the usual investor protection rights.

BUSINESS

In our investment projects, our corporate strategic management center identifies investment projects based on our investment strategies and evaluates the risks and potential of these investment projects in advance. We adopt different levels of approval and due diligence mechanisms depending on the specific circumstances of the investment project. Our finance and legal affairs department collaborates with the corporate strategic management center on evaluation, structure, analysis, communication, execution, risk control, reporting and post investment risk management of transactions. In addition, our finance and legal affairs department regularly monitors trading behavior. Any significant issues will be timely reported to the Board and the corporate strategic management center composed of several senior management team members with rich industry experience for further discussion.

Internal control risk management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. To ensure the effectiveness of our internal control, our business department (i.e. sales department) works closely with our operations departments (i.e. security and risk control department as well as operational and maintenance security department). Our internal control team would also conduct regular reviews to monitor the status and effectiveness of our risk management procedures and policies, to ensure the effectiveness and adequacy of our procedures and policies in place.

AWARDS AND RECOGNITIONS

During the Track Record Period, we received awards and recognitions in respect of our services, technology and innovation. The following table sets out the details of some of the notable awards and recognitions which we have received:

Award/Recognition	Award Year	Awarding Institution/Authority
Shanghai Top 100 Software and Information Technology Service Providers (上海軟件和信息技術服務業百強)	2023	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會)
Outstanding Service Support Enterprise (優秀服務支撐單位)	2023	Shanghai Information Network Security Administration Association (上海市信息網路安全管理協會)
High and New Technology Enterprise	2022	Science and Technology Commission of Shanghai Municipality (上海市科學技術委員會)
Shanghai Top 100 Software and Information Technology Service Providers (上海軟件和信息技術服務業百強)	2022	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化委員會)
REAL 100 Innovation Units	2022	Jiemian.com

BUSINESS

Award/Recognition	Award Year	Awarding Institution/Authority
Most Watched Startup of the Year	2021	Sina.com
WISE 2021 Digital Innovation Icon Award (WISE 2021 數字化創新標桿獎)	2021	36Kr (36 氦)
2020-2021 Best Practice of Trusted Cloud Technology – Object Storage (2020-2021 年度可信雲技術最佳實踐 – 對象存儲)	2021	China Academy of Information and Communications Technology (中國信息通信研究院)
2021 TOP50 Digital Service Providers in Chinese Automotive Industry	2021	EqualOcean (億歐智庫)
Cloud Service Pioneer Institution Award	2021	01 Caijing (零壹財經)
2021 TOP 100 Digital Transforming Service Providers in China (2021 中國數字化轉型服務商 TOP100)	2021	EqualOcean (億歐智庫)
Top 20 Growing Chinese Internet Enterprises	2021	Internet Society of China

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board currently consists of six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of our Board include, but are not limited to, convening the general meetings, reporting on the performance of our Board's work at the general meetings, implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and final accounts, formulating our proposals for increase or reduction of our capital as well as exercising other powers, functions and duties as conformed by our Articles.

The following table sets forth certain information in respect of our Directors:

Name	Age	Position	Roles and responsibilities	Time of joining our Group	Date of appointment as Director
Executive Directors					
Mr. Xu Shiwei (許式偉)	46	Chairman of the Board and executive Director	Overall strategic planning and operational decision of our Group	May 2011	May 23, 2011
Ms. Chen Yiling (陳伊玲)	41	Executive Director	Overseeing daily management and operations, strategic planning and business development of our Group	October 2014	March 13, 2023
Non-executive Director					
Mr. Lyu Guihua (呂桂華)	44	Non-executive Director	Participating in the formulation of the overall strategy of our Group	May 2011	May 23, 2011
Independent non-executive Directors					
Mr. Wei Shaojun (魏少俊)	43	Independent non-executive Director	Supervising and providing independent judgement to our Board	September 25, 2024	September 25, 2024

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Roles and responsibilities	Time of joining our Group	Date of appointment as Director
Mr. Zhou Zheng (周正)	39	Independent non-executive Director	Supervising and providing independent judgement to our Board	September 25, 2024	September 25, 2024
Dr. Shi Qing (史清)	46	Independent non-executive Director	Supervising and providing independent judgement to our Board	September 25, 2024	September 25, 2024

DIRECTORS

Executive Directors

Mr. Xu Shiwei (許式偉), aged 46, was appointed as a Director on May 23, 2011 and was subsequently re-designated as an executive Director on June 26, 2023. Mr. Xu is also the chairman of our Board, the chief executive officer and chief technical officer of our Company, and directors of certain of our subsidiaries and Consolidated Affiliated Entities, such as Qiniu HK, WarpDrive Technology and Qiniu Information. Mr. Xu is responsible for overall strategic planning and operational decision of our Group.

Mr. Xu has over 20 years of experience in the information technology industry. Mr. Xu established our Company in May 2011. Prior to the incorporation of our Company, from 2009 to 2011, Mr. Xu worked as a senior researcher at Shanda Interactive Entertainment Limited (上海盛大網絡發展有限公司), and led the launch of Shanda NetDisk and Shanda Grand Cloud. From 2000 to 2008, Mr. Xu held several technical roles, including as a technical director, at Kingsoft Corporation Limited (金山軟件有限公司) (a company listed on the Stock Exchange, stock code: 3888), where he established a laboratory focusing on the research and development of distributed storage technologies.

Mr. Xu received a degree of Bachelor of Science in Theoretical Physics from Nanjing University (南京大學) in July 2000.

Mr. Xu has received various recognitions for his contributions in the information technology industry. He received the State Scientific and Technological Progress Award (Second Class) (國家科學技術進步獎二等獎) by the State Council in December 2007 for his contributions in the development of WPS Office 2005 and he also received the Shanghai Scientific and Technological Award (Third Class) (上海市科學技術獎三等獎) for his participation in the development of cloud storage framework and data management platform for developers from Shanghai Municipal People's Government (上海市人民政府) in November 2016.

Mr. Xu is one of the lead authors of the book titled "The Go Programming Language (Go語言編程)" and one of the translators of the book titled "Programming in Go: Creating applications for the 21st century" written by Mark Summerfield. Mr. Xu is also the inventor/co-inventor of several critical patents of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu was a director of the following dissolved companies and confirmed that they were solvent immediately prior to their dissolution and had no outstanding claims or liabilities. The relevant details are as follows:

Company name	Place of establishment	Status	Date of deregistration	Reason for deregistration
Hangzhou Oudun Qiniu Technology Co., Ltd.* (杭州歐盾七牛科技有限公司)	PRC	Dissolved by deregistration	March 1, 2023	No business operations
Hangzhou Yima Technology Co., Ltd.* (杭州壹馬科技有限公司)	PRC	Dissolved by deregistration	April 4, 2023	No business operations

Ms. Chen Yiling (陳伊玲), aged 41, was appointed as a Director on March 13, 2023 and was subsequently re-designated as an executive Director on June 26, 2023. Ms. Chen is also the chief operating officer of our Company and director or supervisor of certain subsidiaries and Consolidated Affiliated Entities, such as Qiniu HK, WarpDrive Technology and Qiniu Information. Ms. Chen is responsible for overseeing daily management and operations, strategic planning and business development of our Group.

Ms. Chen has over 17 years of experience working in the information technology industry. She joined our Group in October 2014 and initially worked as a human resources director. She was subsequently promoted to be the vice president of our human resources department in January 2017. She was re-designated as the vice president of our operation department in June 2020 and served as the chief marketing officer from May 2021 to December 2021 before she became our chief operating officer. Prior to joining our Group, Ms. Chen worked at Shanghai Success Factors Software Technology Co., Ltd. (上海勝略軟件技術有限公司) (a subsidiary of SAP (China) (思愛普(中國)) (“SAP”)), a software company, from January 2011 to September 2014.

Ms. Chen received a degree of Bachelor of Management in Human Resource Management from Hunan Institute of Engineering (湖南工程學院) in June 2005 and she has been studying in the Executive Master of Business Administration (EMBA) program at Cheung Kong Graduate School of Business (長江商學院) since October 2021.

Non-executive Director

Mr. Lyu Guihua (呂桂華), aged 44, was appointed as a Director on May 23, 2011 and was subsequently re-designated as a non-executive Director on June 26, 2023. Mr. Lyu is also a director of certain of our subsidiaries and Consolidated Affiliated Entities, such as Qiniu HK and Qiniu Information. Mr. Lyu is responsible for participating in the formulation of the overall strategy of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Lyu has over 21 years of experience in the information technology industry. Prior to joining our Group, from August 2009 to June 2011, he served as a department manager in Shanda Games Limited (盛大遊戲有限公司) (currently known as Shengqu Information Technology (Shanghai) Co., Ltd. (盛趣信息技術(上海)有限公司)), an online game company. From March 2004 to August 2009, Mr. Lyu served as a software development manager in Augmentum Software. From July 2001 to March 2004, Mr. Lyu served as a software architect at Kingsoft Corporation Limited (金山軟件有限公司) (a company listed on the Stock Exchange, stock code: 3888).

Mr. Lyu received his degree of Bachelor of Engineering in Mechanical Engineering and Automation from Zhejiang University (浙江大學) in June 2001.

Mr. Lyu is another lead author of the book titled “The Go Programming Language (Go語言編程)” and one of the translators of the book titled “Programming in Go: Creating applications for the 21st century” written by Mark Summerfield. Mr. Lyu is also the inventor/co-inventor of several critical patents of our Group.

Independent non-executive Directors

Mr. Wei Shaojun (魏少俊), aged 43, was appointed as an independent non-executive Director on September 25, 2024 and is responsible for supervising and providing independent judgement to our Board.

Mr. Wei has over 17 years of experience in the information technology industry. He has been serving as a senior technical director of Pintu (Beijing) Information Technology Co. Ltd* (拼途(北京)信息技術有限公司), an online travel platform providing taxi-hailing and carpooling services, and is responsible for the optimization of intelligent algorithms since June 2021. From October 2018 to June 2021, Mr. Wei served as the vice president of the information management department of Shanghai LinkSure Network Technology Co.* (上海連尚網絡科技有限公司), a company providing internet access, and was responsible for information management and promotion business of videos. Prior to that, Mr. Wei was a technical director of Tianjin Qisi Technology Co., Ltd* (天津奇思科技有限公司), a software company which is currently known as 360 Technology Group Co., Ltd.* (三六零科技集團有限公司), and was responsible for web crawlers, natural language processing, promotion and other related operations from September 2012 to October 2018. From July 2006 to September 2012, he was a technical manager at Baidu, Inc. (百度集團股份有限公司) (a company listed on the Stock Exchange, stock code: 9888 and NASDAQ, stock code: BIDU) and was responsible for web crawlers and search engine.

Mr. Wei received his degree of Bachelor of Science in Physics in Optoelectronics from Nanjing University (南京大學) in July 2000 and his degree of Master of Engineering in Computer Science and Technology from Tsinghua University (清華大學) in July 2006.

Mr. Zhou Zheng (周正), aged 39, was appointed as an independent non-executive Director on September 25, 2024 and is responsible for supervising and providing independent judgement to our Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhou has over 11 years in the corporate finance and capital markets industry. He has been serving as the chief strategy officer of Zhongsheng Group Holdings Limited (中升集團控股有限公司) (an automobile company listed on the Stock Exchange, stock code: 881) since February 2023 and is primarily responsible for financial and strategic planning and capital markets related matters. From November 2017 to April 2021, he served as the chief financial officer of VCREDIT Holdings Limited (維信金科) (an online consumer finance service provider listed on the Stock Exchange, stock code: 2003). Prior to that, he worked at Credit Suisse (Hong Kong) Limited (瑞士信貸(香港)有限公司), a subsidiary of Credit Suisse AG (瑞士信貸銀行股份有限公司), an investment bank, as a vice president from May 2016 to November 2017 and worked at Blackstone Advisory Partners L.P., a subsidiary of The Blackstone Group (黑石集團), from March 2011 to May 2015.

Mr. Zhou obtained his degree of Bachelor of Business Administration in Finance from The Hong Kong University of Science and Technology (香港科技大學) in November 2008 and a degree in Master of Business Administration from the Sloan School of Management of Massachusetts Institute of Technology (麻省理工學院) in June 2021.

Dr. Shi Qing (史清), aged 46, was appointed as an independent non-executive Director on September 25, 2024 and is responsible for supervising and providing independent judgment to our Board.

Dr. Shi has over 18 years of experience in the research and development industry. He has been serving as the Chairman and Chief Technology Officer of Motorcomm Electronic Technology Co., Ltd. (裕太微電子股份有限公司) (a company with principal business of development, design and sales of communication chips listed on the Shanghai Stock Exchange, stock code: 688515), since June 2017. Between July 2007 and May 2017, Dr. Shi served as the research and development director of Qualcomm Enterprise Management (Shanghai) Co. Ltd. (高通企業管理(上海)有限公司), a telecommunication company. Prior to that, Dr. Shi served as a research and development scientist of Alcatel Shanghai Bell Co., Ltd (上海貝爾阿爾卡特股份有限公司) (currently known as Nokia Shanghai Bell Co., Ltd. (上海諾基亞貝爾股份有限公司)), a telecommunication company, from December 2006 to June 2007. From July 2005 to November 2006, Dr. Shi served as a research and development manager of Shanghai Galileo Ltd. (上海伽利略導航有限公司) (currently known as Shanghai Galileo Industries Ltd. (上海北伽導航科技有限公司)), a company with principal business of research and industrialization of satellite navigation.

Dr. Shi obtained his doctorate degree in Microelectronics and Solid State Electronics from Shanghai Institute of Microsystem and Information Technology (中國科學院上海微系統與信息技術研究所) in March 2006, and his degree of Bachelor of Science in Physics Microelectronics from Nanjing University (南京大學) in July 2000.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Shi was a director of the following dissolved company and confirmed that it was solvent immediately prior to its dissolution and had no outstanding claims or liabilities. The relevant details are as follows:

Company name	Place of establishment	Status	Date of deregistration	Reason for deregistration
Shanghai Yingfeien Electronic Technology Co., Ltd.* (上海英飛恩電子科技有限 公司)	PRC	Dissolved by deregistration	January 3, 2021	No business operations

Other disclosure pursuant to the Listing Rules

Each of our Directors confirmed that he or she (i) obtained the legal advice referred to under Rule 3.09D of the Listing Rules on June 25, 2023; and (ii) understood his or her obligations as a director of a listed issuer under the Listing Rules.

Each of our independent non-executive Directors confirmed (i) his independence as regards each of the factors referred to in Rule 3.13(1) to (8) of the Listing Rules; (ii) that he had no past or present financial or other interest in the business of our Company or our subsidiaries or any connection with any core connected person of our Company under the Listing Rules as at the Latest Practicable Date; and (iii) that there are no other factors that may affect his independence at the time of his appointment.

Save as disclosed above, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any other directorships in listed companies in the three years prior to the date of this prospectus.

Immediately following completion of the Global Offering, save for the interests in the Shares which are disclosed in the sections headed “Substantial Shareholders” and “Appendix IV — Statutory and General Information” in this prospectus, each of our Directors will not have any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying Shares of our Company. Each of our Directors has confirmed that none of them is engaged in, or interested in, any business (other than our Group) which, directly or indirectly, competes or may compete with our business.

Save as disclosed herein, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there were no other matters with respect to the appointment of our Directors that need to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table shows the key information of our senior management as at the date of this prospectus:

Name	Age	Position	Roles and responsibilities	Time of joining our Group	Date of appointment as senior management member
Mr. Xu Shiwei (許式偉)	46	Chief executive officer and chief technical officer	Overall strategic planning and operational decision of our Group	May 2011	May 23, 2011 (chief executive officer) August 1, 2022 (chief technical officer)
Ms. Chen Yiling (陳伊玲)	41	chief operating officer	Overseeing daily management and operations, strategic planning and business development of our Group	October 2014	December 2, 2021
Mr. Han Bin (韓斌)	56	Chief financial officer	Responsible for financing and capital market operation and assisting the chairman in formulating our strategy	November 2022	November 7, 2022
Mr. Zhang Yuanhao (張袁昊)	33	Head of finance department and joint company secretary	Responsible for daily management of finance department, handling corporate governance related matters and providing assistance to our Board	May 2015	October 15, 2018 (Head of finance department) June 26, 2023 (Joint company secretary)
Ms. Li Lina (李麗娜)	40	Head of human resources department	Responsible for the management of the human resources department and oversees recruitment and employee relations	November 2017	December 24, 2021
Mr. Jiang Wenlong (江文龍)	36	Deputy chief technical officer	Responsible for product research and development of the Group	August 2012	May 1, 2021

DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, namely Mr. Xu Shiwei and Ms. Chen Yiling, concurrently hold senior management positions in our Group. For each of their biographies, please see “– Directors – Executive Directors” in this section above.

Mr. Han Bin (韓斌), aged 56, joined our Group in November 2022 and has been the chief financial officer of our Company. Mr. Han is responsible for financing and capital market operation and assisting the chairman in formulating our strategy of our Group.

Prior to joining our Group, Mr. Han served as the senior vice president of Netjoy Holdings Limited (a company listed on the Stock Exchange, stock code: 2131), an online advertising solutions services company, from July 2019 to November 2022 and was responsible for the financing and investment management. He served as the vice president of Shanghai Fenghua Education Technology Co., Ltd.* (上海楓華教育科技有限公司), an education company, from August 2017 to March 2019, and was primarily responsible for financing and investment management. Before that, he served as a counsel and the director of capital markets department at Fangda Partners, a law firm, from March 2014 to August 2017. From November 2008 to March 2014, Mr. Han worked at the Stock Exchange with his last position being the representative of eastern China. Prior to that, he worked at Hubei Huanghe Law Firm (湖北黃鶴律師事務所) as a lawyer from March 2000 to April 2004. Mr. Han has been an independent director of China Hi-Tech Group Co., Ltd.* (中國高科集團股份有限公司) (a company with principal business of provision of vocational education listed on the Shanghai Stock Exchange, stock code: 600730), since June 2023.

Mr. Han graduated with a degree of Bachelor of Science in Astronomy from Beijing Normal University (北京師範大學) in July 1990. He obtained master of laws degrees from Wuhan University (武漢大學) in June 1999 and from the University of Toronto (多倫多大學) in November 2005, respectively. He also obtained PhD in law degree from The University of Hong Kong (香港大學) in November 2011. Mr. Han received a license to practice law in the PRC in June 2000 from the Ministry of Justice of the PRC.

Mr. Zhang Yuanhao (張袁昊), aged 33, was appointed as head of our finance department in October 2018 and as our joint company secretary on June 26, 2023. Mr. Zhang is responsible for the daily management of finance department of our Group, handling corporate governance related matters and providing assistance to our Board.

Mr. Zhang has over 11 years of experience in the finance industry. Mr. Zhang joined our Group in May 2015 initially as a financial manager and was promoted to be the head of our finance department in October 2018. Prior to joining our Group, from September 2012 to May 2015, Mr. Zhang worked as an auditor in the Shanghai branch office of Ernst & Young Hua Ming LLP (安永華明會計師事務所), an accounting firm.

Mr. Zhang obtained a degree of Bachelor of Management in Accounting from Fudan University (復旦大學) in July 2012. He has been a non-practicing member of Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) since June 2015. He passed the National Judicial Exam organized by the Ministry of Justice of the PRC in March 2016.

Ms. Li Lina (李麗娜), aged 40, was appointed as head of our human resources department in December 2021. Ms. Li is responsible for the management of the human resources department and oversees recruitment and employee relations.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Li has over 15 years of experience in the human resources industry. Ms. Li joined our Group in November 2017 and has been serving as a manager, a senior manager, director of remuneration and benefits in our human resources department and was subsequently appointed as the head of human resources department in December 2021. Prior to joining our Group, Ms. Li served as remuneration and benefits manager at the group of Bilibili Inc., (哔哩哔哩股份有限公司), a company listed on the Stock Exchange (stock code: 9626) and the NASDAQ (stock code: BILI) from May 2016 to November 2017 and as the head of the human resources at the group of Namchow Holdings Co., Ltd. (南僑投資控股股份有限公司), a company listed on the Taiwan Stock Exchange (stock code: 1702), from April 2011 to May 2016, in which she was responsible for supervising human resources matters. From July 2008 to May 2010, she worked at Joyoung Co., Ltd. (九陽股份有限公司), a home appliance manufacturer, as a human resources officer and recruitment specialist and was responsible for the establishment of salary incentive policy and staff recruitment.

Ms. Li obtained a degree of Bachelor of Engineering in Communication Engineering from Daqing Petroleum College (大慶石油學院) (currently known as Northeast Petroleum University (東北石油大學)) in July 2007.

Mr. Jiang Wenlong (江文龍), aged 36, was appointed as a deputy chief technical officer of our Company in May 2021. Mr. Jiang is responsible for product research and development of our Group.

Mr. Jiang has over 11 years of experience in the cloud computing industry. He joined our Group in August 2012 initially as a senior developer for server development. He was promoted to be a technical director in May 2013 to oversee the research and development of cloud storage products. Mr. Jiang was further promoted to be our senior R&D director in May 2019 and was responsible for the research and development focusing areas such as cloud storage, CDN and live broadcast.

Mr. Jiang obtained a degree of Bachelor of Engineering in Software Engineering from Xiamen University (廈門大學) in June 2010. In November 2016, Mr. Jiang received the Shanghai Scientific and Technological Award (Third Class) (上海市科學技術獎三等獎) for his participation in the development of cloud storage framework and data management platform for developers from Shanghai Municipal People's Government (上海市人民政府).

JOINT COMPANY SECRETARIES

Mr. Zhang Yuanhao (張袁昊), aged 33, was appointed as our joint company secretary on June 26, 2023. For details of his background, see “– Senior Management” above.

Ms. Tam Sze Wai Sara (譚思慧) was appointed as our joint company secretary on June 26, 2023. Ms. Tam has over 10 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as private and offshore companies. She is currently a manager of corporate services at Tricor Services Limited (卓佳專業商務有限公司), a global professional services provider specializing in integrated business, corporate and investor services.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Tam is a Chartered Secretary, a Chartered Governance Professional and an associate of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. Tam obtained her bachelor's degree in Psychology from University of British Columbia (英屬哥倫比亞大學) in May 2004 and master degree of Corporate Governance from The Hong Kong Polytechnic University (香港理工大學) in September 2019.

Pursuant to Rule 3.28 of the Listing Rules, an issuer must appoint as its company secretary an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules, with regards to the qualifications of company secretary. For further details of the waiver application, please see “Waivers and Exemptions from Strict Compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Appointment of Joint Company Secretaries” in this prospectus.

BOARD COMMITTEES

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and with written terms of reference in compliance with paragraph D.3 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules. The primary duties of our audit committee are to provide an independent view of the effectiveness of our financial reporting, risk management and internal control systems, oversee our audit process, develop and review policies and perform other duties and responsibilities as assigned by our Board.

Our audit committee comprises three members, namely Mr. Zhou Zheng, Dr. Shi Qing and Mr. Wei Shaojun. Mr. Zhou Zheng is the chairman of the audit committee, who is an independent non-executive Director with the appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and with written terms of reference in compliance in compliance with paragraph E.1 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules. The primary duties of the remuneration committee are to (i) establish, review and make recommendations to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determine the terms of the specific remuneration package of each executive Director and senior management; and (iii) review and approve performance-based remuneration by reference to corporate goals and objectives resolved by our Board from time to time.

Our remuneration committee comprises four members, namely Dr. Shi Qing, Mr. Xu Shiwei, Mr. Zhou Zheng and Mr. Wei Shaojun. Dr. Shi Qing is the chairman of the remuneration committee.

DIRECTORS AND SENIOR MANAGEMENT

Nomination Committee

We have established a nomination committee with written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code as set out in Appendix C1 of the Listing Rules. The primary duties of the nomination committee are to (i) review the structure, size and composition of our Board on a regular basis and make recommendations regarding any proposed changes to its composition; (ii) identify, select or make recommendations to our Board on the selection of nominees for directorship; (iii) ensure the diversity of our Board; (iv) assess the independence of our independent non-executive Directors; and (v) make recommendations to our Board on relevant matters relating to the appointment, re-appointment, removal and succession of our Directors.

Our nomination committee comprises four members, namely Mr. Xu Shiwei, Mr. Zhou Zheng, Dr. Shi Qing and Mr. Wei Shaojun. Mr. Xu Shiwei is the chairman of the nomination committee.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the “**Board Diversity Policy**”) which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. Pursuant to the Board Diversity Policy, we seek to achieve diversity of our Board through the consideration of a number of factors when selecting candidates to our Board, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company’s competitive advantage and enhancing its ability to attract talents and to retain and motivate employees. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, research and development, sales and marketing, legal compliance and corporate finance. The ages of our Directors range from 39 years old to 46 years old, and we have both male and female representatives on the Board. Our nomination committee will review and assesses the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our nomination committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, cultural and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

DIRECTORS AND SENIOR MANAGEMENT

We will continue to take steps to promote gender diversity at all levels of our Company, including but not limited to our Board and the senior management levels. We will encourage our incumbent Board members, in particular, members of our nomination committee, to recommend female candidate directors and take other actions to help achieve greater board diversity, for example inviting some of our outstanding female staff at mid to senior level to attend and observe Board meeting. This will allow our Board to understand more about these potential female candidates before they are nominated to our Board and provide opportunities for potential female candidates to prepare themselves for director duties. We will also continue to ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board in due time to ensure gender diversity of our Board. Our Group will continue to emphasize training of female talent and providing long-term development opportunities for our female staff including but not limited to business operation, management, accounting and finance, legal and compliance. As such, we are of the view that our Board will be offered chances to identify competent female staff at mid to senior level to be nominated as a Director in future with a pipeline of female candidates.

COMPLIANCE ADVISOR

We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance advisor upon the Listing pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us when we consult our compliance advisor in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction under the Listing Rules, is contemplated by our Group, including share issues and share repurchases;
- (iii) where our Group proposes to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our Group's business activities, developments or results of operation deviate from any forecast, estimate or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares.

The terms of appointment of the compliance advisor shall commence on the Listing Date and end on the date on which our Group complies with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Pursuant to code provision C.2.1 of the Corporate Governance Code in Appendix C1 to the Listing Rules, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xu Shiwei is currently the chairman and chief executive officer of our Company. In view of the fact that Mr. Xu established our Company and has been assuming the responsibilities in the overall management and supervision of the daily operations of our Group since May 2011, our Board believes that it is in the best interest of our Group to have Mr. Xu taking up both roles for effective management and operations. Therefore, our Directors consider that the deviation from such code provision is appropriate. Notwithstanding such deviation, our Directors are of the view that our Board is able to work efficiently and perform its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions will be made in consultation with members of our Board and the relevant Board committee, and there are three independent non-executive Directors on our Board offering independent perspective, our Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within our Board. Our Board shall nevertheless review the structure and composition of our Board and senior management from time to time in light of prevailing circumstances to maintain a high standard of corporate governance practices of our Company.

Save as disclosed above, we expect to comply with the code provisions stated in the Corporate Governance Code as set forth in Appendix C1 to the Listing Rules after the Listing. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

REMUNERATION POLICY

The aggregate amounts of remuneration (including fees, salaries, allowances and benefits in kind, performance related bonuses, share-based payments, pension scheme contributions and termination benefits) for our Directors for each of the three years ended December 31, 2023 and the three months ended March 31, 2024 was approximately RMB12.4 million, RMB15.5 million, RMB17.9 million and RMB3.8 million, respectively. There was no arrangement under which our Directors waived or agreed to waive any remuneration during the aforesaid periods.

For each of the three years ended December 31, 2023 and three months ended March 31, 2024, the five highest paid individuals of our Company included two, two, one and two Directors, respectively. The aggregate remuneration (including salaries, allowances and benefits in kind, performance related bonus, share-based payments, pension scheme contributions and termination benefits) paid to our Group's five highest remuneration individuals were approximately RMB24.2 million, RMB24.5 million, RMB37.4 million and RMB7.2 million, respectively.

During the Track Record Period, no emolument was paid by our Group to any of our Directors or the five highest paid individuals (including Directors and employees) as an inducement to join or upon joining our Group or as compensation for loss of office.

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

DIRECTORS AND SENIOR MANAGEMENT

Under the Pre-IPO Share Plan, the eligible participants, including employees and Directors and service providers of our Company may be granted options which entitle them to subscribe for Shares. Further details of the terms of the Pre-IPO Share Plan are summarized in Appendix IV — “Statutory and General Information — 5. Share Option Schemes — A. Pre-IPO Share Plan” to this prospectus.

POST-IPO SHARE OPTION SCHEME

We have conditionally adopted the Post-IPO Share Option Scheme. The principal terms of the Post-IPO Share Option Scheme are summarized in Appendix IV — “Statutory and General Information — 5. Share Option Schemes — B. Post-IPO Share Option Scheme” to this prospectus.

CONTINUING CONNECTED TRANSACTIONS

OVERVIEW

We have in the past conducted certain transactions with our connected persons. Such transactions will continue after the Listing and will therefore constitute our continuing connected transactions under the Listing Rules.

CONNECTED PERSONS

The table below sets forth certain parties who will become our connected persons upon Listing and the nature of their relationship with our Group:

Name of the connected person	Relationship with our Group
Mr. Xu	Executive Director, chief executive officer and Controlling Shareholder
Mr. Lyu	Non-executive Director
Alibaba Cloud Computing	Associate of Taobao China, our substantial shareholder

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

Transactions	Applicable Listing Rules	Waiver sought
<i>Fully Exempt Continuing Connected Transactions</i>		
Sales to Alibaba Cloud Computing	14A.76	Not applicable
<i>Partially Exempt Continuing Connected Transactions</i>		
Purchases from Alibaba Cloud Computing	14A.35 14A.76 14A.105	Announcement
<i>Non-exempt Continuing Connected Transactions</i>		
Contractual Arrangements	14A.35-36 14A.46 14A.49 14A.52-59 14A.105	Announcement, circular, independent Shareholders' approval, annual caps and terms of agreements not exceeding three years

CONTINUING CONNECTED TRANSACTIONS

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Sales to Alibaba Cloud Computing

Background

During the Track Record Period, we have provided PaaS solution services to Alibaba Cloud Computing Co., Ltd. (“**Alibaba Cloud Computing**”).

Framework Agreement with Alibaba Cloud Computing

We entered into a framework sales and purchase agreement with Alibaba Cloud Computing on June 15, 2023 (the “**Framework Agreement**”) in relation to our sales to and purchases from Alibaba Cloud Computing taking effect upon the Listing. Under the Framework Agreement, our Group will enter into separate agreements which specify precise scope, specific terms and conditions, method of payment and calculation of service fees in respect of the provision of each type of services. The service fees to be charged by us on Alibaba Cloud Computing will be determined based on, among other things, the type of services provided and the actual usage, after arm’s length negotiations between the parties with reference to the market rates.

The initial term of the Framework Agreement will commence on the Listing and expire on December 31, 2025.

Pricing Policies

For the Framework Agreement, before entering into any individual agreement with Alibaba Cloud Computing, we will make reference to the prevailing market rates for similar services provided by other third-party service providers and the service fee charged by our Group for similar services provided to independent third parties. We will determine the sale price to be charged by our Group to Alibaba Cloud Computing taking into account of the sales volume to Alibaba Cloud Computing as well as the prevailing market rates, which can be determined by comparing the current prices offered to third parties. We will only enter into an individual agreement when the terms of such agreement is in the best interests of our Company and our Shareholders as a whole.

Reasons for the transactions

Alibaba Cloud Computing is one of the largest cloud services providers in China and requires PaaS solution services. For the year of 2023, we were ranked as the third largest audiovisual PaaS service provider and second largest audiovisual APaaS service provider in China according to iResearch. Considering our leading market position and our well understanding of Alibaba Cloud Computing’s operation, quality control and specific requirements established through our long-term cooperation since 2017, it is expected that Alibaba Cloud Computing will continue to place order with us. We will rely on our pricing policies and internal control measures to ensure that the terms for sales of our services to Alibaba Cloud Computing are fair and reasonable, or no less favorable than those available to our Independent Third Parties and are carried out under normal commercial terms.

CONTINUING CONNECTED TRANSACTIONS

Based on the above, it is expected that our sales to Alibaba Cloud Computing will benefit our Group and our Shareholders as a whole. Our Directors are of the view that our sales to Alibaba Cloud Computing have been and will continue to be conducted in our Group's ordinary and usual course of business.

Historical Amounts

The historical transaction amounts of our sales to Alibaba Cloud Computing for the Track Record Period are set out below:

	Transaction amounts (RMB'000)			For the three months ended March 31, 2024
	For the financial year ended December 31, 2021	2022	2023	
Alibaba Cloud Computing	<u>30,901</u>	<u>10,630</u>	<u>421</u>	<u>–</u>

Annual Caps

In respect of our sales to Alibaba Cloud Computing, the transaction amounts for the two years ending December 31, 2025 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps (RMB'000)	
	2024	2025
Alibaba Cloud Computing	<u>500</u>	<u>500</u>

The above proposed annual caps have been determined primarily based on the following factors:

- (1) the historical transaction amounts during the Track Record Period;
- (2) the estimated demand for our services by Alibaba Cloud Computing; and
- (3) the current and estimated market rates for similar services provided by third-party service providers.

Listing Rules Implications

As the applicable percentage ratios under the Listing Rules in respect of the contemplated sales under the Framework Agreement are expected to be, on an annual basis, less than 0.1% or RMB3 million, the transactions will be fully exempt from all of the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(1) of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

PARTIALLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

Purchases from Alibaba Cloud Computing

Background

During the Track Record Period, we purchased cloud services and electronic equipments from Alibaba Cloud Computing. Pursuant to the Framework Agreement, our Group will enter into separate purchases agreement which specify precise scope, specific terms and conditions, method of payment and calculation of consideration for purchases from Alibaba Cloud Computing as and when necessary.

Pricing Policies

Before entering into any individual agreement with Alibaba Cloud Computing, where similar services or products are available in the market, we will make reference to the prevailing market rates for similar services and products provided by other third-party service/product providers. In addition, the purchase price will be determined with reference to the pricing terms of services and products of comparable quality, quantity, specifications and required time of delivery (where applicable) offered by the independent suppliers to our Group, which should include quotations from at least three independent service/product providers (where available) on our Group's approved suppliers' list. We will only enter into an individual agreement when the terms of such agreement is in the best interests of our Company and our Shareholders as a whole.

Reasons for the transactions

Alibaba Cloud Computing is one of the largest cloud services providers in China. We have established long-term cooperation relationship with Alibaba Cloud Computing since 2017 and throughout the years, we believe that we have mutual understanding of each other's operation, quality control and specific requirements. Alibaba Cloud Computing is capable of supplying our Group with products and/or services in a reliable manner with terms not less favourable than other suppliers in the market, which will ensure the smooth business operation of our Group. Therefore, we expect to continue to purchase products and/or services provided by the Alibaba Cloud Computing after the Listing.

Our Directors are of the view that purchases from Alibaba Cloud Computing have been and will continue to be conducted in our Group's ordinary and usual course of business.

CONTINUING CONNECTED TRANSACTIONS

Historical Amounts

The historical transaction amounts of our purchases from Alibaba Cloud Computing for the Track Record Period are set out below:

	Transaction amounts (RMB'000)			For the three months ended
	For the financial year ended December 31, 2021	2022	2023	March 31, 2024
Alibaba Cloud Computing	<u>374,479</u>	<u>136,499</u>	<u>37,398</u>	<u>7,885</u>

With the aim to minimize our operational risk associated with concentrated suppliers, we started in 2022 to engage other suppliers in the market to provide us with similar services and products provided by Alibaba Cloud Computing. As a result, there was a substantial decrease in the transaction amount with Alibaba Cloud Computing in 2022 and 2023.

Annual Caps

In respect of our purchases from Alibaba Cloud Computing, the transaction amounts for the two years ending December 31, 2025 shall not exceed the proposed annual caps as set out in the table below:

	Proposed annual caps (RMB'000)	
	2024	2025
Alibaba Cloud Computing	50,000	50,000

The above proposed annual caps have been determined primarily based on the following factors:

- (1) the historical transaction amounts during the Track Record Period;
- (2) our estimated demand for equipment and services provided by Alibaba Cloud Computing;
and
- (3) the current and estimated market price for similar services and products provided by third-party suppliers.

CONTINUING CONNECTED TRANSACTIONS

Listing Rules Implications

As the highest applicable percentage ratio of the contemplated purchases under the Framework Agreement for each of the two years ending December 31, 2025 calculated for the purpose of Chapter 14A of the Listing Rules is expected to be more than 0.1% but less than 5% on an annual basis, the transactions will be subject to the reporting, annual review, announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules pursuant to Rule 14A.76(2) of the Listing Rules.

Confirmation from our Directors

Our Directors (including the independent non-executive Directors) are of the view that the continuing connected transactions with Alibaba Cloud Computing as set out above have been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole, and the proposed annual caps in respect of such transactions are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Confirmation from the Joint Sponsors

Based on the documentation and data provided by our Company and participation in due diligence and discussions with us, the Joint Sponsors are of the view that the abovementioned continuing connected transactions with Alibaba Cloud Computing have been and will be entered into in the ordinary and usual course of our business and on normal commercial terms or better, and are fair and reasonable and in the interest of our Company and the Shareholders as a whole, and the proposed annual caps in respect of such transactions are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Waiver Applications

We have applied to the Stock Exchange for, and the Stock Exchange has granted us, waivers from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of the transactions described under the sub-section headed "Partially Exempt Continuing Connected Transactions".

The independent non-executive Directors and auditors of our Company will review whether the transactions under the above continuing connected transactions with Alibaba Cloud Computing have been entered into pursuant to the principal terms and pricing policies under the Framework Agreement and the Cooperation Agreement, respectively. The confirmation from our independent non-executive Directors and our auditors will be disclosed annually according to the requirements of the Listing Rules.

Our Company will comply with the applicable requirements under the Listing Rules if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of these transactions.

CONTINUING CONNECTED TRANSACTIONS

Internal Control Measures

In order to ensure that the terms under relevant framework agreements (where applicable) for the continuing connected transactions are fair and reasonable, or no less favorable than terms available to or from Independent Third Parties, and are carried out under normal commercial terms, we have adopted the following internal control procedures:

- we have adopted and implemented a management system on connected transactions. Under such system, the Audit Committee is responsible for reviewing compliance with relevant laws, regulations, our policies and the Listing Rules in respect of the continuing connected transactions. Further, the Audit Committee, the Board and various internal departments of our Company (including but not limited to the finance department and the legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each agreement;
- the Audit Committee, the Board and various other internal departments of our Company (including but not limited to the finance department and the legal department) will also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, our management also regularly reviews the pricing policies of the framework agreements;
- our independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that in accordance with Rules 14A.55 and 14A.56 of the Listing Rules that the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the relevant pricing policies;
- when considering the fees and charges in relation to the transactions with connected persons, we will regularly research into prevailing market conditions and practices and make reference to the pricing and terms between our Group and Independent Third Parties for similar transactions, to make sure that the pricing and terms offered by the above connected persons from mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered by Independent Third Parties; and
- when considering any renewal or revisions to the framework agreements after Listing, the interested Directors and Shareholders will abstain from voting on the resolutions to approve such continuing connected transactions at the relevant board meetings or shareholders' meetings (as the case may be), and the terms of the proposed renewal or revisions of the framework agreements will be considered by our independent non-executive Directors. Our independent Shareholders will have the right to consider if the terms of the non-exempt continuing connected transactions (including the proposed annual caps) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole.

CONTINUING CONNECTED TRANSACTIONS

CONTRACTUAL ARRANGEMENTS

Background

As disclosed in section headed “Contractual Arrangements” in this prospectus, certain business of our Group carried out in the PRC by the Consolidated Affiliated Entities (the “**Relevant Business**”) are subject to foreign investment prohibitions on foreign ownership. Therefore, our Company, as a foreign investor, is prohibited from holding equity interest in Consolidated Affiliated Entities, which currently hold VAT License, required for carrying out our MPaaS and APaaS business in the PRC. In order to conduct the Relevant Business in compliance with applicable PRC laws and regulations, Shanghai Kongshan, our wholly-owned subsidiary, has entered into the Contractual Arrangements with Consolidated Affiliated Entities and the Registered Shareholders.

The Contractual Arrangements enable us to, among others, (i) receive substantially all of the economic benefits from the Consolidated Affiliated Entities in consideration for the services provided by Shanghai Kongshan to them; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an exclusive option to acquire all or part of the equity interests and/or the assets of the Consolidated Affiliated Entities when and to the extent permitted by the PRC laws and regulations.

For further details of the Contractual Arrangements, please see section headed “Contractual Arrangements” in this prospectus.

Listing Rules implications

Given that the Registered Shareholders, namely Mr. Xu and Mr. Lyu, are connected persons of our Company, the transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Company. As the highest applicable percentage ratio under the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements is expected to be more than 5% on an annual basis, the Contractual Arrangements will be subject to the reporting, annual review, announcement, circular, and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that (i) the Contractual Arrangements are fundamental to the legal structure and business of our Group; and (ii) the Contractual Arrangements are entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any other transactions, contracts and agreements related thereto or renewal of existing transactions, contracts and agreements to be entered into by, among others, and any other member of our Group on the other side (the “**Intragroup Transactions**”) technically constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules upon Listing, our Directors consider that, the Contractual Arrangements are fundamental to the legal structure and the business operation of our Group, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement, circular and independent Shareholders’ approval requirements.

CONTINUING CONNECTED TRANSACTIONS

Waiver applications for the Contractual Arrangements

In respect of the Contractual Arrangements, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders' approval 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) setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) fixing the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject to the following conditions:

(i) No change without independent non-executive Directors' approval

No change to any of the agreements constituting the Contractual Arrangements will be made without the approval of our independent non-executive Directors.

(ii) No change without independent Shareholders' approval

Save as described in paragraph (iv) below, no change to any of the agreements constituting the Contractual Arrangements will be made without the independent Shareholders' approval. Once the 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 set out in paragraph (v) below) will continue to be applicable.

(iii) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our Consolidated Affiliated Entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the equity interests and/or the assets of the Consolidated Affiliated Entities at the minimum amount of consideration permitted under the applicable PRC laws, (ii) the business structure under which the profit generated by our Consolidated Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Shanghai Kongshan by the Consolidated Affiliated Entities under their respective Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

CONTINUING CONNECTED TRANSACTIONS

(iv) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and our Consolidated Affiliated Entities, on the other hand, 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 executives 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 the relevant PRC laws, regulations and approvals.

(v) Ongoing reporting and approvals

We will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in the annual reports and accounts of our Company in accordance with the relevant provisions of the Listing Rules.
- 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 (1) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements; (2) no dividends or other distributions have been made by Beijing Kongshan and Qiniu Information to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to our Group; and (3) any new contracts entered into, renewed or reproduced between our Group and our Consolidated Affiliated Entities during the relevant financial period under paragraph (iv) above are fair and reasonable, or advantageous to our Shareholders and in the interests of our Company and our Shareholders as a whole.
- Our Company's auditors will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions 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 Beijing Kongshan and Qiniu Information to the holders of their respective equity interests which are not otherwise subsequently assigned or transferred to our Group.

CONTINUING CONNECTED TRANSACTIONS

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of “connected person”, our Consolidated Affiliated Entities will be treated as our wholly-owned subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entities and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Our Consolidated Affiliated Entities will undertake that, for so long as the Shares are listed on the Stock Exchange, our Consolidated Affiliated Entities will provide the Group’s management and our Company’s reporting accountants’ full access to its relevant records for the purpose of their review of the continuing connected transactions.

In addition, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent shareholders’ approval in respect of the transactions contemplated under any Intragroup Transactions (as defined above) pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions contemplated under any Intragroup Transactions under Rule 14A.53 of the Listing Rules; and (iii) limiting the term of any Intragroup Transactions to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange. The waiver is subject to the conditions that the Contractual Arrangements subsist and that our Consolidated Affiliated Entities will continue to be treated as our subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of our Consolidated Affiliated Entity and their respective associates will be treated as connected persons of our Company (excluding, for this purpose, our Consolidated Affiliated Entities), and transactions between these connected persons and our Group (including, for this purpose, our Consolidated Affiliated Entities), other than those under the Contractual Arrangements and the Intragroup Transactions, will be subject to requirements under Chapter 14A of the Listing Rules.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this section, we will take immediate steps to ensure compliance with such new requirements within a reasonable time.

Confirmation from our Directors

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors are of the view that with respect to the terms of the relevant agreements underlying the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of our Consolidated Affiliated Entities can be effectively controlled by Shanghai Kongshan; (ii) Shanghai Kongshan can continuously obtain the economic benefits derived from our Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented, on an uninterrupted basis.

CONTINUING CONNECTED TRANSACTIONS

Confirmation from the Joint Sponsors

The Joint Sponsors have (i) reviewed the relevant documents and information provided by our Company in relation to the above continuing connected transactions; (ii) obtained necessary representations and confirmations from our Company and the Directors, and (iii) participated in the due diligence and discussions with the management of our Group and the Joint Sponsors are of the view that the Contractual Arrangements and the transactions contemplated therein have been and will be entered into in the ordinary and usual course of our business on normal commercial terms or better that are fair and reasonable and in the interests of our Company and the Shareholders as a whole.

With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, the Joint Sponsors are of the view that it is a justifiable and normal business practice to ensure that (i) the financials and operation of our Consolidated Affiliated Entities can be effectively controlled by Shanghai Kongshan, (ii) Shanghai Kongshan can obtain the economic benefits derived from our Consolidated Affiliated Entities, and (iii) any possible leakages of assets and values of our Consolidated Affiliated Entities can be prevented on an uninterrupted basis.

SHARE CAPITAL

Immediately before (i) the conversion of preferred shares of our Company, (ii) the Capitalization Issue, and (iii) the Global Offering, the authorized and issued share capital of our Company is as follows:

Authorized share capital:

Number	Description of Share	Nominal value (US\$)
344,557,754	Ordinary shares of par value of US\$0.0001 each	34,455.7754
5,227,732	Series A preferred shares of par value of US\$0.0001 each	522.7732
9,205,161	Series B preferred shares of par value of US\$0.0001 each	920.5161
7,469,416	Series C-1 preferred shares of par value of US\$0.0001 each	746.9416
12,042,958	Series C-2 preferred shares of par value of US\$0.0001 each	1,204.2958
28,651,471	Series D preferred shares of par value of US\$0.0001 each	2,865.1471
27,306,809	Series E-1 preferred shares of par value of US\$0.0001 each	2,730.6809
37,672,523	Series E-2 preferred shares of par value of US\$0.0001 each	3,767.2523
12,916,920	Series F preferred shares of par value of US\$0.0001 each	1,291.6920
14,949,256	Series F-1 preferred shares of par value of US\$0.0001 each	1,494.9256
<u>500,000,000</u>	Total	<u>50,000.00</u>

Issued share capital:

Number	Description of Share	Nominal value (US\$)
48,657,140	Ordinary shares of par value of US\$0.0001 each	4,865.7140
5,227,732	Series A preferred shares of par value of US\$0.0001 each	522.7732
9,205,161	Series B preferred shares of par value of US\$0.0001 each	920.5161
7,469,416	Series C-1 preferred shares of par value of US\$0.0001 each	746.9416
12,042,958	Series C-2 preferred shares of par value of US\$0.0001 each	1,204.2958
28,651,471	Series D preferred shares of par value of US\$0.0001 each	2,865.1471
27,306,809	Series E-1 preferred shares of par value of US\$0.0001 each	2,730.6809
37,672,523	Series E-2 preferred shares of par value of US\$0.0001 each	3,767.2523
12,916,920	Series F preferred shares of par value of US\$0.0001 each	1,291.6920
14,949,256	Series F-1 preferred shares of par value of US\$0.0001 each	1,494.9256
<u>204,099,386</u>	Total	<u>20,409.9386</u>

SHARE CAPITAL

Assuming the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Plan, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Number	Description of Share	Nominal value (US\$)
48,657,140	Ordinary shares in issue as of the date of this prospectus	4,865.7140
155,442,246	Ordinary shares in issue pursuant to the full conversion of the preferred shares	15,544.2246
1,632,795,088	Ordinary shares to be issued pursuant to the Capitalization Issue	163,279.5088
159,750,000	Ordinary shares to be issued pursuant to the Global Offering	15,975.0000
<hr/>		<hr/>
<u>1,996,644,474</u>	Total	<u>199,664.4474</u>

Assuming the Over-allotment Option is fully exercised and no Shares are issued under the Pre-IPO Share Plan, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Number	Description of Share	Nominal value (US\$)
48,657,140	Ordinary shares in issue as of the date of this prospectus	4,865.7140
155,442,246	Ordinary shares in issue pursuant to the full conversion of the preferred shares	15,544.2246
1,632,795,088	Ordinary shares to be issued pursuant to the Capitalization Issue	163,279.5088
159,750,000	Ordinary shares to be issued pursuant to the Global Offering	15,975.0000
23,962,000	Ordinary shares to be issued pursuant to the Over-allotment Option	2,396.2000
<hr/>		<hr/>
<u>2,020,606,474</u>	Total	<u>202,060.6474</u>

SHARE CAPITAL

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional, the preferred shares of our Company are fully converted into Shares, and the issue of Shares pursuant to the Capitalization Issue and the Global Offering are made. It takes no account of any Shares which may be allotted and issued pursuant to the exercise of the options granted under the Pre-IPO Share Plan and the Post-IPO Share Option Scheme or any Shares which may be issued or repurchased by us pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will carry the same rights in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MANDATE TO ALLOT AND ISSUE NEW SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to allot, issue and deal with Shares in the share capital of our Company with a total number of issued shares of not more than the sum of:

- (i) 20% of the total number of Shares in issue immediately following the completion of the Global Offering; and
- (ii) the total number of Shares bought back by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

This general mandate will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) the expiry of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Further information on this general mandate is set out in Appendix IV — “Statutory and General Information — 1. Further Information about our Company — D. Resolutions of the Shareholders of our Company dated September 25, 2024” to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general mandate to exercise all the powers of our Company to repurchase Shares with a total number of Shares of not more than 10% of the total number of Shares in issue immediately following the completion of the Global Offering.

This mandate only relates to buybacks made on the Stock Exchange or any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in Appendix IV — “Statutory and General Information — 1. Further Information about our Company — E. Repurchase of our Shares” to this prospectus.

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

- (i) the conclusion of the next annual general meeting of our Company; or
- (ii) the expiry of the period within which the next annual general meeting of our Company is required by the Articles or any applicable laws to be held; or
- (iii) when varied or revoked by an ordinary resolution of the Shareholders in general meeting.

Further information on this general mandate is set out in Appendix IV — “Statutory and General Information — 1. Further Information about our Company — 3. Resolutions of the Shareholders of the Company dated September 25, 2024” to this prospectus.

PRE-IPO SHARE PLAN

We have adopted the Pre-IPO Share Plan. A summary of the principal terms of the Pre-IPO Share Plan is set out in Appendix IV — “Statutory and General Information — 5. Share Option Schemes — A. Pre-IPO Share Plan”.

POST-IPO SHARE OPTION SCHEME

Pursuant to the written resolutions of the Shareholders dated September 25, 2024, we conditionally adopted the Post-IPO Share Option Scheme. A summary of the principal terms of the Post-IPO Share Option Scheme is set out in Appendix IV — “Statutory and General Information — 5. Share Option Schemes — B. Post-IPO Share Option Scheme”.

SHARE CAPITAL

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Upon Listing, our Company shall have only one class of shares, namely ordinary shares, each of which carries the same rights as the other shares.

As a matter of the Cayman Companies Act, an exempted company is not required by law to hold any general meeting or class meeting. The holding of general meeting or class meeting is prescribed under the articles of association of a company. Accordingly, our Company will hold general meetings as prescribed under the Articles, a summary of which is set out in Appendix III — “Summary of the Constitution of the Company and Cayman Islands Company Law”.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately prior to and following the completion of the Global Offering (assuming full conversion of the preferred shares of our Company into ordinary shares of our Company on a one-to-one basis, the Over-allotment Option is not exercised and without taking into account any Shares which may be issued pursuant to the exercise of any option granted under the Pre-IPO Share Plan), have interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us 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 any member of our Group.

(a) Interests in the Shares of our Company

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date ⁽¹⁾⁽²⁾		Shares held immediately following the completion of the Global Offering	
		Number	Approximate Percentage	Number	Approximate Percentage
Mr. Xu ⁽³⁾⁽⁷⁾	Interest in controlled corporation	36,651,320	17.9576%	329,861,880	16.5208%
	Interest of a party to an agreement	N/A	N/A	742,707,099	37.1978%
Dream Galaxy ⁽³⁾⁽⁸⁾	Beneficial owner	36,651,320	17.9576%	329,861,880	16.5208%
	Interest of a party to an agreement	N/A	N/A	742,707,099	37.1978%
Ms. Zhou Pei (周培) ⁽⁴⁾	Interest of spouse ⁽⁴⁾	36,651,320	17.9576%	329,861,880	16.5208%
Taobao China	Beneficial owner	36,101,384	17.6881%	324,912,456	16.2729%
Magic Logistics	Beneficial owner	25,381,941	12.4361%	228,437,469	11.4411%
MPCs ⁽⁵⁾	Beneficial owner	16,272,773	7.9730%	146,454,957	7.3351%
Qiming Funds ⁽⁶⁾	Beneficial owner	13,946,185	6.8330%	125,515,665	6.2863%
EverestLu	Beneficial owner	14,949,256	7.3245%	134,543,304	6.7385%
Mr. Lyu ⁽⁹⁾	Interest in controlled corporation	12,005,820	5.8823%	108,052,380	5.4117%

SUBSTANTIAL SHAREHOLDERS

Name of Shareholder	Nature of interest	Shares held as of the Latest Practicable Date ⁽¹⁾⁽²⁾		Shares held immediately following the completion of the Global Offering	
		Number	Approximate Percentage	Number	Approximate Percentage
Dustland ⁽⁹⁾	Beneficial owner	12,005,800	5.8823%	108,052,380	5.4117%
Ms. Chen Mingxing (陳明星) ⁽¹⁰⁾	Interest of spouse	12,005,820	5.8823%	108,052,380	5.4117%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the assumption that all the preferred shares of the Company will be converted into ordinary Shares on a one-to-one basis.
- (3) Dream Galaxy is a company wholly owned by Mr. Xu and thus, Mr. Xu is deemed to be interested in the Shares held by Dream Galaxy under the SFO.
- (4) Ms. Zhou Pei (周培) is the spouse of Mr. Xu. Under the SFO, Ms. Zhou is deemed to be interested in the same number of Shares in which Mr. Xu is interested.
- (5) MPCs will hold 131,809,455 Shares through MPC II L.P. (formerly known as Matrix Partners China II, L.P.) and 14,645,502 Shares through MPC II-A L.P. (formerly known as Matrix Partners China II-A, L.P.), respectively, immediately following the completion of the Global Offering.
- (6) Qiming Funds will hold 103,258,440 Shares through Qiming Venture Partners III, L.P., 19,002,663 Shares through Qiming Venture Partners III Annex Fund, L.P. and 3,254,562 Shares through Qiming Managing Directors Fund III, L.P., respectively, immediately following the completion of the Global Offering.
- (7) Mr. Xu will be entitled to exercise the voting rights attached to 1,072,568,979 Shares in aggregate, representing approximately 53.7186% of shareholding interest in our Company through Dream Galaxy immediately following the completion of the Global Offering. See “History, Development and Corporate Structure – Voting Proxy Arrangements.” for details.
- (8) Dream Galaxy will be entitled to exercise the voting rights attached to 1,072,568,979 Shares in aggregate, representing approximately 53.7186% of shareholding interest in our Company immediately following the completion of the Global Offering. See “History, Development and Corporate Structure – Voting Proxy Arrangements.” for details.
- (9) Dustland is a company wholly owned by Mr. Lyu and thus, Mr. Lyu is deemed to be interested in the Shares held by Dustland under the SFO.
- (10) Ms. Chen Mingxing (陳明星) is the spouse of Mr. Lyu. Under the SFO, Ms. Chen is deemed to be interested in the same number of Shares in which Mr. Lyu is interested.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed in this section and as mentioned in Appendix IV — “Statutory and General Information — 3. Further Information about our Directors” and “4. Disclosure of Interests — A. Substantial Shareholders” of this prospectus, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (without taking into account any Shares may be issued pursuant to the exercise of any option granted under the Pre-IPO Share Plan), have beneficial interests or short positions in any Shares or underlying Shares, which would be required to be disclosed to us 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 any member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, Mr. Xu controlled approximately 17.9576% of our total issued share capital through Dream Galaxy. Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no Share are issued under the Pre-IPO Share Plan), Mr. Xu, through Dream Galaxy, will exercise the voting rights of approximately 16.5208% of shareholding interest in our Company.

Pursuant to consent letters executed in April 2024 and confirmation letters executed in June 2024, Dream Galaxy was conferred by the Consenting Shareholders to exercise their respective voting rights attached to 742,707,099 Shares held by them, representing approximately 37.1978% of shareholding interest in our Company immediately following the completion of the Global Offering. The relevant voting rights in concern under the voting proxy arrangements will be conferred to Dream Galaxy upon completion of the Global Offering. See “History, Development and Corporate Structure – Voting Proxy Arrangements” for details.

Therefore, immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Plan), Mr. Xu, through Dream Galaxy, a company wholly owned by Mr. Xu, by virtue of his shareholding together with the voting proxy conferred upon him by the Consenting Shareholders as mentioned above, will exercise the voting rights attached to 1,072,568,979 Shares in aggregate, representing approximately 53.7186% of shareholding interest in our Company. Therefore, Dream Galaxy and Mr. Xu will be our Controlling Shareholders after the Listing.

Please see the section headed “Substantial Shareholders” for details of the shareholding interest of our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, none of the Controlling Shareholders and their respective close associates had any interest in any business that competes or is likely to compete, either directly or indirectly with our Group’s business, which would require disclosure under Rule 8.10 of the Listing Rules.

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their close associates after Listing.

Management Independence

Our business is managed and conducted by our Board and senior management. Upon Listing, our Board will consist of six Directors comprising two executive Directors, one non-executive Director and three independent non-executive Directors of whom Mr. Xu is our Controlling Shareholder as detailed above. For details, please see the section headed “Directors and Senior Management.”

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Our Directors consider that our Board as a whole and members of the senior management are able to perform their roles in our Group independently and that our Group is capable of managing our business independently from the Controlling Shareholders and their close associates. We consider that the role of Mr. Xu as our Controlling Shareholder will not materially impact his ability to discharge his duties of skill, care and diligence to our Group for the following reasons:

- (a) each Director is aware of his/her fiduciary duties as a director which require, among other things, that he/she acts for the benefit and in the interest of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interests;
- (b) our daily management and operations are carried out by a senior management team, all of whom have substantial experience in the industry in which our Company is engaged, and will therefore be able to make business decisions that are in the best interests of our Group;
- (c) we have three independent non-executive Directors and certain matters of our Company must always be referred to the independent non-executive Directors for review;
- (d) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) is required to declare the nature of such interest before voting at the relevant Board meetings of our Company in respect of such transactions; and
- (e) we have adopted a series of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders which would support our independent management. Please see “—Corporate Governance Measures” in this section for further information.

Based on the above, our Directors believe that our Board as a whole and together with our senior management team are able to perform the managerial role independently from our Controlling Shareholders.

Operational Independence

Our Group is operationally independent from the Controlling Shareholders. Our Group (through our subsidiaries and Consolidated Affiliated Entities) holds all material licenses and owns all relevant intellectual properties necessary to carry on our business. We have sufficient capital, facilities, equipment and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and an independent management team to operate our business.

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Financial Independence

We have independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders. As of the Latest Practicable Date, there were no outstanding loans or guarantees provided by, or granted to, our Controlling Shareholders or their respective close associates.

Based on the above, our Directors are of the view that we are financially independent from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE

Our Company will comply with the provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the Listing Rules, which sets out principles of good corporate governance in relation to, among other matters, directors, the chairman and chief executive officer, board composition, the appointment, re-election and removal of directors, their responsibilities and remuneration and communications with shareholders.

Our Directors recognize the importance of good corporate governance to protect the interests of our Shareholders. We would adopt the following corporate governance measures to manage potential conflict of interests between our Group and our Controlling Shareholders:

1. our Company has established internal control mechanisms to identify connected transactions. Upon Listing, if our Company enters into connected transactions with our Controlling Shareholders or their associates, our Company will comply with the applicable Listing Rules;
2. where a Shareholders' meeting is to be held for considering proposed transactions in which a Controlling Shareholder or its associates have any material interest, the relevant Controlling Shareholder shall not vote on the resolutions and shall not be counted in the quorum for the voting;
3. our Board will consist of a balanced composition of executive and non-executive Directors, including not less than one-third of independent non-executive Directors to ensure that our Board is able to effectively exercise independent judgment in its decision making process and provide independent advice to our Shareholders. Our independent non-executive Directors, details of whom are set out in the section headed "Directors and Senior Management" individually and together possess the requisite knowledge and experience to perform their roles. They will review whether there is any conflict of interests between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interest of our minority Shareholders;
4. where the advice from an independent professional, such as that from a financial advisor, is reasonably requested by our Directors (including the independent non-executive Directors), the appointment of such an independent professional will be made at our Company's expenses; and

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

5. we have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority shareholders' rights after the Listing.

CORNERSTONE INVESTOR

OUR CORNERSTONE INVESTOR

We have entered into a cornerstone investment agreement (the “**Cornerstone Investment Agreement**” with Woseon Limited Partnership (“**Woseon**” or the “**Cornerstone Investor**”).

THE CORNERSTONE PLACING

Woseon has agreed to, subject to certain conditions, subscribe or cause its designated entities to subscribe for 63,900,000 Offer Shares at the Offer Price which represents approximately 3.20% of the total Shares issued immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Plan) (the “**Cornerstone Placing**”).

The Cornerstone Investor will acquire the Offer Shares pursuant to, and as part of, the International Offering. Our Company is of the view that, leveraging on the Cornerstone Investor’s investment experience, the Cornerstone Placing will help raise the profile of our Company.

There will be no delayed delivery, deferred settlement or similar arrangements of the Offer Shares to be subscribed by the Cornerstone Investor pursuant to the Cornerstone Placing. The Cornerstone Investor has agreed to pay for the relevant Offer Shares that it has subscribed before the listing of the Offer Shares on the Stock Exchange. The Offer Shares to be subscribed by the Cornerstone Investor will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company under Rule 8.24 of the Listing Rules.

There are no side agreements and no side arrangements between our Company and the Cornerstone Investor or any benefit, direct or indirect, conferred on the Cornerstone Investor by virtue of or in relation to the Listing, and the Cornerstone Investor does not have any preferential rights in the Cornerstone Investment Agreement compared with other public Shareholders, other than a guaranteed allocation of the relevant Offer Shares at the Offer Price. The Cornerstone Investor will not have any representation on the Board nor become a substantial shareholder of our Company immediately upon completion of the Global Offering, and the Cornerstone Investor will not subscribe for any Offer Shares under the Global Offering other than pursuant to the Cornerstone Investment Agreement.

We became acquainted with the Cornerstone Investor as it knew the opportunities of investment in our Company via our published application proof in June 2023 and got in touch with us. As confirmed by the Cornerstone Investor, its interest in our Company as a cornerstone investor is based on its confidence in our Company’s business and prospects. As confirmed by the Cornerstone Investor, its subscription under the Cornerstone Placing would be financed by its own internal financial resources and it has sufficient funds to settle its investment under the Cornerstone Placing.

CORNERSTONE INVESTOR

To the best knowledge of our Company,

- (i) the Cornerstone Investor is an Independent Third Party and is not our connected person, is not an existing Shareholder of our Company or a close associate of such existing Shareholder;
- (ii) the Cornerstone Investor is not accustomed to take instructions from our Company, the Directors, the chief executive of our Company, our Controlling Shareholder, substantial Shareholder or existing Shareholders or any of its subsidiaries or their respective close associates in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it; and
- (iii) the subscription of the relevant Offer Shares by the Cornerstone Investor is not financed by our Company, the Directors, the chief executive of the Company, our Controlling Shareholder, substantial Shareholder or existing Shareholders or any of its subsidiaries or their respective close associates.

The total number of Offer Shares to be subscribed by the Cornerstone Investor pursuant to the Cornerstone Placing may be affected by reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation”. The Cornerstone Investor has agreed that, in the event that the requirement pursuant to Rule 8.08(3) of the Listing Rules, which provides that no more than 50% of our Shares in public hands on the Listing Date can be beneficially owned by the three largest public Shareholders, cannot be satisfied, our Company, the Overall Coordinators and the Joint Sponsors have the right to adjust the allocation of the number of Offer Shares to be subscribed by the Cornerstone Investor in their respective absolute discretion, to satisfy the requirement pursuant to Rule 8.08(3) of the Listing Rules. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investor will be disclosed in the allotment results announcement to be issued by our Company on or around October 15, 2024.

CORNERSTONE INVESTOR

The following tables set out certain details of the Cornerstone Placing:

Cornerstone Investor	Investment amount ⁽¹⁾	Number of Offer Shares	Approximate % of total number of Offer Shares		Approximate % of International Offer Shares		Approximate shareholding percentage in our Company immediately upon the completion of the Global Offering	
			Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full	Assuming the Over-allotment Option is not exercised	Assuming the Over-allotment Option is exercised in full
<i>Based on the Offer Price of HK\$2.74 (being the low-end of the indicative Offer Price range)</i>								
Woseon	HK\$175.09 million	63,900,000	40.0%	34.8%	44.4%	38.1%	3.20	3.16
<i>Based on the Offer Price of HK\$2.80 (being the mid point of the indicative Offer Price range)</i>								
Woseon	HK\$178.92 million	63,900,000	40.0%	34.8%	44.4%	38.1%	3.20	3.16
<i>Based on the Offer Price of HK\$2.86 (being the high-end of the indicative Offer Price range)</i>								
Woseon	HK\$182.75 million	63,900,000	40.0%	34.8%	44.4%	38.1%	3.20	3.16

Notes:

All share numbers and amounts are for illustrative purpose only.

^ Assuming no Shares are issued under the Pre-IPO Share Plan.

⁽¹⁾ Exclusive of the brokerage fee, the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy.

CORNERSTONE INVESTOR

INFORMATION OF THE CORNERSTONE INVESTOR

Woseon is a limited partnership formed in Hong Kong on May 7, 2024. The general partner of Woseon is Bizoe Holding Limited, wholly-owned subsidiary of Jiaxing Xiuzhou Finance Holding Management Company Limited* (嘉興市秀洲區金控投資管理有限公司) (“**Xiuzhou Finance**”). Xiuzhou Finance currently manages over RMB2 billion of investments focusing on semiconductors, new energy, high-end equipment manufacturing, biomedicine and Internet, etc. Xiuzhou Finance is a wholly-owned subsidiary of Jiaxing Jiaxiu Development Investment Holding Group Limited Company* (嘉興市嘉秀發展投資控股集團有限公司)(“**Jiaxiu Holding**”), which is in turn wholly-owned by Zhejiang Jiaxing High-tech Holding Group Company Limited* (浙江嘉興高新控股集團有限公司), an investment arm of the State-owned Assets Supervision and Administration Commission of the People’s Government of Jiaxing City (嘉興市人民政府國有資產監督管理委員會)(“**Jiaxing SASAC**”). The limited partner of Woseon is Jiaxing Xiuzhou Linghang No. 2 Equity Investment Partnership (Limited Partnership) (嘉興秀洲翎航二號股權投資合夥企業(有限合夥) of which the general partner is Xiuzhou Finance and the limited partners are Jiaxiu Holding and Jiaxing Xiuzhou High-tech Investment Company Limited* (嘉興市秀洲高新投資有限公司), which is indirectly owned by Jiaxing SASAC and the Finance Department of Zhejiang Province (浙江省財政廳).

Woseon does not require approval at its partners’ meeting in connection with the Cornerstone Placing.

CONDITIONS PRECEDENT

The obligation of the Cornerstone Investor to acquire the relevant Offer Shares under the Cornerstone Investment Agreement is subject to, among other things, the following closing conditions:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;
- (b) the Offer Price having been agreed upon between our Company and the Overall Coordinators (on behalf of the underwriters of the Global Offering);
- (c) the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares (including the Shares to be subscribed by the Cornerstone Investor) as well as other applicable waivers and approvals and such approval, permission or waiver having not been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (d) no relevant laws or regulations shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and

CORNERSTONE INVESTOR

- (e) the representations, warranties, undertakings, acknowledgements and confirmations of the Cornerstone Investor under the Cornerstone Investment Agreement are (as of the date of the Cornerstone Investment Agreement) and will be (as of the closing of the subscription of the Offer Shares in accordance with the terms and conditions of the Cornerstone Investment Agreement) accurate and true in all respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor.

RESTRICTIONS ON DISPOSAL OF OFFER SHARES BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of twelve months following the Listing Date (the “**Lock-up Period**”), dispose of any of the Offer Shares it has purchased pursuant to the Cornerstone Investment Agreement, save for certain limited circumstances, such as transfers to any of its wholly-owned subsidiaries who will be bound by the same obligations of the Cornerstone Investor, including the Lock-up Period restriction.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial conditions and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended December 31, 2021, 2022, 2023 and the three months ended March 31, 2024 and the accompanying notes included in the Accountants' Report set out in Appendix I to this prospectus. The Accountants' Report has been prepared in accordance with IFRSs. Potential investors should read the Accountants' Report set out in Appendix I to this prospectus in its entirety and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

According to iResearch, we are the third largest audiovisual PaaS provider in China in terms of revenue in 2023, with a market share of 5.8%. According to iResearch, we are also the second largest audiovisual APaaS provider in China in terms of revenue generated from APaaS in 2023 with a market share of 14.1%.

Our major products and services include (1) MPaaS products encompassing a range of audiovisual solutions, including proprietary content delivery network ("QCDN"), object storage platform ("Kodo"), interactive live streaming products and intelligent media data analytics platform ("Dora"), primarily aimed to serve customers with strong development capabilities and high flexibility requirements; and (2) APaaS solutions which are scenario-based audiovisual solutions based on our MPaaS capabilities and leveraging our low-code platform, primarily aimed to enable customers to gain quick access to different functionalities with simple steps of deployment to achieve their business aim.

During the Track Record Period, our revenue amounted to RMB1,471.0 million, RMB1,147.3 million, RMB1,334.0 million and RMB342.4 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Our adjusted net loss, a non-IFRS measure, amounted to RMB105.7 million, RMB118.7 million, RMB115.6 million and RMB24.2 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. For details, please refer to the paragraph headed "Non-IFRS Measure" in this section.

BASIS OF PRESENTATION

Our historical financial information has been prepared on a consolidated basis. All intra-group transactions and balances have been eliminated on consolidation.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATION

The following are the principal factors that have affected and will continue to affect our business, financial condition, results of operations and prospects.

FINANCIAL INFORMATION

Trends in China's economic conditions and development of the industries in which we operate

Our business and results of operations are significantly affected by China's overall economic conditions and the development of China's audiovisual PaaS industry including audiovisual MPaaS industry and audiovisual APaaS industry. According to iResearch, the audiovisual PaaS market in China grew at a CAGR of 26.2% from RMB9.0 billion in 2019 to RMB22.9 billion in 2023.

We aim to capture, and we believe that we are well-positioned to continue to capture, the various market opportunities brought by the development of industries in which we operate. For example, according to iResearch, the audiovisual APaaS market in China started to commercialize in scale in 2021 and has been experiencing rapid growth. The audiovisual APaaS market in China grew at a CAGR of 172.2% from RMB0.1 billion in 2020 to RMB2.0 billion in 2023, according to iResearch. Following market trends, we officially launched our APaaS business in September 2021. The revenue from our APaaS business increased from RMB24.9 million in 2021 to RMB194.0 million in 2022 and we became the second largest audiovisual APaaS provider in China in terms of revenue in 2022. The revenue from our APaaS business further increased from RMB194.0 million in 2022 to RMB281.4 million in 2023 and from RMB64.1 million in the three months ended March 31, 2023 to RMB83.2 million in the three months ended March 31, 2024. With the applicability of low-code solutions addressing differentiated demand of the market, APaaS is expected to gradually capture some of the market share of MPaaS and SaaS. According to iResearch, the penetration rate of audiovisual APaaS in the audiovisual PaaS and SaaS markets amounted to 5.2% in 2023 and is expected to reach 12.1% in 2028. We expect to capture the growing market opportunities of audiovisual APaaS. Going forward, the development of the audiovisual PaaS industry in China is expected to be driven by the digitization of media and entertainment content, the rise of video conferencing, remote collaboration and other applications, and the development of technologies including cloud computing, artificial intelligence and 5G technology.

During the Track Record Period, almost all of our business operations were in and almost all of our revenue was derived from China. Our revenue depends on the demand for our products and services in China, which may in turn depend on China's overall economic growth. The Chinese economy and the conditions of the markets are influenced by many factors beyond our control, such as the COVID-19 pandemic, level of unemployment, inflation or deflation, real disposable income, interest rates, recession, taxation, and currency exchange rates. For example, our business benefited from the increase in the demand for online audiovisual services including online videos, live streaming and video conferences as a result of the COVID-19 outbreak in early 2020. However, the slowdown of our business growth in 2022 was partly due to the resurgence of COVID-19 in China in 2022 and the temporary restrictions in many cities including Shanghai where our headquarters are located. Most of our sales and marketing team members were based in Shanghai and they were not able to visit customers or carry out face-to-face marketing activities due to travel restrictions in Shanghai. The travel restrictions affected the supply and delivery of hardware, and delayed the deployment and implementation of our solutions for customers, causing a supply chain disruption to our all-in-one server business, which constituted a significant part of our Kodo business. As we mainly rely on on-site visits and face-to-face discussions to explore business opportunities for all-in-one server business which involves physical delivery and large transaction amounts, our sales efforts were significantly reduced by the travel restrictions in Shanghai.

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Although travel restrictions were eased in the second half of 2022, in the last quarter of 2022, a large number of our customers and employees were infected with COVID-19 and had to stay at home, which again hindered our business activities in 2022. As a result, we contacted, negotiated or explored business opportunities with over 1,500 potential customers for hardware related business in 2021, whereas we only had approximately 800 such opportunities in 2022. Partially due to the impact of COVID-19, the number of delivery orders for all-in-one servers decreased from 228 in 2021 to 60 in 2022. In 2023 and the three months ended March 31, 2024, our all-in-one server business gradually recovered mainly due to the recovery of all-in-one server business in the industry.

After the rapid growth of the Internet and related industries including the audiovisual cloud service market in China in 2021 while many activities were moved online due to the outbreak of COVID-19, the audiovisual cloud service PaaS market experienced a re-adjustment and slowdown in market growth in 2022 in response to over-expansion in previous years. For example, the audiovisual MPaaS market in China grew by only 5.1% from RMB17.5 billion in 2021 to RMB18.4 billion in 2022 compared to a CAGR of 32.9% from 2018 to 2022. The audiovisual MPaaS market grew by 13.6% from RMB18.4 billion in 2022 to RMB20.9 billion in 2023. See “Risk Factors — Risks Relating to Our Business and Industry — Our and our business partners’ business operations have been adversely affected by the COVID-19 pandemic, and may in the future continue to be affected by the COVID-19 pandemic”.

Our ability to retain and expand usage by our existing customers and to acquire new customers

We have amassed a broad and diversified customer base covering a wide spectrum of industry verticals. As a result of our business expansion efforts, the number of our MPaaS customers increased from 68,808 in 2021 to 83,970 in 2022, and further to 92,480 in 2023. The number of our MPaaS customers further increased from 62,311 in the three months ended March 31, 2023 to 62,563 in the three months ended March 31, 2024. Our MPaaS products are provided to a full spectrum of customers. On one side of the spectrum, MPaaS products are offered to large customers who have development capabilities and tap into our MPaaS functionalities. On the other side of the spectrum, MPaaS products are offered to smaller customers that have limited use of our products such as small scale cloud storage. As of December 31, 2023, we had over 1,400,000 registered users. In 2022, we activated our registered user base of MPaaS by providing promotional packages as a result of which the number of our medium- and small-sized customers including individual developers significantly increased. After we decided to officially launch APaaS business in line with industry development and market demand in 2021, the number of our APaaS customers increased from 1,319 in 2021 to 1,967 in 2022. The number of our APaaS customers further increased from 1,967 in 2022 to 2,597 in 2023. The number of our APaaS customers further increased from 1,867 in the three months ended March 31, 2023 to 2,303 in the three months ended March 31, 2024. We plan to grasp the opportunities from the growth of the audiovisual APaaS market in China and further expand APaaS customers. The customer retention rate for our MPaaS business amounted to 72.1%, 72.5%, 67.6% and 84.0% in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. The customer retention rate for our APaaS business amounted to 88.8%, 87.9% and 93.7% in 2022, 2023 and the three months ended March 31, 2024, respectively.

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We strive to retain existing customers and obtain new customers by, among others, further enhancing the quality and efficiency of our existing products and solutions, offering additional innovative products and solutions and implementing effective sales strategies tailored to the verticals in which we operate. Our operating results and growth prospects will depend in part on our ability to attract new customers.

In addition, our business is also affected by the average contribution of our customers and we believe that there is a significant opportunity for growth with many of our existing customers. The average contribution of our MPaaS customers were RMB19.9 thousand, RMB10.4 thousand, RMB10.5 thousand and RMB4.0 thousand in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. The decrease in the average contribution of MPaaS customers in 2022 was primarily due to the increase in medium- and small-sized customers including individual developers as explained above. In addition, some of our MPaaS customers scaled down their spending with us, particularly Customer A. The average contribution of MPaaS customers remained relatively stable in 2023. The average contribution of our APaaS customers were RMB18.9 thousand, RMB98.6 thousand, RMB108.3 thousand and RMB36.1 thousand in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Except for the ramp-up period in 2021, the average contribution of our APaaS customers is relatively high due to the higher demand from the APaaS market, our APaaS customers tend to purchase solutions based on scenario needs and have higher contributions than small customers who may only have limited use of our products. Furthermore, as we provide packaged services to APaaS customers, using our low-code platform, our APaaS customers tend to use a full spectrum of our services including distribution, storage and other functionalities. In light of the higher gross margin of our APaaS business compared to MPaaS business and the high average contribution per customer of APaaS business, we have been promoting our APaaS solutions to our MPaaS customers with a view to retaining and growing revenue from our existing customers. In order to continue to expand usage within our customer base, we will continue to deliver high-quality and customer-centric products and solutions, and to introduce new products and features as well as innovative new use cases that are tailored to our customers' needs.

Our ability to upgrade and expand our products and solutions and to compete effectively

Our success has been based on our dedication to the development of innovative and high-performance audiovisual MPaaS and APaaS products and solutions, and our ability to identify and meet the business needs of our customers. Our business prospects depend largely on our ability to continue enhance the functionalities, performance, reliability, security, scalability of our products and solutions, and to introduce advanced and innovative products and solutions, which thereby will allow us to capture additional market share, enjoy better economies of scale and improve our profitability.

Over the years we have developed four MPaaS products, namely (i) QCDN, our proprietary content delivery network; (ii) Kodo, our object storage platform; (iii) interactive live streaming products; and (iv) Dora, our intelligent media data analytics platform. We have been continuously upgrading our MPaaS products to meet customer needs. After we officially launched our APaaS business in September 2021, we expanded our APaaS solutions to five scenarios, out of which we have achieved sizeable revenue from two major scenarios, namely social entertainment and video marketing. We plan to further develop other APaaS scenarios including visual networking, smart new media and metaverse.

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We are committed to delivering high-quality products and solutions to maintain our market leadership position. Our business and results of operations depend on our ability to compete effectively in the verticals in which we operate. Our competitive edges may be affected by, among other things, research and development capabilities, industry know-hows, continuous capital investment, product portfolio, among others. We believe that our wide range of product offerings, proprietary technologies and prominent research and development capabilities differentiate us from our competitors and help us establish a high entry barrier difficult for our competitors to surpass. However, we are still subject to competition from a variety of players within our industry. Increased competition could materially and adversely affect our business, financial condition and results of operations.

Our ability to continue to invest in technology innovation and talent acquisition

We have made, and will continue to make, significant investments in technology innovation to strengthen our market leadership. Our ability to improve our existing products and solutions and develop new ones depends on the technologies we use to develop and deliver high-quality MPaaS and APaaS to customers. It is thus crucial for us to continually invest in technology innovation to enhance capabilities of our products and solutions. We intend to continue to invest in attracting more talented research and development personnel to upgrade and iterate our low-code platform and further develop and apply advanced technologies in the fields of AI, machine learning, cloud computing and data analytics to strengthen our technological advantage and enhance the functionalities and customer experience of our solutions and products.

We had a R&D team with 168 members as of March 31, 2024, accounting for approximately 43.3% of our total employees as of March 31, 2024. In 2021, 2022, 2023 and the three months ended March 31, 2024, we incurred research and development costs of RMB143.4 million, RMB128.7 million, RMB128.0 million and RMB33.6 million, respectively, accounting for 9.7%, 11.2%, 9.6% and 9.8% of our total revenue during the respective periods. As we plan to continue to invest in research and development and focus on innovations in order to remain competitive, we expect our research and development costs may increase in the future.

Our ability to effectively control our costs and expenses

Our profitability depends largely on our ability to manage and control our costs and expenses. Our cost of sales mainly includes network and bandwidth costs, server and storage costs, depreciation of equipment, Internet data center rack costs, technical service fees and staff cost. Network and bandwidth costs are mainly resource costs associated with distribution or content delivery. During the Track Record Period, network and bandwidth costs accounted for 52.8%, 61.4%, 61.3% and 64.6% of our total cost of sales in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Server and storage costs are mainly associated with data storage. During the Track Record Period, server and storage costs accounted for 30.5%, 14.4%, 16.5% and 15.4% of our total cost of sales in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Since a significant portion of our costs relates to distribution and storage services from third parties, our cost of sales largely depends on the price of such services in the market.

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With respect to selling and marketing expenses, we expect to continue to benefit increasingly from the effect of our enhanced brand awareness. We also intend to optimize our administrative expenses by enhancing our standard of management, streamlining our internal workflows, and leveraging technology to drive convenience, cost-efficiency and productivity. In 2022, we downsized both our sales team and administrative team in an effort to control costs. Specifically, our sales team and administrative team reduced by 104 and 7, respectively in 2022 compared to 2021. Our sales team and administrative team further reduced by 40 and 2, respectively in 2023 compared to 2022. Our staff cost in selling and marketing expenses decreased from RMB138.9 million in 2021 to RMB118.3 million in 2022, and further decreased to RMB104.1 million in 2023, and decreased from RMB26.9 million in the three months ended March 31, 2023 to RMB21.1 million in the three months ended March 31, 2024, primarily due to our effort on cost control. Our staff cost in administrative expenses decreased from RMB56.8 million in 2021 to RMB50.2 million in 2022. Our staff cost in administrative expenses increased from RMB50.2 million in 2022 to RMB76.3 million in 2023 primarily due to the increase in share-based payments of RMB25.1 million, which is non-cash in nature. Our staff cost in administrative expense remained relatively stable at RMB16.6 million in the three months ended March 31, 2024 as compared to RMB16.1 million for the same period in 2023.

KEY OPERATING METRICS

Set out below are some of the key operating metrics we take into account of when managing our business.

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
Average contribution of MPaaS paying customers (RMB) ⁽¹⁾	19,905	10,420	10,537	2,991	3,987
Average contribution of APaaS paying customers (RMB) ⁽²⁾	18,879	98,634	108,340	34,319	36,143
Dollar-based net expansion rate of MPaaS paying customers (%) ⁽³⁾	133.3	63.9	111.7	93.5	96.1
Dollar-based net expansion rate of APaaS paying customers (%) ⁽⁴⁾	N/A	779.1	145.0	119.8	108.4

Notes:

- (1) Calculated based on total revenue from MPaaS in the period divided by the number of MPaaS customers in the period.
- (2) Calculated based on total revenue from APaaS in the period divided by the number of APaaS customers in the period.
- (3) Calculated as the ratio of revenue contribution of MPaaS customers in the current period to the revenue contribution of MPaaS customers for the immediately preceding period.
- (4) Calculated as the ratio of revenue contribution of APaaS customers in the current period to the revenue contribution of APaaS customers for the immediately preceding period.

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Average Contribution of MPaaS Customers

The average contribution of our MPaaS customers decreased from RMB19.9 thousand in 2021 to RMB10.4 thousand in 2022 mainly because of (i) the increase in the number of our MPaaS customers as we provided promotional packages to our MPaaS customers as a result of which the number of our medium- and small-sized customers including individual developers significantly increased, (ii) the decrease in revenue from all-in-one server business due to the impact of COVID-19 which caused a shortage in supply of certain semiconductor chips which are key components of our all-in-one servers we procured for our customers, and therefore a supply chain disruption to our all-in-one server business which typically have higher revenue contribution, and (iii) the decrease in revenue from some of our major customers (such as Customer A) which we have strategically scaled down our business with. The average contribution of our MPaaS customers remained relatively stable at RMB10.5 thousand in 2023, compared to RMB10.4 thousand in 2022. The average contribution of our MPaaS customers increased from RMB3.0 thousand in the three months ended March 31, 2023 to RMB4.0 thousand in the three months ended March 31, 2024, primarily due to (i) our enhanced business cooperation with our major customers, and (ii) the expansion of our Kodo business primarily attributable to the substantial growth of customer demand with the recovery of our all-in-one server business.

Average Contribution of APaaS Customers

The average contribution of our APaaS customers increased from RMB18.9 thousand in 2021 to RMB98.6 thousand in 2022 partly because our APaaS business was at the ramp-up stage in 2021, and from RMB98.6 thousand in 2022 to RMB108.3 thousand in 2023, mainly due to the increasing demand for APaaS solutions from both APaaS customers that were upgraded from MPaaS and our new APaaS customers. The average contribution of our APaaS customers slightly increased from RMB34.3 thousand in the three months ended March 31, 2023 to RMB36.1 thousand in the three months ended March 31, 2024.

Dollar-based net Expansion Rate of MPaaS Customers

The dollar-based net expansion rate of MPaaS customers is affected by our MPaaS customer retention rate, which amounted to 72.1%, 72.5% and 67.6% in 2021, 2022, and 2023, respectively. The dollar-based net expansion rate of MPaaS customers decreased from 133.3% in 2021 to 63.9% in 2022 due to (i) the customer retention rate of 72.5% in 2022, (ii) our MPaaS revenue, particularly revenue from all-in-one server business, decreased due to the impact of COVID-19, and (iii) decrease in demand from some of our customers. The dollar-based net expansion rate of MPaaS customers increased from 63.9% in 2022 to 111.7% in 2023, mainly as (i) some of our MPaaS customers, in particular our major premium customers, significantly increased their spending on our QCDN and Dora products, in line with the growth of industry; and (ii) the recovery of our overall business from the adverse impact of COVID-19 and supply chain disruptions. The dollar-based expansion rate of MPaaS customers slightly increased from 93.5% in the three months ended March 31, 2023 to 96.1% in the three months ended March 31, 2024.

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Dollar-based net Expansion Rate of APaaS Customers

The dollar-based net expansion rate of APaaS customers amounted to 779.1% in 2022, mainly because (i) our APaaS business customer contribution had a low starting point in 2021 due to an early development stage, in particular, as we only commenced our APaaS business in September 2021; and (ii) customer demand for our APaaS solutions increased significantly in 2022 along with the industry trend. The dollar-based net expansion rate of APaaS customers amounted to 145.0% in 2023, mainly as (i) our APaaS business continued to expand in 2023 in line with the industry growth; and (ii) the improvement in market acceptance of our APaaS solutions. The dollar-based expansion rate of APaaS customers slightly decreased from 119.8% in the three months ended March 31, 2023 to 108.4% in the three months ended March 31, 2024.

MATERIAL ACCOUNTING INFORMATION AND ESTIMATES

Revenue recognition

Revenue from contracts with customers

We are mainly engaged in the business of providing MPaaS products, APaaS solutions, and other services including DPaaS solutions and other cloud services.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which we expect 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 we 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 recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

There are no significant variable consideration and financing component for our revenue from contracts with customers.

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Our PaaS solutions, including MPaaS, APaaS and DPaaS are provided to our customers either as a cloud service offered on public cloud which is charged based on usage, or provided by private cloud which is charged on a project basis. Other cloud services are charged based on usage over the service period.

Revenue from PaaS solutions offered on public cloud, including interactive live streaming products, content delivery network service, object storage solutions, intelligent media data analytics products, and other cloud services is measured on a usage basis and is recognized over time, using an output method to measure the value to the customer of the services rendered to date, with no rights of return once consumed, because the customer simultaneously receives and consumes the benefits provided by us. We use monthly utilization records to recognize revenue over time as it most faithfully depicts the simultaneous consumption and delivery of services. At the end of each month, the transaction consideration is fixed based on utilization records and hence no estimation of the transaction price beyond the reporting period is necessary.

In addition, revenue from software licenses included in interactive live streaming providing add-on features is recognized at the point in time when software licenses are accepted by the customer. Such software license is to provide a right to use and the functionality with which it exists at the point in time that it is granted to the customer, and there are no other performance obligations other than the promise to grant a license. Consequently, we account for the license as a performance obligation satisfied at a point in time.

Revenue from PaaS offered on private cloud include hardware sales, software license and post-delivery maintenance services. Revenue from hardware sales and software license is recognized at the point in time when they are accepted by customers, which is when the control over our goods or services is transferred to customers. Revenue from software license is recognized at the point in time because such software can deliver stand-alone functionality without access to the maintenance services to customers. Once a customer has completed the testing of the functionalities of the software as acceptance procedures, the customer can derive substantial benefit from the software license on its own. We also provide related maintenance services for a specific period (normally one to three years after the customer's acceptance) after sale as stipulated in the same contract. These maintenance services are provided to maintain and improve the effectiveness of the software and therefore are accounted for as a separate performance obligation. Revenue from these post-delivery maintenance services is recognized on a straight-line basis over the service period as the customer receives and consumes the benefits provided by us.

Convertible redeemable preferred shares

The Series A, Series B, Series C-1, Series C-2, Series D, Series E-1, Series E-2, Series F and Series F-1 of convertible redeemable preferred shares (collectively, the “**Preferred Shares**”) issued by our Company are redeemable upon occurrence of certain events. These instruments can also be converted into ordinary shares of our Company at the option of the holders, or automatically upon occurrence of an initial public offering of our Company.

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We designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as “finance costs” in the statement of profit or loss. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the statement of profit or loss, except for the portion attributable to own credit risk change that should be charged to other comprehensive income.

As of December 31, 2021 and 2022, the convertible redeemable preferred shares were classified as current liabilities, because the holders of the Preferred Shares can demand our Company to redeem their preferred shares or convert the convertible redeemable preferred shares to ordinary shares within 12 months. As of December 31, 2023 and March 31, 2024, the convertible redeemable preferred shares were classified as current liabilities because the holders of the Preferred Shares can convert the convertible redeemable preferred shares to ordinary shares within 12 months, even though our Company can defer the settlement of the liability arising from the redemption of convertible redeemable preferred shares, if certain redemption rights have been exercised, for at least twelve months from December 31, 2023 and March 31, 2024.

The instruments issued to investors are not traded in an active market and the respective fair value is determined by using valuation techniques, including the discounted cash flow method and option pricing model. Such valuation is based on key parameters about discount rate, risk-free interest rate, discounts for lack of marketability and volatility, which are subject to uncertainty and might materially differ from the actual results. For further details, see Note 28 to the Accountants’ Report in Appendix I to this prospectus.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s (“CGU”) 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 CGU to which the asset belongs. In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGU.

An impairment loss is recognized 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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

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An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

We assess whether there is any indication of impairment for all non-financial assets (including property, plant and equipment, right-of-use assets and intangible assets) at the end of each reporting period in accordance with IAS 36 Impairment of Assets. Given that we sustained losses throughout the Track Record Period as we were still at the stage of expanding our business and operations in the rapidly growing audiovisual PaaS market, and are continuously investing in research and development, indicating potential impairment of our non-financial assets (including property, plant and equipment, right-of-use assets and intangible assets), we carried out impairment testing at the end of each reporting period. The carrying amount of non-financial assets (including property, plant and equipment, right-of-use assets and intangible assets) as of December 31, 2021, 2022, 2023 and March 31, 2024 is RMB274.6 million, RMB197.9 million, RMB139.6 million and RMB152.4 million, respectively. Servers and computer equipment are the most significant elements in property, plant and equipment, representing about 97% of the total carrying amount of property, plant and equipment as of December 31, 2021, 2022, 2023 and March 31, 2024. The right-of-use assets consist of office buildings, servers and computer equipment, and office equipment and furniture. Intangible assets consist of office software. We considered that property, plant and equipment, right-of-use assets and intangible assets are all attributable to one CGU which is the CGU for the provision and research and development of audiovisual PaaS solutions.

For the purpose of impairment review, the carrying amount of non-financial assets were compared to the corresponding recoverable amount, which were based predominantly on value-in-use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. Since the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the CGU to which the asset belongs. We estimated the expected future cash flows from the cash-generating unit and selected the suitable discount rate in order to calculate the present value of those cash flows. In addition, we engaged an independent external valuer to assess the recoverable amount of the CGU and leveraged our experiences in the audiovisual PaaS industry and provided forecast based on past performance and their expectation of future business plans and market developments.

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As of December 31, 2021, 2022, and 2023, and March 31, 2024, the recoverable amount of the CGU was determined based on value in use calculation using cash flow projections from financial budgets approved by senior management covering a seven-year period for 2021 year-end impairment test, a six-year period for 2022 year-end impairment test, a five-year period for 2023 year-end impairment test, and a 4.8-year period for impairment test as of March 31, 2024. We consider the length of the forecast period to be appropriate because it generally takes longer for an audiovisual PaaS company to reach a stable growth state, compared to companies in other industries, especially considering the fact that the audiovisual PaaS industry in China is an emerging industry with fast growth in the coming years and we are still at the stage of expanding our business and operations in the rapidly growing audiovisual PaaS market. The projected cash flows have been updated to reflect the demand for products and services. We are also of the view that the length of the forecast period reflects the remaining weighted average estimated useful life of assets. The increasing forecasted gross margin is primarily driven by the projected higher revenue contribution from the higher-margin APaaS business and continued cost optimization. The accuracy and reliability of the information is reasonably assured by our appropriate budgeting, forecast and control process. Based on the assessment result, value in use is greater than carrying amounts of property, plant and equipment, right-of-use assets and intangible assets, hence, no impairment was recognized.

The following table sets out our key assumptions in the impairment assessment:

	As of December 31,			As of
	2021	2022	2023	March 31,
				2024
Gross margin rate	19.9%-28.8%	20.0%-28.8%	21.4%-28.8%	21.4%-28.8%
Annual revenue growth rate	-22%-26%	8.7%-26%	10%-15%	10%-15%
Pre-tax discount rate	14.3%	15.1%	15.9%	16.1%

The forecasted gross margin rate and forecasted annual revenue growth rate used in the impairment testing were determined by us based on our past performance and expectation for market development. Discount rates reflect market assessments of the time value and the specific risks relating to the industry. These estimates and judgments may be affected by unexpected changes in the future market or economic conditions. Our Directors have considered the reasonably possible changes to the key assumptions as adopted in the impairment assessments and considered will not result in any impairment charge to be recognized.

For further details, see Note 2.4 and Note 3 to the Accountants' Report in Appendix I to this prospectus.

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CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

The following table sets forth a summary of our consolidated statements of profit or loss, with line items in absolute amounts and as percentages of our revenue for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue	RMB'000	% of revenue
Revenue	1,471,010	100.0	1,147,290	100.0	1,333,991	100.0	270,890	100.0	342,373	100.0
Cost of sales	(1,179,834)	(80.2)	(918,649)	(80.1)	(1,053,746)	(79.0)	(221,372)	(81.7)	(271,833)	(79.4)
Gross profit	291,176	19.8	228,641	19.9	280,245	21.0	49,518	18.3	70,540	20.6
Other income and gains	17,716	1.2	19,543	1.7	30,854	2.3	4,376	1.6	370	0.1
Selling and marketing expenses	(193,016)	(13.1)	(147,521)	(12.9)	(139,065)	(10.4)	(34,985)	(12.9)	(27,442)	(8.0)
Administrative expenses	(119,528)	(8.1)	(111,175)	(9.7)	(135,824)	(10.2)	(31,587)	(11.7)	(30,815)	(9.0)
Research and development costs	(143,357)	(9.7)	(128,727)	(11.2)	(128,034)	(9.6)	(28,039)	(10.4)	(33,590)	(9.8)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	37,238	2.5	30,912	2.7	(54,682)	(4.1)	4,215	1.6	(8,864)	(2.6)
Fair value losses on convertible redeemable preferred shares	(96,467)	(6.6)	(83,810)	(7.3)	(156,087)	(11.7)	(57,312)	(21.2)	(111,528)	(32.6)
Impairment losses on financial assets	(4,763)	(0.3)	(8,233)	(0.7)	(11,757)	(0.9)	(1,893)	(0.7)	(4,396)	(1.3)
Other expenses	(2,659)	(0.2)	(3,636)	(0.2)	(1,596)	(0.1)	(404)	(0.1)	(144)	(0.0)
Finance costs	(6,046)	(0.4)	(8,746)	(0.8)	(8,162)	(0.6)	(2,218)	(0.8)	(2,153)	(0.6)
Loss before tax	(219,706)	(14.9)	(212,752)	(18.5)	(324,108)	(24.3)	(98,329)	(36.3)	(148,022)	(43.2)
Loss for the year/period	(219,706)	(14.9)	(212,752)	(18.5)	(324,108)	(24.3)	(98,329)	(36.3)	(148,022)	(43.2)

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NON-IFRS MEASURE

To supplement our consolidated financial statements presented in accordance with IFRS, we also use non-IFRS measure, namely adjusted net loss, as an additional financial measure, which is not required by or presented in accordance with IFRS. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of certain items. We believe that such measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of adjusted net loss (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial conditions as reported under IFRS.

We define adjusted net loss (non-IFRS measure) as profit/(loss) for the year/period excluding the effects of fair value changes on convertible redeemable preferred shares, share-based payments and listing expenses. Fair value changes on convertible redeemable preferred shares represent changes in the fair value of the convertible redeemable preferred shares issued by us to Pre-IPO Investors. The convertible redeemable preferred shares will be automatically converted into ordinary shares upon completion of the Listing and we do not expect to recognize any further fair value changes on convertible redeemable preferred shares after the Listing. Share-based payments are non-cash in nature and are employee related expenses arising from grant of share options under our share incentive plan. Listing expenses are expenses relating to the Global Offering. The adjustments have been consistently made during the Track Record Period. The following table sets forth the reconciliation of our net loss to adjusted net loss (non-IFRS measure) for the periods indicated:

	Year ended December 31,			Three months ended	
	2021	2022	2023	March 31, 2023	2024
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
				(unaudited)	
Reconciliation of our net loss for the year/period to adjusted net loss (non-IFRS measure):					
Loss for the year/period	(219,706)	(212,752)	(324,108)	(98,329)	(148,022)
Adjusted for:					
Fair value losses on convertible redeemable preferred shares	96,467	83,810	156,087	57,312	111,528
Share-based payments	17,539	10,283	33,830	4,814	4,735
Listing expenses	—	—	18,592	5,462	7,518
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Non-IFRS measure:					
Adjusted net loss	<u>(105,700)</u>	<u>(118,659)</u>	<u>(115,599)</u>	<u>(30,741)</u>	<u>(24,241)</u>

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from providing MPaaS products, APaaS solutions and other services to our customers. The following table sets forth a breakdown of our revenue by service or product type in absolute amounts and as a percentage of our total revenue for the periods indicated:

MPaaS

Revenue from our MPaaS products are primarily derived from our QCDN, Kodo, interactive live streaming products and Dora.

In 2021, 2022, 2023 and the three months ended March 31, 2024, revenue from our MPaaS products were RMB1,369.6 million, RMB875.0 million, RMB974.5 million and RMB249.4 million respectively, representing approximately 93.1%, 76.3%, 73.1% and 72.9% of our total revenue in the same periods. The following table sets forth a breakdown of our revenue from MPaaS products by product types in absolute amounts and as a percentage of our revenue from MPaaS products for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
QCDN	585,513	42.7	488,932	55.9	628,371	64.5	145,200	77.9	176,779	70.9
Kodo	650,764	47.5	320,359	36.6	297,791	30.5	35,184	18.9	63,958	25.6
Interactive live streaming products	87,067	6.4	50,526	5.8	17,175	1.8	3,905	2.1	3,571	1.4
Dora	46,297	3.4	15,180	1.7	31,170	3.2	2,061	1.1	5,134	2.1
Total	1,369,641	100.0	874,997	100.0	974,507	100.0	186,350	100.0	249,442	100.0

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QCDN. Our integrated QCDN product optimizes the acceleration of data network through building CDN nodes across the globe from multiple providers, primarily including IaaS cloud providers and traditional CDN providers. QCDN is primarily charged based on network traffic or bandwidth usage on public cloud, taking into account factors including the amount of content delivered and the time of the day the service was requested. In 2023, the revenue generated from QCDN reached RMB628.4 million, representing an increase of 28.5% as compared to 2022 as we (i) strengthened our business relationship with the top Internet enterprises in China, which are typically the major customers of our QCDN products; (ii) provided different pricing methods (e.g. based on actual usage or service package) to cater to the different business needs and distribution pattern of our customers; and (iii) engaged in the research and development of QCDN products, for example, the integration of CDN nodes and AI computing power to provide more competitive CDN products. In the three months ended March 31, 2024, the revenue generated from QCDN reached RMB176.8 million, representing an increase of 21.7% as compared to the three months ended March 31, 2023, as we continued to strengthen business relationship with our major customers resulting in an increase in average contribution of our QCDN customers.

Kodo. Kodo can be offered to our customers on public cloud which is charged based on the storage capacity, including factors such as the weighted average size of the data stored daily. In addition, for customers with higher demand for compatibility, reliability, privacy and security in cloud, Kodo can also be deployed on the customer's server or on a private cloud that we build for the customer, which is charged based on the storage capacity. We made a decision in December 2021 to scale down our all-in-one server business, which constituted a significant part of our Kodo business, taking into consideration particular risks associated with all-in-one server business. In 2023, due to the recovery of all-in-one server business in the industry, we gradually increased our all-in-one server business. In the three months ended March 31, 2024, the revenue generated from Kodo reached RMB64.0 million, representing an increase of 81.8% as compared to the same period in 2023, attributable to continued recovery of all-in-one server business in the industry and the relatively low Kodo revenue contribution in the first three months of 2023.

Interactive live streaming products. Our interactive live streaming products are designed for application scenarios in live streaming and real-time interactions. Our interactive live streaming products are offered to our customers on public cloud which is primarily charged based on usage.

Dora. Dora is our cloud-based intelligent media data analytics platform, offering strong data processing capabilities. Most of our customers use Dora on public cloud which is charged based on API calls or usage. To a lesser extent, Dora can also be deployed on a private cloud built for customers, which is charged on a project basis.

For further details on our MPaaS products and their respective fee models, see “Business — Our Products and Solutions — Our MPaaS products.”

APaaS

Revenue from our APaaS solutions are derived from five application scenarios, namely social entertainment, video marketing, visual networking, smart new media and metaverse.

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In 2021, 2022, 2023 and the three months ended March 31, 2024, revenue from our APaaS solutions were RMB24.9 million, RMB194.0 million, RMB281.4 million and RMB83.2 million, respectively, representing approximately 1.7%, 16.9%, 21.1% and 24.3% of our total revenue in the same periods. The following table sets forth a breakdown of our revenue from APaaS solutions by application scenarios, categorized according to the scenario-based solutions provided to our APaaS customers, in absolute amounts and as a percentage of our revenue from APaaS solutions for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
Video marketing	9,446	37.9	87,357	45.0	170,261	60.5	36,747	57.4	45,249	54.4
Social entertainment	14,450	58.1	97,770	50.4	86,796	30.9	23,218	36.2	27,754	33.3
Visual networking	404	1.6	5,507	2.8	18,935	6.7	2,595	4.0	8,991	10.8
Smart new media	601	2.4	3,212	1.7	5,063	1.8	1,474	2.3	1,150	1.4
Metaverse	-	-	167	0.1	304	0.1	40	0.1	94	0.1
Total	24,901	100.0	194,013	100.0	281,359	100.0	64,074	100.0	83,238	100.0

Video marketing. We provide solutions with broad connections in our video marketing scenario, assisting customers in reaching their target consumers at various stages of marketing. By combining enterprise live streaming marketing, interactive marketing and other solutions, and based on our consolidated advertising platform and post-advertising attribution analysis platform, we empower our customers to swiftly build their own live streaming platform to enhance user loyalty and promote conversion.

Social entertainment. We provide one-stop solutions for mobile social entertainment that includes image processing and delivery, short video processing and on demand, long video processing and on demand, file distribution and download, and live streaming of events or shows.

Visual networking, smart new media and metaverse. Our APaaS businesses for visual networking, smart new media and metaverse are at an early ramp-up stage.

We charge our APaaS customers based on (i) actual usage (such as volume of data or storage used, API calls, etc.), or (ii) service package (equipped with fixed storage, data, software pack, etc.).

For further details on our APaaS solutions and their respective fee models, see “Business — Our Products and Solutions — Our APaaS solutions.”

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Others

Complementary to our MPaaS and APaaS solutions, we also offer our customers other trustworthy cloud services, primarily including DPaaS, QVM, and internet data hosting services. Other services are not our business focus. We provide other services to our customers according to their demand as part of our comprehensive services and our revenue from other services fluctuated during the Track Record Period according to customers' demand.

We derive revenue from our DPaaS solution primarily through Pandora, which delivers a solution to our customers which enables them to develop, run and manage data analytics applications without the need to build and maintain the infrastructure themselves from scratch. For customers of Pandora, we either charge based on usage, or on a project basis in order to cater to the diverse data analytics needs of businesses.

QVM is a comprehensive suite of solutions including cloud servers, databases, network, security and storage. We provide secure, scalable, on-demand computing resources, enabling customers to flexibly deploy applications and workloads. For our QVM service, we charge our customers based on actual usage.

For further details on our other services and the respective fee models, see "Business — Our Products and Solutions — Others."

In 2021, 2022, 2023 and the three months ended March 31, 2024, revenue from our other services were RMB76.5 million, RMB78.3 million, RMB78.1 million and RMB9.7 million, respectively, representing approximately 5.2%, 6.8%, 5.8% and 2.8% of our total revenue in the same periods.

Cost of Sales

Our cost of sales consists of the costs and expenses that are related to providing our products to our customers. These cost of sales primarily include (i) network and bandwidth purchased from network operators and cloud providers, (ii) server and storage costs in relation to hardware procured for customers, virtual machine services acquired and storage related services, (iii) depreciation and amortization mainly in relation to servers and network equipment, (iv) Internet data center rack costs, (v) technical service fees in relation to SDK, AI, texting services and other services or software purchased from third-parties, (vi) staff cost in relation to salaries, bonuses, benefits and share-based payments for our project operation and maintenance team, and (vii) other miscellaneous expenses such as equipment accessories and logistics expenses.

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The following table sets forth a breakdown of our cost of sales in absolute amount and as a percentage of our total cost of sales, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
Network and bandwidth costs	622,537	52.8	563,738	61.4	645,676	61.3	146,968	66.4	175,712	64.6
Server and storage costs	360,096	30.5	132,580	14.4	173,679	16.5	11,971	5.4	41,879	15.4
Internet data center rack costs	60,209	5.1	92,054	10.0	101,021	9.6	27,781	12.5	14,761	5.4
Technical service fees	35,390	3.0	35,661	3.9	63,112	6.0	14,345	6.5	25,265	9.3
Depreciation and amortization expenses	70,371	6.0	74,546	8.1	53,519	5.1	16,189	7.3	10,299	3.8
Staff cost	20,560	1.7	15,498	1.7	13,699	1.3	3,602	1.6	3,310	1.2
Others	10,671	0.9	4,572	0.5	3,040	0.2	516	0.3	607	0.3
Total	<u>1,179,834</u>	<u>100.0</u>	<u>918,649</u>	<u>100.0</u>	<u>1,053,746</u>	<u>100.0</u>	<u>221,372</u>	<u>100.0</u>	<u>271,833</u>	<u>100.0</u>

The following table sets forth a breakdown of cost of sales of our MPaaS business in absolute amount and as a percentage of total cost of sales of our MPaaS business, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
Network and bandwidth costs	615,092	54.7	490,028	67.7	558,014	71.0	129,042	82.0	147,362	72.2
Server and storage costs	337,284	30.0	109,141	15.1	148,384	18.9	5,766	3.7	36,801	18.0
Depreciation and amortization expenses	65,178	5.8	50,619	7.0	24,716	3.1	8,943	5.7	3,754	1.8
Internet data center rack costs	53,973	4.8	41,700	5.8	28,500	3.6	9,345	5.9	4,153	2.0
Technical service fees	25,367	2.3	17,042	2.4	15,505	2.0	1,264	0.8	10,224	5.0
Staff cost	18,425	1.6	11,869	1.6	8,848	1.1	2,594	1.6	1,498	0.7
Others	9,549	0.8	3,267	0.4	1,999	0.3	363	0.3	361	0.3
Total	<u>1,124,868</u>	<u>100.0</u>	<u>723,666</u>	<u>100.0</u>	<u>785,966</u>	<u>100.0</u>	<u>157,317</u>	<u>100.0</u>	<u>204,153</u>	<u>100.0</u>

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The following table sets forth a breakdown of cost of sales of our APaaS business in absolute amount and as a percentage of total cost of sales of our APaaS business, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
	(unaudited)									
Network and bandwidth costs	7,445	40.4	73,711	53.0	87,662	44.5	17,925	39.7	28,350	48.1
Technical service fees	2,221	12.1	7,227	5.2	34,086	17.3	10,213	22.6	14,057	23.8
Depreciation and amortization expenses	3,754	20.4	23,552	16.9	28,681	14.6	7,205	16.0	6,540	11.1
Internet data center rack costs	3,380	18.4	21,785	15.7	25,095	12.8	5,314	11.8	5,038	8.5
Server and storage costs	924	5.0	8,744	6.3	15,547	7.9	3,379	7.5	2,935	5.0
Staff cost	359	1.9	2,970	2.1	4,761	2.4	987	2.2	1,805	3.1
Others	328	1.8	1,024	0.8	973	0.5	144	0.2	241	0.4
Total	18,411	100.0	139,013	100.0	196,805	100.0	45,167	100.0	58,966	100.0

Gross Profit and Gross Margin

The following table sets forth our gross profit in absolute amounts and as a percentage of revenue, i.e., gross margins, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>Gross margin</i>		<i>Gross margin</i>		<i>Gross margin</i>		<i>Gross margin</i>		<i>Gross margin</i>	
	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)	<i>RMB'000</i>	(%)
	(unaudited)									
Gross profit										
– MPaaS	244,773	17.9	151,331	17.3	188,541	19.3	29,033	15.6	45,289	18.2
– APaaS	6,490	26.1	55,000	28.3	84,554	30.1	18,907	29.5	24,272	29.2
– Others	39,913	52.2	22,310	28.5	7,150	9.2	1,578	7.7	979	10.1
Total	291,176	19.8	228,641	19.9	280,245	21.0	49,518	18.3	70,540	20.6

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We benefited from higher gross margin for APaaS business compared with our MPaaS business as we provided one-stop scenario-based solutions using our low-code platform to provide packaged services. Higher gross margin of our APaaS business was partially attributable to (i) some of our high value-added SDKs such as audiovisual terminal processing and digital persons, for which we are able to collect additional revenue, and (ii) some of our functionalities such as low-code image processing and video marketing comprehensive processing which we do not charge separately but they add premium to our solutions and we are able to charge a higher price for the packaged services. In addition, as the audiovisual APaaS market is a new industry segment and there are relatively few market participants compared to MPaaS market, we benefit from strong negotiation power. Furthermore, we were able to reuse existing modules and solutions in the APaaS scenarios, and could replicate and expand solutions to serve other customers while saving our costs.

Other Income and Gains

Other income and gains consists primarily of (i) government grants, which mainly relate to financial assistance from local governments in China for our research and development activities and additional input value-added tax credit, (ii) bank interest income from our bank deposits, (iii) investment income from wealth management products, (iv) revision of a lease term arising from a change in the non-cancellable period of a lease, and others. The following table sets forth a breakdown of the components of our other income in absolute amounts and as percentages of our other income and gains, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Other Income and Gains										
Government grants	14,782	83.4	15,230	77.9	22,470	72.8	1,652	37.8	288	77.8
Bank interest income	2,745	15.5	3,607	18.5	7,622	24.7	1,782	40.7	82	22.2
Investment income from wealth management products measured at FVTPL	110	0.6	211	1.1	-	-	-	-	-	-
Revision of a lease term arising from a change in the non-cancellable period of a lease	-	-	-	-	259	0.8	-	-	-	-
Foreign exchange differences, net	-	-	-	-	-	-	441	10.1	-	-
Others	79	0.5	495	2.5	503	1.7	501	11.4	-	-
Total	17,716	100.0	19,543	100.0	30,854	100.0	4,376	100.0	370	100.0

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Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) staff cost relating to our sales force, including salaries, bonuses, benefits and share-based payments for our sales and marketing employees, (ii) promotional expenses, which primarily represent expenses incurred for conferences held for sales and marketing purposes, promotional expenses we paid to major search engines and sales commissions, (iii) office and travel expenses incurred by our sales and marketing staff, (iv) depreciation and amortization expenses allocated to our sales and marketing department, and (v) other miscellaneous expenses such as consulting fees in relation to market feasibility studies, and property service and utilities expenses. Our selling and marketing expenses accounted for 13.1%, 12.9%, 10.4% and 8.0% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

The following table sets forth a breakdown of the major components of our selling and marketing expenses, in absolute amounts and as percentages of our total selling and marketing expenses, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff cost	138,922	72.0	118,276	80.2	104,122	74.9	26,880	76.8	21,092	76.9
Promotional expenses	26,598	13.8	11,255	7.6	18,787	13.5	4,003	11.4	3,574	13.0
Office and travel expenses	15,526	8.0	8,226	5.6	7,624	5.5	1,920	5.5	1,132	4.1
Depreciation and amortization expenses	8,081	4.2	7,058	4.8	5,775	4.2	1,363	3.9	1,202	4.4
Others	3,889	2.0	2,706	1.8	2,757	1.9	819	2.4	442	1.6
Total	193,016	100.0	147,521	100.0	139,065	100.0	34,985	100.0	27,442	100.0

Administrative Expenses

Our administrative expenses primarily consist of (i) staff cost relating to our administrative staff, including salaries, bonuses, benefits and share-based payments for our administrative employees, (ii) consulting and other professional service fees primarily in connection with our previous listing attempt on NASDAQ, network security services, media consulting services and stress tests with respect to our system, among others, (iii) listing expenses in relation to our proposed Listing, (iv) severance payment to our employees, (v) depreciation and amortization expenses allocated to our administrative department, (vi) office and travel expenses incurred by our administrative staff, and (vii) other miscellaneous expenses such as reserved Internet data center rack costs, property service and utilities expenses and bank service charges. Our administrative expenses accounted for 8.1%, 9.7%, 10.2% and 9.0% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

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The following table sets forth a breakdown of the components of our administrative expenses, in absolute amounts and as percentages of our total administrative expenses, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	(unaudited)			
Staff cost	56,777	47.5	50,194	45.1	76,331	56.2	16,121	51.0	16,631	54.0
Consulting and other professional service fees	40,841	34.2	12,147	10.9	19,161	14.1	5,768	18.3	4,468	14.5
Listing expenses	-	-	-	-	18,592	13.7	5,462	17.3	7,518	24.4
Severance payment	10,093	8.4	36,603	32.9	9,192	6.8	1,156	3.7	150	0.5
Depreciation and amortization expenses	5,436	4.5	4,923	4.4	4,254	3.1	1,046	3.3	865	2.8
Office and travel expenses	1,075	0.9	2,922	2.6	3,915	2.9	975	3.1	527	1.7
Others	5,306	4.5	4,386	4.1	4,379	3.2	1,059	3.3	656	2.1
Total	119,528	100.0	111,175	100.0	135,824	100.0	31,587	100.0	30,815	100.0

Research and Development Costs

Research and development costs consists primarily of (i) staff cost for our research and development personnel, including salaries, bonuses, benefits and share-based payments for our research and development employees, (ii) R&D related service fees for outsourcing non-essential R&Ds to third parties, (iii) depreciation and amortization expenses allocated to our R&D department and depreciation of servers and equipment used in our R&D activities, (iv) office and travel expenses incurred by our research and development personnel, and (v) other miscellaneous expenses such as property service and utilities expenses and Internet data center rack costs allocated to our R&D department. Our research and development costs accounted for 9.7%, 11.2%, 9.6% and 9.8% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

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The following table sets forth a breakdown of the components of our research and development costs, in absolute amounts and as percentages of our total research and development costs, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Staff cost	123,857	86.4	116,152	90.2	102,313	79.9	25,100	89.5	27,182	80.9
R&D related service fees	7,187	5.0	1,500	1.2	14,724	11.5	137	0.5	3,817	11.4
Depreciation and amortization expenses	6,899	4.8	6,952	5.4	7,348	5.7	1,849	6.6	1,712	5.1
Office and travel expenses	2,692	1.9	1,461	1.1	1,358	1.1	413	1.5	310	0.9
Others	2,722	1.9	2,662	2.1	2,291	1.8	540	1.9	569	1.7
Total	143,357	100.0	128,727	100.0	128,034	100.0	28,039	100.0	33,590	100.0

Fair Value Changes of Financial Assets at Fair Value through Profit or Loss, Net

Our net fair value changes of financial assets measured at fair value through profit or loss relate to fair value changes of investments in unlisted entities, mainly including minority equity investments in seven information technology service companies in the PRC with our equity interest ranging from 3.8633% to 30%. Our equity investments in unlisted entities under financial assets at fair value through profit or loss are as follows:

No.	Name	Percentage of shareholding held by us	Business nature
1	Beijing Titanium Fog Network Technology Co., Ltd.* (北京鈦霧網絡科技有限公司)	30.0000%	Internet information and technology service
2	Shenzhen Xishu Technology Co., Ltd.* (深圳市溪數科技有限公司)	3.8633%	Data processing, software and information technology service
3	Shanghai Zero Meter Information Technology Co., Ltd.* (上海零米信息技術有限公司)	6.3467%	Data processing, software and information technology service

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No.	Name	Percentage of shareholding held by us	Business nature
4	Niuli Intelligent IoT Technology (Hangzhou) Co., Ltd.* (牛利智能物聯科技(杭州)有限公司)	8.0360%	Data processing, software and information technology service
5	Quzhou Taiji Information Technology Co., Ltd.* (衢州泰輯信息科技有限公司)	5.4374%	Software and information technology service
6	Shenzhen Zhichi Network Technology Development Co., Ltd.* (深圳市咫尺網絡科技開發有限公司)	4.6878%	Database, software and information technology service
7	Shanghai Shanma Intelligent Technology Co., Ltd.* (上海閃馬智能科技有限公司)	8.3561%	Data processing, software and information technology service

Fair value changes of financial assets measured at fair value through profit or loss is primarily driven by the market valuation of these investments. Our fair value changes of financial assets measured at fair value through profit or loss were a gain of RMB37.2 million, a gain of RMB30.9 million, a loss of RMB54.7 million and a loss of RMB8.9 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares represent changes in the fair value of the convertible redeemable preferred shares issued by us to Pre-IPO Investors. We do not bifurcate any embedded derivatives from the host instruments and have designated the entire instruments as financial liabilities at fair value through profit or loss. They were initially recognized at fair value and subsequent to initial recognition, the fair value change of the convertible redeemable preferred shares is recognized in profit or loss except for the portion attributable to credit risk change which shall be recognized in other comprehensive income, if any. Our Directors considered that there was no material credit risk change during the Track Record Period. For further details, see Note 28 to the Accountants' Report in Appendix I to this prospectus. Our fair value changes of convertible redeemable preferred shares were a loss of RMB96.5 million, RMB83.8 million, RMB156.1 million and RMB111.5 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Prior to the Global Offering, the convertible redeemable preferred shares are not traded in an active market and their value at respective reporting dates is determined using valuation techniques.

Impairment Losses on Financial Assets

Our impairment losses on financial assets primarily relate to bad debt provisions of our trade receivables. We recorded impairment losses on financial assets of RMB4.8 million, RMB8.2 million, RMB11.8 million and RMB4.4 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

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Other Expenses

Our other expenses primarily relate to loss from disposal of assets, exchange losses and impairment on investment in an associate. We recorded other expenses of RMB2.7 million, RMB3.6 million, RMB1.6 million and RMB0.1 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

Finance costs

Our finance costs comprise interest on interest-bearing bank and other borrowings and interest on lease liabilities. Our finance cost amounted to RMB6.0 million, RMB8.7 million, RMB8.2 million and RMB2.2 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

Income Tax

We recorded nil income tax expense during the Track Record Period. As of the Latest Practicable Date, we did not have any disputes with any tax authorities.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in mainland China, the Cayman Islands, the British Virgin Islands, Hong Kong and Singapore.

Mainland China

Our subsidiaries incorporated in China are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the EIT Law, except for Qiniu Information which was granted tax concession and is taxed at preferential tax rates.

Qiniu Information obtained its “High and New Technology Enterprise” qualification in 2019 and renewed the qualification in 2022, so that Qiniu Information is entitled to the preferential tax rate of 15% from 2019 to 2024.

Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains.

British Virgin Islands

Pursuant to the rules and regulations of the British Virgin Islands, we are not subject to any income tax.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Track Record Period. No provision for Hong Kong profits tax has been made as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

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Singapore

The income tax rate of Singapore is 17% during the Track Record Period. In addition, three-quarters of up to the first S\$10,000, and one half of up to the next S\$190,000, of a company's chargeable income otherwise subject to normal taxation is exempt from corporate tax. The remaining chargeable income, after the tax exemption, will be fully taxable at the prevailing corporate tax rate.

Loss for the Year/Period

As a result of the foregoing, we recorded loss of RMB219.7 million, RMB212.8 million, RMB324.1 million and RMB148.0 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

Total Comprehensive Loss for the Year/Period

As a result of the foregoing, we recorded total comprehensive loss of RMB163.7 million, RMB445.8 million, RMB373.1 million and RMB153.6 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. The differences between the loss for the year/period and the total comprehensive loss for the year/period was mainly due to the exchange differences on translation (including those that may be reclassified and those that will not be reclassified to profit or loss in subsequent periods).

The exchange differences on translation that will not be reclassified to profit or loss in subsequent periods primarily represents the difference arising from the translation of operating results and financial position of our Company from our functional currency (US\$) into the presentation currency (RMB). According to IAS 21.48, on disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity shall be reclassified from equity to profit or loss. According to IAS 21.8, "foreign operation" is defined as an entity that is a subsidiary, associate, joint arrangement or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity. Our Company does not fall under the definition of foreign operation under IAS 21.8 and therefore, the amount of the exchange differences relating to the currency translation of our Company will not be reclassified to profit or loss in subsequent periods.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Revenue

Our total revenue increased by 26.4% from RMB270.9 million in the three months ended March 31, 2023 to RMB342.4 million in the three months ended March 31, 2024, primarily due to (i) the increase in revenue generated from our MPaaS products, in particular QCDN and Kodo, and (ii) the increase in revenue generated from our APaaS solutions attributable to more customer demands, partially offset by the decrease in revenue generated from other services as a result of decreases in DPaaS and internet data hosting services.

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MPaaS

Revenue from our MPaaS products increased by 33.9% from RMB186.4 million in the three months ended March 31, 2023 to RMB249.4 million in the three months ended March 31, 2024, attributable to increases in revenue from QCDN, Kodo and Dora, partially offset by a slight decrease in revenue from interactive live streaming products.

Specifically, the increase in revenue from our MPaaS products was mainly attributable to increases in (i) revenue from QCDN from RMB145.2 million in the three months ended March 31, 2023 to RMB176.8 million in the three months ended March 31, 2024 as a result of our enhanced business cooperation with our major customers, (ii) revenue from Kodo from RMB35.2 million in the three months ended March 31, 2023 to RMB64.0 million in the three months ended March 31, 2024 primarily attributable to the substantial growth of customer demand as a result of the stabilized market condition with the recovery from the COVID-19 pandemic as well as relatively low Kodo revenue contribution in the first three months of 2023, and (iii) revenue from Dora from RMB2.1 million in the three months ended March 31, 2023 to RMB5.1 million in the three months ended March 31, 2024 mainly due to the strong market demand for the AI capabilities embedded in and our continuous efforts to improve our Dora platform. The increases in revenue from our QCDN, Kodo and Dora were partially offset by a slight decrease in revenue from our interactive live streaming products from RMB3.9 million in the three months ended March 31, 2023 to RMB3.6 million in the three months ended March 31, 2024.

APaaS

Revenue from our APaaS products increased by 29.9% from RMB64.1 million in the three months ended March 31, 2023 to RMB83.2 million in the three months ended March 31, 2024, primarily attributable to the increase in revenue generated from our video marketing, visual networking and social entertainment. Our revenue from video marketing increased as we promoted our commercialized video marketing solutions to more customers. Revenue from our visual networking also increased due to our optimization of the streaming services which attracted more customers. Revenue from social entertainment increased as we provided more functions and attracted customers with scenario-based solutions.

Others

Revenue from our other services decreased by 52.6% from RMB20.5 million in the three months ended March 31, 2023 to RMB9.7 million in the three months ended March 31, 2024, primarily due to decreases of our DPaaS business and internet data hosting services.

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Cost of Sales

Our cost of sales increased by 22.8% from RMB221.4 million in the three months ended March 31, 2023 to RMB271.8 million in the three months ended March 31, 2024, primarily due to (i) the increase in server and storage costs from RMB12.0 million in the three months ended March 31, 2023 to RMB41.9 million in the three months ended March 31, 2024 mainly driven by the growth of our all-in-one server business which led to the increase of procurement costs of servers, and (ii) the increase in network and bandwidth costs from RMB147.0 million in the three months ended March 31, 2023 to RMB175.7 million in the three months ended March 31, 2024 mainly driven by the growth of our QCDN business, partially offset by (i) the decrease in internet data center rack costs from RMB27.8 million in the three months ended March 31, 2023 to RMB14.8 million in the three months ended March 31, 2024 mainly driven by our cost control efforts to restructure our infrastructure layout and relocate some of our servers, and (ii) the decrease in depreciation and amortization expenses as some of our servers have been fully depreciated.

Gross Profit and Gross Margin

Our gross profit increased by 42.5% from RMB49.5 million in the three months ended March 31, 2023 to RMB70.5 million in the three months ended March 31, 2024. Our overall gross margin increased from 18.3% in the three months ended March 31, 2023 to 20.6% in the three months ended March 31, 2024.

Our gross margin of MPaaS increased from 15.6% in the three months ended March 31, 2023 to 18.2% in the three months ended March 31, 2024 primarily because (i) we were able to generate more revenue from our Kodo business which generally had higher gross profit margin as compared to our QCDN business, and (ii) we benefited from certain cost control measure, such as restructuring of our infrastructure layout and relocation of our servers. Our gross margin of APaaS remain relatively stable at 29.5% and 29.2% in the three months ended March 31, 2023 and 2024, respectively.

Other Income and Gains

Our other income and gains decreased by 91.5% from RMB4.4 million in the three months ended March 31, 2023 to RMB0.4 million in the three months ended March 31, 2024, primarily due to (i) the decrease in government grants of RMB1.4 million, mainly because we received one-off government grants in the three months ended March 31, 2023, and (ii) the decrease in bank interest income of RMB1.7 million as a result of moving some bank fixed deposit to current account for our business development purpose.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 21.6% from RMB35.0 million in the three months ended March 31, 2023 to RMB27.4 million in the three months ended March 31, 2024, primarily due to the decrease in staff cost from RMB26.9 million in the three months ended March 31, 2023 to RMB21.1 million in the three months ended March 31, 2024 as a result of our continuous cost control efforts. Our selling and marketing expenses as a percentage of our total revenue decrease from 12.9% in the three months ended March 31, 2023 to 8.0% in the three months ended March 31, 2024.

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Administrative Expenses

Our administrative expenses decreased by 2.4% from RMB31.6 million in the three months ended March 31, 2023 to RMB30.8 million in the three months ended March 31, 2024, primarily due to (i) the decrease in consulting and other professional service fees from RMB5.8 million in the three months ended March 31, 2023 to RMB4.5 million in the three months ended March 31, 2024, and (ii) the decrease in severance payment from RMB1.2 million in the three months ended March 31, 2023 to RMB0.2 million in the three months ended March 31, 2024. Our administrative expenses as a percentage of our total revenue decrease from 11.7% in the three months ended March 31, 2023 to 9.0% in the three months ended March 31, 2024.

Research and Development Costs

Our research and development costs increased by 19.8% from RMB28.0 million in the three months ended March 31, 2023 to RMB33.6 million in the three months ended March 31, 2024, primarily due to the increase in R&D related service fees from RMB0.1 million in the three months ended March 31, 2023 to RMB3.8 million in the three months ended March 31, 2024 as a result of our engaging third parties for certain non-core R&D development projects.

Fair Value Gains on Financial Assets at Fair Value through Profit or Loss, Net

We recorded net fair value gains on financial assets measured at fair value through profit or loss of RMB4.2 million in the three months ended March 31, 2023 and net fair value losses of RMB8.9 million in the three months ended March 31, 2024, primarily due to the decreased market valuation of some of our investments during the period.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value loss on convertible redeemable preferred shares increased by 94.6% from RMB57.3 million in the three months ended March 31, 2023 to RMB111.5 million in the three months ended March 31, 2024, as a result of changes in the fair value of the convertible redeemable preferred shares issued by us to Pre-IPO investors as the valuation of our Company increased during the period.

Impairment Loss on Financial Assets

Our impairment loss on financial assets, mainly trade receivables, increased by 132.2% from RMB1.9 million in the three months ended March 31, 2023 to RMB4.4 million in the three months ended March 31, 2024, primarily because we made more provisions for trade receivables in the three months ended March 31, 2024 due to our business expansion and the increase in trade receivables from our Kodo business which had a slightly longer collection period.

Other Expenses

Our other expenses decreased by 64.4% from RMB0.4 million in the three months ended March 31, 2023 to RMB0.1 million in the three months ended March 31, 2024, primarily due to expenses incurred relating to an early termination of an office lease in the three months ended March 31, 2023.

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Finance Costs

Our finance costs remained relatively stable at RMB2.2 million in the three months ended March 31, 2024 compared to RMB2.2 million in the three months ended March 31, 2023.

Loss for the Period

As a result of the foregoing, we recorded a loss of RMB98.3 million in the three months ended March 31, 2023 and a loss of RMB148.0 million in the three months ended March 31, 2024.

Adjusted Net Loss (non-IFRS Measure) for the Period

As a result of the foregoing, our adjusted net loss (non-IFRS measure) decreased from RMB30.7 million in the three months ended March 31, 2023 to RMB24.2 million in the three months ended March 31, 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue increased by 16.3% from RMB1,147.3 million in 2022 to RMB1,334.0 million in 2023, primarily due to the increase in revenue generated from our APaaS solutions attributable to more customer demands and MPaaS products attributable to the growth of QCDN business, partially offset by the decrease in revenue generated from DPaaS business due to our strategic adjustment.

MPaaS

Revenue from our MPaaS products increased by 11.4% from RMB875.0 million in 2022 to RMB974.5 million in 2023, attributable to increases in revenue from QCDN and Dora, partially offset by the decreases in revenue from Kodo and interactive live streaming products.

Specifically, the increase in revenue from our MPaaS products was mainly attributable to increases in (i) revenue from QCDN from RMB488.9 million in 2022 to RMB628.4 million in 2023 due to heightened customer demand, particularly from certain major customers which had increased business needs due to substantial viewing traffic for their videos, including Customer H, Customer-Supplier Group I and Customer-Supplier Group J, which was driven by our enhanced product offering and services catered to their particular distribution needs; and (ii) revenue from our Dora from RMB15.2 million in 2022 to RMB31.2 million in 2023 as we enhanced product offering catered to the market demand for AI capabilities. The increase in revenue from our QCDN and Dora was partially offset by decreases in (i) revenue from Kodo from RMB320.4 million in 2022 to RMB297.8 million in 2023 as a result of some Kodo customers upgraded to use our APaaS visual networking solution, as well as some of our Kodo customers reduced procurement, for example, by archiving old data and transferring it to a storage mode with less frequent access and higher latency, and (ii) revenue from interactive live streaming products from RMB50.5 million in 2022 to RMB17.2 million in 2023 as we scaled down our business with certain customers such as Customer A due to less favorable commercial terms offered, and some of our customers using interactive live streaming products switched to our APaaS solutions.

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APaaS

Revenue from our APaaS solutions increased by 45.0% from RMB194.0 million in 2022 to RMB281.4 million in 2023, mainly attributable to the increase in revenue from our video marketing, and to a lesser extent, our visual networking. Our revenue from video marketing increased as we commercialized some of our video marketing solutions and generated significant revenue from solutions such as interactive marketing, and revenue from some of our existing solutions such as enterprise live streaming also increased. Revenue from our visual networking also increased due to higher market use of various cameras. We also provided more value-added service for APaaS customers, resulting in the increase in the average contribution per APaaS customer from RMB98.6 thousand in 2022 to RMB108.3 thousand in 2023. The number of our APaaS customers increased from 1,967 in 2022 to 2,597 in 2023. We had 161 new APaaS customers in 2023, who contributed to RMB39.4 million of our APaaS revenue in aggregate and with average contribution of RMB245.0 thousand in 2023.

Others

Revenue from our other services remained relatively stable at RMB78.3 million and RMB78.1 million in 2022 and 2023, respectively.

Cost of Sales

Our cost of sales increased by 14.7% from RMB918.6 million in 2022 to RMB1,053.7 million in 2023, primarily due to (i) the increase in network and bandwidth costs from RMB563.7 million in 2022 to RMB645.7 million in 2023 mainly driven by the growth of our QCDN business, (ii) the increase in server and storage costs from RMB132.6 million in 2022 to RMB173.7 million in 2023 as a result of the increase in the costs of hardware for all-in-one server business, (iii) the increase in technical service fees from RMB35.7 million in 2022 to RMB63.1 million in 2023 mainly driven by text services fees with the business expansion, and (iv) the increase in internet data center rack costs from RMB92.1 million in 2022 to RMB101.0 million in 2023 as a result of growth of our internet data hosting services as part of our other business.

Gross Profit and Gross Margin

Our gross profit increased by 22.6% from RMB228.6 million in 2022 to RMB280.2 million in 2023. Our overall gross margin increased from 19.9% in 2022 to 21.0% in 2023.

FINANCIAL INFORMATION

Our gross margin of MPaaS increased from 17.3% in 2022 to 19.3% in 2023 primarily because (i) we did a long overdue restructuring of our infrastructure layout and relocated some of our servers, resulting in the improved efficiency of our QCDN and Kodo business, and (ii) we scaled down our business with some customers, particularly Customer A, with whom we had less favorable commercial terms compared with other customers, such as Customer H, Customer-Supplier Group I and Customer-Supplier Group J which contributed significantly to our revenue in 2023. Our gross margin of APaaS increased from 28.3% in 2022 to 30.1% in 2023 primarily because (i) we were able to meet higher demand from the APaaS market and provide value-added services, including packaged services and a low-code platform, and (ii) we benefited from the improved efficiency as a result of the restructuring of our infrastructure layout and relocation of our servers. Our gross margin of other business decreased from 28.5% in 2022 to 9.2% in 2023 as we made the strategic adjustment to scale down our DPaaS business, despite its relatively high gross margin as DPaaS solutions are typically sold in the form of dedicated and technical software deployed on a private cloud built for our customers. We scaled down DPaaS business as it is no longer our focus and incurred high and recurring research and development costs which is not beneficial to our profitability in the long term.

Other Income and Gains

Our other income and gains increased by 57.9% from RMB19.5 million in 2022 to RMB30.9 million in 2023, primarily due to (i) the increase in government grants of RMB7.2 million mainly in relation to additional input value-added tax credit; and (ii) the increase in bank interest income of RMB4.0 million, mainly because of the increase in the bank interest rate.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 5.7% from RMB147.5 million in 2022 to RMB139.1 million in 2023, primarily due to the decrease in staff cost from RMB118.3 million in 2022 to RMB104.1 million in 2023 as a result of the decrease in the number of our sales and marketing personnel from 177 as of December 31, 2022 to 137 as of December 31, 2023 as we continued to streamline our sales team structure. Our selling and marketing expenses as a percentage of our total revenue decreased from 12.9% in 2022 to 10.4% in 2023.

Administrative Expenses

Our administrative expenses increased by 22.2% from RMB111.2 million in 2022 to RMB135.8 million in 2023, primarily due to (i) the increase in staff cost from RMB50.2 million in 2022 to RMB76.3 million in 2023 mainly due to the increase in share-based payments of RMB25.1 million, and (ii) the increase in listing expenses from nil in 2022 to RMB18.6 million in 2023 in relation to our proposed Listing, partially offset by the decrease in severance payment from RMB36.6 million in 2022 to RMB9.2 million in 2023 as less staff redundancy was made in 2023.

Research and Development Costs

Our research and development costs remained relatively stable at RMB128.0 million in 2023 compared to RMB128.7 million in 2022.

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Fair Value Changes on Financial Assets at Fair Value through Profit or Loss, Net

We recorded net fair value gains on financial assets measured at fair value through profit or loss of RMB30.9 million and net fair value losses of RMB54.7 million in 2022 and 2023, respectively, primarily due to the decreased market valuation of some of our investments during the periods.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value loss on convertible redeemable preferred shares increased by 86.2% from RMB83.8 million in 2022 to RMB156.1 million in 2023, as a result of changes in the fair value of the convertible redeemable preferred shares issued by us to Pre-IPO Investors as the valuation of our Company increased.

Impairment Loss on Financial Assets

Our impairment loss on financial assets, mainly trade receivables, increased by 42.8% from RMB8.2 million in 2022 to RMB11.8 million in 2023, primarily as we made more provision for impairment loss in line with business growth.

Other Expenses

Our other expenses decreased by 56.1% from RMB3.6 million in 2022 to RMB1.6 million in 2023, primarily due to the decrease in foreign exchange loss from RMB2.5 million in 2022 to RMB1.0 million in 2023.

Finance Costs

Our finance costs remained relatively stable at RMB8.2 million in 2023 compared to RMB8.7 million in 2022.

Loss for the Year

As a result of the foregoing, we recorded a loss of RMB212.8 million in 2022 and a loss of RMB324.1 million in 2023.

Adjusted Net Loss (non-IFRS Measure) for the Year

As a result of the foregoing, our adjusted net loss (non-IFRS measure) decreased slightly from RMB118.7 million in 2022 to RMB115.6 million in 2023.

FINANCIAL INFORMATION

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue decreased by 22.0% from RMB1,471.0 million in 2021 to RMB1,147.3 million in 2022, primarily due to the decrease in revenue generated from our MPaaS products, partially offset by the increase in revenue generated from APaaS solutions attributable to our expanding APaaS business in line with industry development and market demand. Since we officially launched APaaS business in September 2021, we strategically focused on the operations of our APaaS business. During the Track Record Period, most of our APaaS customers were upgraded from our MPaaS customers that have scenario needs.

MPaaS

Revenue from our MPaaS products decreased by 36.1% from RMB1,369.6 million in 2021 to RMB875.0 million in 2022, attributable to decreases in revenue from Kodo, QCDN, interactive live streaming products and Dora.

Specifically, (i) revenue from Kodo decreased from RMB650.8 million in 2021 to RMB320.4 million in 2022 primarily because we made a decision to scale down our all-in-one server business, in particular for Kodo private cloud for which we procure all-in-one servers for some customers, because the COVID-19 resurgence in 2022 caused a shortage in supply of certain semiconductor chips which are key components of our all-in-one servers, and therefore a serious supply chain disruption to our all-in-one server business. Specifically, the number of delivery orders for all-in-one servers decreased from 228 in 2021 to 60 in 2022; in addition, in 2022, as the demand for cloud storage was gradually saturated after a rapid growth of investment in cloud storage due to the outbreak of COVID-19 since 2020, the growth in cloud storage slowed down and our customers' demand for Kodo products decreased; (ii) revenue from our QCDN decreased from RMB585.5 million in 2021 to RMB488.9 million in 2022 as a result of the decrease in demand from some of our customers as they scaled down their spending with us. We also scaled down our business with Customer A due to less favorable commercial terms offered by Customer A as we started to put more emphasis on profitability when assessing business relationships with our customers; (iii) revenue from our interactive live streaming products decreased from RMB87.1 million in 2021 to RMB50.5 million in 2022 and revenue from Dora decreased from RMB46.3 million in 2021 to RMB15.2 million in 2022, both as a result of the decrease in revenue from some of our customers and the re-adjustment and slowdown of the audiovisual cloud service PaaS market, and as some of our customers switched to our APaaS solutions.

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APaaS

Revenue from our APaaS solutions increased by 679.1% from RMB24.9 million in 2021 to RMB194.0 million in 2022, attributable to increases in revenue from all scenarios. The increase in revenue from our APaaS was primarily because (i) the number of our APaaS customers increased from 1,319 in 2021 to 1,967 in 2022, and (ii) we provided more value-added service for APaaS customers, resulting in the increase in the average contribution per APaaS customer from RMB18.9 thousand in 2021 to RMB98.6 thousand in 2022. Our APaaS business was largely unaffected by the prolonged resurgence of COVID-19 in 2022 and the shortage in supply of certain semiconductor chips which are key components of our all-in-one servers we procured for our customers since our APaaS business was at an early stage of development and therefore registered significant growth and it did not involve any all-in-one servers provided to our customers. A large number of our APaaS customers were MPaaS customers attracted by our APaaS solutions, while some of our APaaS customers are new customers attracted by our one-stop scenario-based audiovisual solutions. We had 53 and 69 new APaaS customers in 2021 and 2022, respectively. The average contribution of our new APaaS customers amounted to RMB8.1 thousand in 2021 and RMB138.7 thousand in 2022. Our APaaS business was at the ramp-up stage in 2021 and after the ramp-up period, we provided more value-added services to our new APaaS customers. Our new APaaS customers in aggregate contributed to RMB9.6 million of our APaaS revenue in 2022. APaaS customers upgraded from MPaaS may continue to use our MPaaS products based on their own demand. 159 and 322 APaaS customers upgraded from MPaaS continued to use our MPaaS products in 2021 and 2022, respectively.

Others

Revenue from our other services remained relatively stable at RMB78.3 million in 2022 compared to RMB76.5 million in 2021.

Cost of Sales

Our cost of sales decreased by 22.1% from RMB1,179.8 million in 2021 to RMB918.6 million in 2022, primarily due to (i) the decrease in server and storage costs from RMB360.1 million in 2021 to RMB132.6 million in 2022 mainly in line with the decrease in our revenue from MPaaS particularly revenue from Kodo, and (ii) the decrease in network and bandwidth costs from RMB622.5 million in 2021 to RMB563.7 million in 2022 mainly driven by the decrease in our revenue from MPaaS, partially offset by the increase in Internet data center rack costs from RMB60.2 million in 2021 to RMB92.1 million in 2022 mainly in relation to the increase in internet data hosting services which is one of our other cloud services.

Gross Profit and Gross Margin

Our gross profit decreased by 21.5% from RMB291.2 million in 2021 to RMB228.6 million in 2022. Our overall gross margin remained relatively stable at 19.8% and 19.9% in 2021 and 2022, respectively.

Our gross margin of MPaaS remained relatively stable at 17.3% in 2022 compared to 17.9% in 2021. Our gross margin of APaaS increased from 26.1% in 2021 to 28.3% in 2022 primarily because after the initial ramp-up period, we were able to meet higher demand from the APaaS market and provide value-added services, including packaged services and a low-code platform.

FINANCIAL INFORMATION

Other Income and Gains

Our other income and gains increased by 10.3% from RMB17.7 million in 2021 to RMB19.5 million in 2022, primarily due to the increase in the bank interest income of RMB0.9 million, mainly because of the increase in our bank deposit in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 23.6% from RMB193.0 million in 2021 to RMB147.5 million in 2022, primarily due to (i) the decrease in our staff cost from RMB138.9 million in 2021 to RMB118.3 million in 2022 as a result of the decrease in the number of our sales and marketing personnel from 281 as of December 31, 2021 to 177 as of December 31, 2022 attributable to our cost control efforts and the resulted personnel adjustment, during which we made redundant of 84 staff members as a result of reduction of sales team members for the DPaaS and Kodo businesses and sales team restructuring, and (ii) the decrease in our promotional expenses from RMB26.6 million in 2021 to RMB11.3 million in 2022 and the decrease in our office and travel expenses from RMB15.5 million in 2021 to RMB8.2 million in 2022 as we held fewer promotional activities and had less travelling attributable to the COVID-19 resurgence in China in 2022.

Administrative Expenses

Our administrative expenses decreased by 7.0% from RMB119.5 million in 2021 to RMB111.2 million in 2022, primarily due to (i) the decrease in consulting and other professional service expenses from RMB40.8 million in 2021 to RMB12.1 million in 2022 mainly in relation to our previous listing attempt on NASDAQ in 2021, and (ii) the decrease in staff cost from RMB56.8 million in 2021 to RMB50.2 million in 2022 as a result of the decrease in the number of our administrative personnel from 69 as of December 31, 2021 to 62 as of December 31, 2022, partially offset by the increase in severance payment from RMB10.1 million in 2021 to RMB36.6 million in 2022 because we downsized our team in 2022 in a cost control effort.

Research and Development Costs

Our research and development costs decreased by 10.2% from RMB143.4 million in 2021 to RMB128.7 million in 2022, primarily due to the decrease in staff cost from RMB123.9 million in 2021 to RMB116.2 million in 2022 as a result of (i) the decrease in the number of our research and development personnel from 254 as of December 31, 2021 to 172 as of December 31, 2022 as we made redundant of 76 staff members as a result of reduction of R&D team members for the DPaaS business and to optimize our R&D structure, and (ii) the decrease in R&D related service fees from RMB7.2 million to RMB1.5 million.

Fair Value Gains on Financial Assets at Fair Value through Profit or Loss, Net

We recorded net fair value gains on financial assets measured at fair value through profit or loss of RMB37.2 million and RMB30.9 million in 2021 and 2022, primarily due to the increased market valuation of some of our investments.

FINANCIAL INFORMATION

Fair Value Changes of Convertible Redeemable Preferred Shares

We recorded a fair value loss of convertible redeemable preferred shares of RMB96.5 million in 2021 and RMB83.8 million in 2022, as a result of changes in the fair value of the convertible redeemable preferred shares issued by us to Pre-IPO Investors.

Impairment Loss on Financial Assets

Our impairment loss on financial assets, mainly trade receivables, increased by 72.9% from RMB4.8 million in 2021 to RMB8.2 million in 2022, primarily because we made more provisions for trade receivables in 2022.

Other Expenses

Our other expenses increased by 36.7% from RMB2.7 million in 2021 to RMB3.6 million in 2022, primarily due to the increase in loss from foreign exchange differences of RMB2.3 million.

Finance Costs

Our finance costs increased by 44.7% from RMB6.0 million in 2021 to RMB8.7 million in 2022, primarily due to the increase of RMB3.5 million in interest expenses on bank and other loans further attributable to the increase in our bank borrowings in 2022.

Loss for the Year

As a result of the foregoing, we recorded a loss of RMB219.7 million in 2021 and a loss of RMB212.8 million in 2022.

Adjusted Net Loss (non-IFRS Measure) for the Year

As a result of the foregoing, our adjusted net loss (non-IFRS measure) increased from RMB105.7 million in 2021 to RMB118.7 million in 2022.

FINANCIAL INFORMATION

DISCUSSION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, Plant and Equipment

Our property, plant and equipment are comprised of (i) servers and computer equipment, (ii) leasehold improvements and (iii) office equipment and furniture.

The following table sets forth the key components of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Servers and computer equipment	224,048	167,275	124,017	115,699
Leasehold improvements	5,516	3,262	2,076	1,555
Office equipment and furniture	1,557	1,274	858	1,133
Total	231,121	171,811	126,951	118,387

Our property, plant and equipment decreased from RMB231.1 million as of December 31, 2021 to RMB171.8 million as of December 31, 2022, further decreased to RMB127.0 million as of December 31, 2023 and further to RMB118.4 million as of March 31, 2024, primarily due to the depreciation charges during the relevant periods.

Right-of-use Assets

Our right-of-use assets are comprised of (i) buildings, (ii) servers and computer equipment, and (iii) office equipment and furniture.

The following table sets forth the key components of our right-of-use assets as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	28,516	19,500	10,177	33,657
Servers and computer equipment	12,826	5,879	2,094	251
Office equipment and furniture	1,807	734	398	77
Total	43,149	26,113	12,669	33,985

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Our right-of-use assets decreased from RMB43.1 million as of December 31, 2021 to RMB26.1 million as of December 31, 2022, and further to RMB12.7 million as of December 31, 2023, primarily due to the depreciation charges during the relevant periods. Our right-of-use assets increased from RMB12.7 million as of December 31, 2023 to RMB34.0 million as of March 31, 2024, primarily because we renewed certain lease agreement in the period.

Financial Assets at FVTPL

Our financial assets at FVTPL are comprised of investments in unlisted entities. Our financial assets at FVTPL increased from RMB121.7 million as of December 31, 2021 to RMB152.9 million as of December 31, 2022, but decreased to RMB98.2 million as of December 31, 2023 and further decreased to RMB89.4 million as of March 31, 2024, primarily due to the fluctuation in the fair value of investments in unlisted entities.

We monitor and control the investment risks associated with our portfolio of investments in unlisted entities with a comprehensive set of internal policies and guidelines. Our corporate strategy management center is responsible for proposing, analyzing and evaluating potential investment in such unlisted entities. Our corporate strategy management center is also responsible for monitoring our investments. There are members from our Board and senior management, as well as our finance department, who have extensive experience in managing the financial aspects of companies' operations. In particular, Mr. Han Bin, our chief financial officer, has around 15 years of experience in capital market and investment management. Mr. Zhang Yuanhao, head of our finance department, has over 10 years of experience in the finance industry. Our Board determines our investment strategies and strives to ensure our investment in unlisted entities complies with relevant laws and regulations. Prior to making any material investments in unlisted entities or modifying our existing investment portfolio, the proposal shall be reviewed and approved by our Board.

Our investment strategy related to such unlisted entities focuses on controlling the financial risks, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to unlisted entities after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, financial performance of the unlisted entities, the expected profit or potential loss of the investment, and our own working capital conditions.

Upon the Listing, we intend to continue our investments in unlisted entities strictly in accordance with our internal policies and guidelines, and to the extent that an investment in unlisted entities is a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements, if applicable.

Inventories

Our inventories consist of (i) hard disks and fittings and (ii) servers for sale. The value of our inventories accounted for 6.4%, 7.1%, 4.1% and 1.2% of our total current assets as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively.

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The following table sets forth a summary of our inventory balances as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Hard disks and fittings	24,398	23,795	5,628	4,324
Servers for sale	19,565	15,293	20,163	3,199
Total	43,963	39,088	25,791	7,523

Our inventory decreased from RMB44.0 million as of December 31, 2021 to RMB39.1 million as of December 31, 2022, further to RMB25.8 million as of December 31, 2023 and further to RMB7.5 million as of March 31, 2024, mainly because we sold certain inventories.

The following table sets forth an aging analysis of our inventory as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Within 1 year	43,963	33,955	19,790	2,036
1-2 years	–	5,133	4,890	2,238
2-3 years	–	–	1,111	3,249
	43,963	39,088	25,791	7,523

As of the Latest Practicable Date, RMB1.3 million, or 17.1% of our inventories as of March 31, 2024, had been used, consumed or sold subsequent to March 31, 2024. We believe there is no material recoverability issue for our inventories and sufficient provision has been made because (i) net realizable value of our inventories exceeded cost of inventories as of the end of each year during the Track Record Period, (ii) the prices at which we acquired the inventories were at or below market prices of the inventories as of the Latest Practicable Date and (iii) we expected to sell half of our inventory as of March 31, 2024 in the remaining of 2024.

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The following table sets forth our inventory turnover days for the periods indicated.

	Year ended December 31,			Three months ended
	2021	2022	2023	March 31, 2024
Inventory turnover days ⁽¹⁾	<u>8</u>	<u>16</u>	<u>11</u>	<u>6</u>

Note:

- (1) Calculated based on the average balance of inventory divided by the cost of sales for the relevant year multiplied by the number of days in the relevant period. Average balance of inventory is calculated as the sum of the beginning balance and ending balance for the relevant period divided by two.

Our inventory turnover days are relatively short as we are primarily a PaaS provider and inventory is not significant in our operation.

Trade and Notes Receivables

Trade and notes receivables represent outstanding amounts due from our customers for our products and services performed in the ordinary course of business. A trade and notes receivable is recorded when we have an unconditional right to receive consideration. Trade and notes receivables are generally due for settlement within one year and therefore are all classified as current. Notes receivables are bank acceptance bills aged within six months.

Our trade and notes receivables decreased from RMB260.6 million as of December 31, 2021 to RMB191.2 million as of December 31, 2022, primarily due to the decrease in revenue derived from our MPaaS. Our trade and notes receivables increased from RMB191.2 million as of December 31, 2022 to RMB285.1 million as of December 31, 2023 and further to RMB305.2 million as of March 31, 2024, primarily due to the expansion of our business and the increase in our revenue, partially attributable to the increase in the proportion of revenue from the Kodo business to which our Company granted a slightly longer credit period. The fluctuation in our trade and notes receivables was generally in line with the changes in our revenue during the Track Record Period. We generally grant a credit period of 30 to 90 days to our customers. Therefore, our balance of trade and notes receivables at the end of each reporting period generally corresponds to the revenue earned within the 90 days before. We granted a credit period of up to 180 days to certain large customers with strong bargaining power for sizable Kodo projects. For example, two of our top five customers in the three months ended March 31, 2024, Customer N and Customer-Supplier Group O, were granted a credit period of 180 days.

FINANCIAL INFORMATION

The following table sets forth our trade and notes receivables as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Trade receivables	273,258	211,164	305,719	333,431
Notes receivables	–	–	3,400	–
Less: Impairment	(12,673)	(19,921)	(24,063)	(28,182)
	<u>260,585</u>	<u>191,243</u>	<u>285,056</u>	<u>305,249</u>

The loss allowance for impairment of trade and notes receivables is accounted for as impairment losses on financial assets in the Consolidated Statements of Profit and Loss, amounting to RMB4.3 million, RMB7.2 million, RMB9.7 million, and RMB4.1 million in 2021, 2022, 2023, and the three months ended March 31, 2024, respectively. The loss allowance for impairment of trade and notes receivables representing 0.3%, 0.6%, 0.7%, and 1.2% of our revenue in 2021, 2022, 2023, and the three months ended March 31, 2024, respectively, which did not have a material impact on the Consolidated Statements of Profit and Loss during the Track Record Period.

We normally allow a credit period of 30 to 90 days to our customers. The following table sets forth an aging analysis of our trade and notes receivables based on the invoice date and net of loss allowance as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Within 90 days	187,746	153,835	214,309	232,148
90 days - 6 months	66,626	24,879	54,727	48,817
6-12 months	5,313	9,858	14,497	23,227
1-2 years	900	2,671	1,523	1,057
	<u>260,585</u>	<u>191,243</u>	<u>285,056</u>	<u>305,249</u>

We regularly review our customers' payment history and also review the aging of our trade and notes receivables on a monthly basis. We believe our credit control policy is appropriate.

FINANCIAL INFORMATION

The following table sets forth our trade and notes receivables turnover days for the years indicated:

	Year ended December 31,			Three months ended
	2021	2022	2023	March 31, 2024
Trade and notes receivables turnover days ⁽¹⁾	<u>55</u>	<u>77</u>	<u>71</u>	<u>84</u>

Note:

- (1) Calculated based on the average of the beginning and ending trade and notes receivables balances (before impairment) divided by total revenue for the relevant period and multiplied by the number of days in the relevant period.

Our trade and notes receivables turnover days increased from 55 days in 2021 and to 77 days in 2022, primarily because of the relatively large beginning balance of our trade receivables in 2022 as well as some of our customers requested longer credit term during the COVID-19 pandemic. Our trade and notes receivables turnover days remained relatively stable at 71 days in 2023. Our trade and notes receivables turnover days increased from 71 days in 2023 to 84 days in the three months ended March 31, 2024, primarily due to our business expansion and the increase in contribution from our Kodo business which had a slightly longer collection period.

As of the Latest Practicable Date, RMB212.0 million, or 63.6% of our total trade receivables before impairment as of March 31, 2024, had been subsequently settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables consist of (i) prepayments, (ii) prepaid listing expenses, (iii) purchase rebates receivable, (iv) deferred assets, (v) recoverable value-added tax, and (vi) deposits and other receivables. As of December 31, 2021, 2022, 2023 and March 31, 2024, our prepayments, deposits and other receivables amounted to RMB31.0 million, RMB19.6 million, RMB28.4 million and RMB20.9 million, respectively.

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The following table sets forth the key components of our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,			As of
	2021	2022	2023	March 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
Prepayments	13,908	5,826	11,105	8,831
Prepaid listing expenses	–	–	5,025	2,404
Purchase rebates receivable	9,682	1,531	2,248	1,558
Deferred assets	232	1,523	1,530	2,090
Recoverable value-added tax	–	2,390	497	494
Deposits and other receivables	7,128	8,364	8,043	5,501
Total	30,950	19,634	28,448	20,878

Prepayments decreased from RMB13.9 million as of December 31, 2021 to RMB5.8 million as of December 31, 2022, primarily due to the decrease in the prepayments for purchases of servers. Prepayments increased from RMB5.8 million as of December 31, 2022 to RMB11.1 million as of December 31, 2023, primarily due to the increase in prepayment for software procurement. Prepayments decreased from RMB11.1 million as of December 31, 2023 to RMB8.8 million as of March 31, 2024, primarily due to the decrease in the prepayments for purchases of servers.

Our purchase rebates receivable decreased from RMB9.7 million as of December 31, 2021 to RMB1.5 million as of December 31, 2022 as we made a decision to scale down business associated with hardware. Our purchase rebates receivable slightly increased from RMB1.5 million as of December 31, 2022 to RMB2.2 million as of December 31, 2023, primarily due to the increase in network and bandwidth procurement. Our purchase rebates receivable decreased from RMB2.2 million as of December 31, 2023 to RMB1.6 million as of March 31, 2024, primarily due to the settlement of purchase rebates by suppliers.

Our deferred assets amounted to RMB0.2 million, RMB1.5 million and RMB1.5 million as of December 31, 2021, 2022, and 2023, respectively. Our deferred assets remained relatively stable at RMB1.5 million as of December 31, 2022 and 2023. Our deferred assets increased from RMB1.5 million as of December 31, 2023 to RMB2.1 million as of March 31, 2024.

Our recoverable value-added tax increased from nil as of December 31, 2021 to RMB2.4 million as of December 31, 2022 due to the decrease in our revenue in 2022. Our recoverable value-added tax decreased from RMB2.4 million as of December 31, 2022 to RMB0.5 million as of December 31, 2023 due to the utilization of value-added tax deductibles during the year. Our recoverable value-added tax remained relatively stable at RMB0.5 million as of March 31, 2024.

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Deposits and other receivables increased from RMB7.1 million as of December 31, 2021 to RMB8.4 million as of December 31, 2022 primarily due to the increase in rental deposits. Deposits and other receivables slightly decreased from RMB8.4 million as of December 31, 2022 to RMB8.0 million as of December 31, 2023. Deposits and other receivables decreased from RMB8.0 million as of December 31, 2023 to RMB5.5 million as of March 31, 2024, primarily because a deposit of RMB2.0 million was collected in the three months ended March 31, 2024.

Trade Payables

Trade payables remain relatively stable at RMB148.7 million as of December 31, 2021 compared to RMB144.1 million as of December 31, 2022. Trade payables increased from RMB144.1 million as of December 31, 2022 to RMB231.0 million as of December 31, 2023. Trade payables remained relatively stable at RMB230.4 million as of March 31, 2024. See Note 23 to the Accountant's Report in Appendix I for further details.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within 6 months	148,507	142,317	226,506	223,718
6-12 months	–	1,419	3,277	5,289
Over 1 year	179	322	1,173	1,371
	<u>148,686</u>	<u>144,058</u>	<u>230,956</u>	<u>230,378</u>

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year ended December 31,			Three months ended
	2021	2022	2023	March 31, 2024
Trade payables turnover days ⁽¹⁾	<u>44</u>	<u>58</u>	<u>65</u>	<u>76</u>

Note:

- (1) Calculated based on the average of the beginning and ending trade payables balances, divided by total cost of sales for the relevant period, multiplied by the number of days in the relevant period.

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Our trade payables turnover days increased from 44 days in 2021 to 58 days in 2022, primarily because our cost of sales decreased in 2022 while trade payables remained stable primarily because of our improved cash management. Our trade payables turnover days increased from 58 days in 2022 to 65 days in 2023 and further to 76 days in the three months ended March 31, 2024 because of our better utilization of credit term provided by suppliers.

As of the Latest Practicable Date, RMB179.0 million, or approximately 77.7% of our trade payables as of March 31, 2024 had been settled.

Other Payables and Accruals

Our other payables and accruals consist of (i) payroll payables, (ii) accrued expenses, (iii) accrued listing expenses, (iv) other tax payables, (v) payable for repurchase of vested share options, and (vi) deposits and other payables. As of December 31, 2021, 2022, 2023 and March 31, 2024, our other payables and accruals amounted to RMB85.7 million, RMB72.0 million, RMB70.2 million and RMB78.0 million, respectively.

The following table sets forth the key components of our other payables and accruals as of the dates indicated:

	As of December 31,			As of
	2021	2022	2023	March 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Payroll payables	66,753	55,975	50,098	57,641
Accrued expenses	11,532	9,263	11,285	9,336
Accrued listing expenses	–	–	4,112	5,817
Other tax payables	6,470	2,594	3,342	3,723
Repurchase of vested share options	–	2,259	–	–
Deposits	221	747	326	326
Other payables	741	1,198	1,074	1,124
Total	85,717	72,036	70,237	77,967

Payroll payables decreased from RMB66.8 million as of December 31, 2021 to RMB56.0 million as of December 31, 2022 primarily due to the decrease in the number of our employees from 631 as of December 31, 2021 to 438 as of December 31, 2022. Payroll payables decreased from RMB56.0 million as of December 31, 2022 to RMB50.1 million as of December 31, 2023 primarily because of the further decrease in the number of employees to 390 as of December 31, 2023 as well as decrease in bonus payables. Payroll payables increased from RMB50.1 million as of December 31, 2023 to RMB57.6 million as of March 31, 2024, primarily due to the increase in bonus payable as of March 31, 2024.

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Accrued expenses primarily include payables for consulting and other professional service fees, marketing expenses, office expenses and staff reimbursements. Accrued expenses decreased from RMB11.5 million as of December 31, 2021 to RMB9.3 million as of December 31, 2022 primarily due to the decrease in payables for consulting and other professional service fees, marketing expenses and staff reimbursements for travelling expenses attributable to the COVID-19 pandemic. Accrued expenses increased from RMB9.3 million as of December 31, 2022 to RMB11.3 million as of December 31, 2023, primarily due to the increase in payables for marketing expenses. Accrued expenses decreased from RMB11.3 million as of December 31, 2023 to RMB9.3 million as of March 31, 2024 primarily due to the settlement of consulting and other professional service fees in the three months ended March 31, 2024.

Accrued listing expenses in relation to our Listing amounted to nil, nil, RMB4.1 million and RMB5.8 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively.

Other tax payables primarily include individual income tax and value-added tax payables. Other tax payables decreased from RMB6.5 million as of December 31, 2021 to RMB2.6 million as of December 31, 2022 primarily due to the decrease in value-added tax payables attributable to the decrease in our revenue. Other tax payables increased from RMB2.6 million as of December 31, 2022 to RMB3.3 million as of December 31, 2023 and further to RMB3.7 million as of March 31, 2024 primarily due to the increase in value-added tax payables attributable to the increase in our revenue.

Deposits and other payables primarily include deposit payables. Deposits and other payables increased from RMB1.0 million as of December 31, 2021 to RMB1.9 million as of December 31, 2022 primarily due to the increase in customer deposits. Deposits and other payables decreased from RMB1.9 million as of December 31, 2022 to RMB1.4 million as of December 31, 2023 primarily due to the repayment of deposits to suppliers. Deposits and other payables remained stable at RMB1.5 million as of March 31, 2024.

Contract Liabilities

Our contract liabilities represent the consideration we received before the related revenue was recognized under our contract agreements with customers.

We recorded contract liabilities of RMB125.9 million, RMB105.4 million, RMB115.2 million and RMB107.4 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively, generally in line with the changes in revenue in the same periods.

As of the Latest Practicable Date, RMB48.9 million, or approximately 45.6% of our contract liabilities as of March 31, 2024 had been recognized as revenue.

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RELATED PARTY TRANSACTIONS

Set out below are our balances with related parties as of the dates indicated.

Outstanding balances with related parties

	As of December 31,			As of March
	2021	2022	2023	31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2024
				<i>RMB'000</i>
Due from related parties:				
Trade				
Entities controlled by the ultimate holding company of the investor who has significant influence over our Company	8,669	5,242	4,293	5,567
Entities which are significantly influenced by our Group	5,570	5,639	5,600	5,600
Entity which is significantly influenced by Mr. Xu ¹	295	1,672	2,188	2,199
Impairment	(604)	(1,589)	(3,652)	(3,929)
	<u>13,930</u>	<u>10,964</u>	<u>8,429</u>	<u>9,437</u>
Non-trade				
Entity which is significantly influenced by our Group ²	<u>2,000</u>	<u>2,000</u>	<u>–</u>	<u>–</u>
Due to related parties:				
Trade				
Entities controlled by an investor who has significant influence over our Company	115,768	42,726	19,755	15,515
Entities which are significantly influenced by our Group	<u>10,123</u>	<u>11,453</u>	<u>11,604</u>	<u>11,246</u>
	<u>125,891</u>	<u>54,179</u>	<u>31,359</u>	<u>26,761</u>

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Notes:

- (1) The entity is Beijing Kongji Technology Co., Ltd. (“**Beijing Kongji**”), a start-up company invested by Mr. Xu. Mr. Xu controls 16.11% of the equity interest of Beijing Kongji and acts as one of its five directors. In accordance with accounting rules, Beijing Kongji is significantly influenced by our shareholder and executive Director, Mr. Xu.
- (2) The entity is Beijing Taiwu Network Technology Co., Ltd. (“**Beijing Taiwu**”). Qiniu Information holds 30% of the equity interest of Beijing Taiwu. On March 25, 2020, Qiniu Information provided a loan of RMB2.0 million which is unsecured, interest-free and repayable on demand to Beijing Taiwu to support its business operation. Beijing Taiwu repaid the loan in October 2023.

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 35 to the Accountants’ Report in Appendix I was conducted in the ordinary course of business on an arm’s length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets forth the components of our indebtedness as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	March 31,	July 31,
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
					(unaudited)
Current					
Interest-bearing bank and other borrowings	115,111	175,514	201,890	213,793	188,086
Convertible redeemable preferred shares	2,672,314	3,006,655	3,215,039	3,332,247	3,360,538
Lease liabilities	14,870	11,929	7,537	11,754	12,743
	<u>2,802,295</u>	<u>3,194,098</u>	<u>3,424,466</u>	<u>3,557,794</u>	<u>3,561,367</u>
Non-current					
Interest-bearing bank and other borrowings	19,004	3,290	–	–	–
Lease liabilities	13,984	7,011	2,508	21,849	18,567
	<u>32,988</u>	<u>10,301</u>	<u>2,508</u>	<u>21,849</u>	<u>18,567</u>
Total	<u>2,835,283</u>	<u>3,204,399</u>	<u>3,426,974</u>	<u>3,579,643</u>	<u>3,579,934</u>

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Interest-bearing Bank and Other Borrowings

The following table sets forth a breakdown of our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	March 31, 2024	July 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Current					
Secured bank loans	50,000	130,000	198,600	213,793	188,086
Unsecured bank loans	50,000	29,800	–	–	–
Secured current portion of long-term other loan	15,111	15,714	3,290	–	–
Total	115,111	175,514	201,890	213,793	188,086
Non-current					
Secured other loan	19,004	3,290	–	–	–
Total	134,115	178,804	201,890	213,793	188,086

Interest-bearing bank and other borrowings mainly arise from secured and unsecured bank loans and secured borrowings, which are primarily used for our day-to-day operations and to manage our cashflow. Loan agreements in respect of our borrowings from commercial banks in the PRC during the Track Record Period contained standard covenants that restricted us on, among others, the use of borrowed funds and we are required to notify and/or obtain prior written consent from the banks upon, among others, occurrence of merger, acquisition, split-up, investment in a joint venture, change of business scope, sale or disposal of material assets, corporate reorganization, significant external investments, undertaking of additional debt financing, material litigation or winding-up or bankruptcy or reduction in registered capital. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not breached any material covenant under the loan agreements, nor defaulted on any loan repayment. Our bank loans increased during the Track Record Period as we intended to take advantage of the low bank borrowing interest rate offered to us. Our secured other loan represents our finance lease obligations in relation to our servers.

As of the Latest Practicable Date, we had unutilized banking facilities of RMB223.6 million. Except for incurring additional bank borrowings from time to time in the ordinary course of business, we currently have no material external debt financing plan before or shortly after the Global Offering.

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Convertible Redeemable Preferred Shares

Our convertible redeemable preferred shares amounted to RMB2,672.3 million, RMB3,006.7 million, RMB3,215.0 million, RMB3,332.2 million and RMB3,360.5 million as of December 31, 2021, 2022, 2023, March 31, 2024 and July 31, 2024, respectively. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing, after which we will return to a net assets position from a net liabilities position. For further details on the convertible redeemable preferred shares, see Note 28 to the Accountants' Report in Appendix I to this prospectus.

Lease Liabilities

We lease properties to operate our business and our lease liabilities relate to the lease of our office premises and servers. Our lease liabilities decreased from RMB28.9 million as of December 31, 2021 to RMB18.9 million as of December 31, 2022, and further decreased to RMB10.0 million as of December 31, 2023, primarily attributable to the lease payments made. Our lease liabilities increased from RMB10.0 million as of December 31, 2023 to RMB33.6 million as of March 31, 2024, primarily because we renewed certain lease agreement during the period. Our lease liabilities decreased from RMB33.6 million as of March 31, 2024 to RMB31.3 million as of July 31, 2024 primarily due to the lease payments made.

The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	March 31,	July 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Current	14,870	11,929	7,537	11,754	12,743
Non-current	13,984	7,011	2,508	21,849	18,567
Total	28,854	18,940	10,045	33,603	31,310

Except as disclosed above and apart from normal trade and other payables, and due to related parties, as of July 31, 2024, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or contingent liabilities.

Since July 31, 2024 and up to the date of this prospectus, there has not been any material change in our indebtedness and contingent liabilities, and our Directors confirm that we did not have any external financing plans as of the Latest Practicable Date. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

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Contingent Liabilities

As of the Latest Practicable Date, we did not have any material contingent liabilities.

Net Current Liabilities

The following table sets forth selected information from our current assets and liabilities as of the dates indicated:

	As of December 31,			As of	As of
	2021	2022	2023	March 31,	July 31,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(unaudited)
Current assets					
Inventories	43,963	39,088	25,791	7,523	6,797
Trade and notes receivables	260,585	191,243	285,056	305,249	405,039
Prepayments, deposits and other receivables	30,950	19,634	28,448	20,878	19,529
Financial assets at fair value through profit or loss	–	–	50	50	–
Amounts due from related parties	15,930	12,964	8,429	9,437	8,164
Time deposits	51,187	101,941	107,822	36,879	58,770
Restricted cash	638	1,016	–	–	–
Cash and cash equivalents	285,523	187,404	166,378	236,562	147,791
Total current assets	688,776	553,290	621,974	616,578	646,090
Current liabilities					
Trade payables	148,686	144,058	230,956	230,378	292,641
Other payables and accruals	85,717	72,036	70,237	77,967	75,919
Deferred revenue	1,663	228	90	90	90
Contract liabilities	125,938	105,360	115,225	107,375	108,362
Interest-bearing bank and other borrowings	115,111	175,514	201,890	213,793	188,086
Convertible redeemable preferred shares	2,672,314	3,006,655	3,215,039	3,332,247	3,360,538
Amounts due to related parties	125,891	54,179	31,359	26,761	27,831
Lease liabilities	14,870	11,929	7,537	11,754	12,743
Total current liabilities	3,290,190	3,569,959	3,872,333	4,000,365	4,066,210
Net current liabilities	(2,601,414)	(3,016,669)	(3,250,359)	(3,383,787)	(3,420,120)

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We had net current liabilities of RMB2,601.4 million, RMB3,016.7 million, RMB3,250.4 million, RMB3,383.8 million and RMB3,420.1 million as of December 31, 2021, 2022, 2023, March 31, 2024 and July 31, 2024, respectively.

Our net current liabilities as of December 31, 2021, 2022, 2023, March 31, 2024 and July 31, 2024 were primarily due to convertible redeemable preferred shares. Convertible redeemable preferred shares amounted to RMB2,672.3 million, RMB3,006.7 million, RMB3,215.0 million, RMB3,332.2 million and RMB3,360.5 million as of December 31, 2021, 2022, 2023, March 31, 2024 and July 31, 2024, respectively. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the Listing and we will return to a net assets position from a net liabilities position. For further details of the convertible redeemable preferred shares, see Note 28 to the Accountants' Report in Appendix I to this prospectus.

We believe that our net current liabilities position will improve with net cash inflows generated from operating activities with the growth of our business. We also plan to improve our net current liabilities position by: (i) leveraging our industry leading position to negotiate for more favorable contractual terms with our customers and suppliers, (ii) continuing to closely monitor our liquidity position to ensure that it is in line with our business operations and expansion plan, (iii) properly managing the level of our cash and current assets to ensure the availability of sufficient cash flows to meet any planned or unexpected cash requirements arising from our operations, (iv) better managing the collection of our accounts receivables by setting up an accounts receivables team in our finance department which will be responsible for reconciling and collecting receivables from our customers, and (v) assigning designated personnel to liaise with different customers, and performing monthly reconciliation of receivables and follow up with the customers.

Our net current liabilities increased from RMB3,383.8 million as of March 31, 2024 to RMB3,420.1 million as of July 31, 2024, primarily due to (i) a decrease of RMB88.8 million in cash and cash equivalents, (ii) an increase of trade payables of RMB62.3 million, and (iii) an increase in convertible redeemable preferred shares of RMB28.3 million, partially offset by (i) an increase of trade and notes receivables of RMB99.8 million, and (ii) a decrease of RMB25.7 million in interest-bearing bank and other borrowings.

Our net current liabilities increased from RMB3,250.4 million as of December 31, 2023 to RMB3,383.8 million as of March 31, 2024, primarily due to (i) an increase in convertible redeemable preferred shares of RMB117.2 million, (ii) a decrease of RMB18.3 million in inventories, and (iii) an increase in interest-bearing bank and other borrowings of RMB11.9 million, partially offset by an increase of RMB20.2 million in trade and notes receivables.

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Our net current liabilities increased from RMB3,016.7 million as of December 31, 2022 to RMB3,250.4 million as of December 31, 2023, primarily due to (i) an increase in convertible redeemable preferred shares of RMB208.4 million, (ii) an increase of RMB86.9 million in trade payables due to our business expansion, (iii) an increase of RMB26.4 million in interest-bearing bank and other borrowings, and (iv) a decrease of RMB21.0 million in cash and cash equivalents, partially offset by (i) an increase of RMB93.8 million in trade and notes receivables due to our business expansion, and (ii) a decrease of RMB22.8 million in amounts due to related parties.

Our net current liabilities increased from RMB2,601.4 million as of December 31, 2021 to RMB3,016.7 million as of December 31, 2022, primarily due to (i) an increase of RMB334.3 million in convertible redeemable preferred shares, (ii) a decrease of RMB98.1 million in our cash and cash equivalents, (iii) a decrease of RMB69.3 million in our trade receivables, and (iv) an increase of RMB60.4 million in interest-bearing bank and other borrowings, partially offset by (i) a decrease of RMB71.7 million in amounts due to related parties, (ii) an increase of RMB50.8 million in time deposits, and (iii) a decrease of RMB20.6 million in our contract liabilities.

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from proceeds from our business operations, bank borrowings, issuance of preferred shares. After the Global Offering, we intend to finance our future capital requirements through cash generated from our business operations and bank borrowings, together with the net proceeds from the Global Offering. We do not anticipate any changes to the availability of financing to fund our operations in the future.

We had cash and cash equivalents of RMB285.5 million, RMB187.4 million, RMB166.4 million and RMB236.6 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively.

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Consolidated Statements of Cash Flows

The following table sets forth our cash flows for the periods indicated:

	Year ended December 31,			Three months ended March 31,	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Operating cash flows before					
movements in working capital	(42,023)	(39,295)	4,408	(18,081)	(2,206)
Changes in working capital	(52,949)	(34,883)	(15,240)	49,103	(4,956)
Cash used in operations	(94,972)	(74,178)	(10,832)	31,022	(7,162)
Interest received	3,479	2,834	6,995	746	893
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net cash flows (used in)/from					
operating activities	(91,493)	(71,344)	(3,837)	31,768	(6,269)
Net cash flows from/(used in)					
investing activities	144,447	(62,487)	(14,883)	(34,860)	70,039
Net cash flows from/(used in)					
financing activities	98,052	20,819	(4,699)	(12,780)	6,210
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net increase/(decrease) in cash					
and cash equivalents	151,006	(113,012)	(23,419)	(15,872)	69,980
Cash and cash equivalents at the					
beginning of the year/period	140,129	285,523	187,404	187,404	166,378
Effect of foreign exchange					
differences, net	(5,612)	14,893	2,393	(2,375)	204
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Cash and cash equivalents at					
 the end of the year/period	<u>285,523</u>	<u>187,404</u>	<u>166,378</u>	<u>169,157</u>	<u>236,562</u>

Net Cash Flows From/(Used In) Operating Activities

We derive our cash inflows from operations principally from the receipts in respect of the sales of our products and services. Our cash outflows from operations are principally payments for cost of sales including network and bandwidth costs, server and storage costs, selling and marketing expenses, administrative expenses and research and development costs.

Cash generated from operations reflects our profit or loss before income tax, adjusted for (i) the cash flow effects of certain items, including impairment losses on financial assets, depreciation of property, plant and equipment and right-of-use assets, share-based payments, finance costs, bank interest income, gain or losses on fair value changes of convertible redeemable preferred shares and financial assets at fair value through profit or loss, and (ii) the effects of changes in our working capital.

FINANCIAL INFORMATION

We have made improvements in managing operating cashflows during the Track Record Period. Our net cashflows used in operating activities decreased from RMB91.5 million in 2021 to RMB71.3 million in 2022 and decreased significantly to RMB3.8 million in 2023. We plan to focus on developing our business in China, and will expand overseas in a timely manner. See paragraph headed “Business – Our Development Strategies – Accelerate overseas business expansion to create new business growth points” in this prospectus for further details. We plan to further improve our profitability by acquiring more new customers and upgrade more existing customers to use APaaS solutions with an aim to raise customer contribution, in order to expand our market share and gain market reputation. In addition, we conducted a general review of the industry landscape and our customer portfolio to identify those that may have less favourable commercial terms or a negative impact on our profit margin. We intend to negotiate an improvement in commercial terms with them or to scale down the cooperation with these customers and instead focus our resources on customers which contribute to the improvement of our profitability. During the Track Record Period, we have engaged in friendly negotiation with certain customers with less favourable commercial terms and increased pricing of our products or solutions offered to them. For those that we failed to come to a consensus, we gradually scaled down/terminated such business relationship if we are of the view that the commercial terms are not acceptable to us but we would maintain close contact with such customers to explore future business opportunities. To improve and refine our management of working capital, we will continue to leverage our industry leading position to negotiate for more favorable contractual terms with our customers and suppliers. We also performed regular credit review on our customers and would reduce the credit terms granted to those who have been assessed as having relatively high risk of bad debts. We expect to continue to improve our operating cashflows with the improvement in our operational performance and profitability and our cashflow management measures.

In the three months ended March 31, 2024, our net cash used in operating activities amounted to RMB6.3 million. During this period, our operating cash outflows before working capital changes were RMB2.2 million. Our cashflow was further negatively affected by working capital adjustments primarily including (i) an increase in trade and notes receivables of RMB24.3 million, (ii) a decrease in contract liabilities of RMB7.9 million, and (iii) a decrease in amounts due to related parties of RMB4.6 million. This was partially offset by (i) a decrease in inventories of RMB18.4 million, (ii) a decrease in prepayments, deposits and other receivables of RMB8.0 million and (iii) an increase in other payables and accruals of RMB7.3 million.

In 2023, our net cash used in operating activities amounted to RMB3.8 million. During this year, our operating cash inflows before working capital changes were RMB4.4 million. Our cashflow was negatively affected by working capital adjustments primarily including (i) an increase in trade and notes receivables of RMB103.5 million, (ii) a decrease in amounts due to related parties of RMB22.8 million, which were partially offset by (i) an increase in trade payables of RMB86.9 million and (ii) a decrease in inventories of RMB16.9 million.

In 2022, our net cash used in operating activities amounted to RMB71.3 million. During this year, our operating cash outflows before working capital changes were RMB39.3 million. Our cashflow was further negatively affected by working capital adjustments primarily including (i) a decrease in amounts due to related parties of RMB71.7 million primarily due to our payment to a related party and (ii) a decrease in contract liabilities of RMB20.6 million, which were partially offset by (i) a decrease in trade receivables of RMB62.1 million and (ii) a decrease in prepayments, deposits and other receivables of RMB11.3 million.

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In 2021, our net cash used in operating activities amounted to RMB91.5 million. During this year, our operating cash outflows before working capital changes were RMB42.0 million. Our cashflow was further negatively affected by working capital adjustments primarily including (i) an increase in trade receivables of RMB102.8 million, (ii) an increase in inventories of RMB34.4 million, and (iii) an increase in prepayments, deposits and other receivables of RMB12.4 million, which were partially offset by (i) an increase in amounts due to related parties of RMB32.1 million, (ii) an increase in contract liabilities of RMB26.5 million, (iii) an increase in other payables and accruals of RMB22.9 million, and (iv) an increase in trade payables of RMB12.7 million.

Net Cash Flows From/(Used In) Investing Activities

Our cash used in investing activities consists primarily of purchase of time deposits, payments for the purchase of property, plant and equipment, purchase of financial assets at fair value through profit and loss, and loans to related parties. Our cash generated from investing activities consists primarily of proceeds from maturity of time deposits, proceeds from redemption of financial assets at fair value through profit or loss, and repayment of loans to related parties.

In the three months ended March 31, 2024, our net cash flows from investing activities were RMB70.0 million, primarily due to proceeds from maturity of time deposits of RMB92.1 million. This was partially offset by purchase of time deposits of RMB21.9 million.

In 2023, our net cash flows used in investing activities were RMB14.9 million, primarily attributable to (i) purchase of time deposits of RMB162.6 million, and (ii) purchase of property, plant and equipment of RMB11.6 million. This was partially offset by proceeds from maturity of time deposits of RMB157.4 million.

In 2022, our net cash flows used in investing activities were RMB62.5 million, primarily attributable to (i) purchase of time deposits of RMB177.6 million, (ii) purchase of financial assets at fair value through profit or loss of RMB25.0 million and (iii) purchase of property, plant and equipment of RMB16.1 million. This was partially offset by (i) proceeds from maturity of time deposits of RMB127.6 million, and (ii) redemption of financial assets at fair value through profit or loss of RMB25.2 million.

In 2021, our net cash flows from investing activities were RMB144.4 million, primarily attributable to (i) proceeds from maturity of time deposits of RMB410.8 million and (ii) proceeds from redemption of financial assets at fair value through profit or loss of RMB40.1 million. This was partially offset by (i) purchase of property, plant and equipment of RMB182.0 million, (ii) purchase of time deposits of RMB63.8 million, and (iii) purchase of financial assets at fair value through profit and loss of RMB60.9 million.

Net Cash Flows From Financing Activities

Our cash from financing activities consists primarily of proceeds from interest-bearing bank and other borrowings. Our cash used in financing activities consists primarily of repayments of interest-bearing bank and other borrowings, repurchase of vested share options and repayment of principal portion of lease liabilities.

FINANCIAL INFORMATION

In the three months ended March 31, 2024, our net cash flows from financing activities were RMB6.2 million, primarily due to proceeds from interest-bearing bank and other borrowings of RMB45.0 million. This was partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB33.1 million, and (ii) repayment of principal of lease liabilities of RMB3.3 million.

In 2023, our net cash flows used in financing activities were RMB4.7 million, primarily attributable to (i) repayment of interest-bearing bank and other borrowings of RMB185.3 million, (ii) repayment for principal portion of lease liabilities of RMB13.2 million, (iii) interest paid of RMB8.2 million, and (iv) payment of listing expenses of RMB4.1 million. This was partially offset by proceeds from interest-bearing bank and other borrowings of RMB208.4 million.

In 2022, our net cash flows from financing activities were RMB20.8 million, primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB159.8 million. This was partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB115.1 million, and (ii) repayment for principal portion of lease liabilities of RMB15.1 million.

In 2021, our net cash flows from financing activities were RMB98.1 million, primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB134.1 million. These were partially offset by (i) repayment for principal portion of lease liabilities of RMB18.0 million, and (ii) repayment of interest-bearing bank and other borrowings of RMB12.0 million.

KEY FINANCIAL RATIOS

The following table sets forth a summary of our key financial ratios for the periods indicated.

	For the year ended December 31,			For the three months ended March 31,
	2021	2022	2023	2024
	%	%	%	%
Gross margin	19.8	19.9	21.0	20.6
Adjusted net loss margin (non-IFRS measure)⁽¹⁾	(7.2)	(10.3)	(8.7)	(7.1)

Note:

(1) Represents adjusted net loss (non-IFRS measure) divided by the total revenue for the period indicated.

Our adjusted net loss margin (non-IFRS measure) increased from 7.2% in 2021 to 10.3% in 2022 as our adjusted net loss (non-IFRS measure) slightly increased while our revenue decreased. Our adjusted net loss margin (non-IFRS measure) decreased from 10.3% in 2022 to 8.7% in 2023, primarily due to the increase in our gross margin and the decrease in our expenses, particularly selling and marketing expenses while our revenue increased in 2023. Our adjusted net loss margin (non-IFRS measure) further decreased to 7.1% in the three months ended March 31, 2024 mainly due to the decrease in our expenses, particularly selling and marketing expenses while our revenue increased compared to the same period in 2023.

FINANCIAL INFORMATION

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of expenditures for fixed assets, comprising property, plant and equipment and right-of-use assets, specifically servers, computer equipment, office equipment and furniture, and leasehold improvements and buildings.

The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,			Three months ended
	2021	2022	2023	March 31, 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	182,015	16,132	11,611	93
Right-of-use assets	6,536	5,210	4,683	26,868
Total	188,551	21,342	16,294	26,961

During the Track Record Period, we funded our capital expenditure mainly from cash generated from our operating activities and bank borrowings. We estimate that our capital expenditures for the year ending December 31, 2024 will be approximately RMB50 million, comprising approximately RMB30 million of right-of-use assets and RMB20 million for purchases of property, plant and equipment. We expect to fund these capital expenditures through a combination of cash generated from our operations, the net proceeds received from the Global Offering, and other financings.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period primarily related to capital expenditure in respect of the acquisition of property, plant and equipment contracted for. As of December 31, 2021, 2022, 2023, and March 31, 2024, the total amount of our capital expenditure contracted for but not yet provided was nil, RMB1.1 million, nil and RMB0.3 million, respectively.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks, mainly including interest rate risk, foreign currency risk, credit risk and liquidity risk. Our overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on our financial performance.

FINANCIAL INFORMATION

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our bank borrowings with a floating interest rate. Our policy is to manage our interest cost using a mix of fixed and variable rate debts. As of December 31, 2021, 2022 and 2023, none of our interest-bearing borrowings bore interest at floating rates. Accordingly, as of the end of each of the Track Record Period, we did not have any significant exposure to the interest rate risk in the cash flows.

Foreign currency risk

The functional currency of our Company and our subsidiaries incorporated in Cayman Islands, the British Virgin Islands, Hong Kong, Singapore and Vietnam is USD. We are exposed to foreign currency risk with respect to transactions denominated in currencies other than USD. In addition, in China, we principally conducted business in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As of the end of each of the Track Record Period, we did not have any significant exposure to foreign currency risk.

Credit risk

We only offers credit terms to recognized and creditworthy customers. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For further details of our credit risk, see Note 38 to the Accountants' Report in Appendix I.

Liquidity risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. For further details of our credit risk, see Note 38 to the Accountants' Report in Appendix I.

DIVIDENDS

Our Company is a holding company incorporated in the BVI and re-domiciled and continued in the Cayman Islands. We do not have a pre-determined dividend payout ratio. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum of Association and Articles of Association and the Cayman Companies Act. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of net liabilities or accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business.

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The payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles. As advised by our PRC Legal Advisor, according to PRC laws and regulations, our PRC subsidiaries are permitted to pay dividends out of their accumulated after-tax profits, if any, as determined under PRC accounting standards, upon approval of their respective shareholders, provided that (i) our PRC subsidiaries shall make up their losses of previous years when conducting outward remittance; and (ii) PRC subsidiaries shall make appropriations from their after-tax profits as determined under PRC accounting standards to non-distributable reserve funds. Therefore, our PRC subsidiaries with positive accumulated after-tax profits, having offset losses from previous years and made requisite appropriations to reserve funds, may declare dividends to their respective shareholder(s).

Currently, our Group does not have a fixed dividend policy and does not have a predetermined dividend distribution ratio. During the Track Record Period, we did not declare or pay any dividend.

WORKING CAPITAL CONFIRMATION

Taking into account our cash and cash equivalents, operating cash flows, bank borrowings, the available bank facilities, and the estimated net proceeds available to us from the Global Offering, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this prospectus.

DISTRIBUTABLE RESERVES

As of March 31, 2024, we had negative retained profits, which were not available for distribution to our shareholders.

LISTING EXPENSES

The total listing expenses borne or to be borne by us are estimated to be approximately RMB66.2 million (equivalent to approximately HK\$72.6 million) (comprising (i) underwriting commission of approximately RMB21.2 million, and (ii) non-underwriting related expenses of approximately RMB45.0 million, which consist of fees and expenses of legal advisors and reporting accountants of approximately RMB26.9 million and other fees and expenses of approximately RMB18.1 million), accounting for approximately 16.2% of the gross proceeds of the Global Offering, assuming an Offer Price of HK\$2.80 per Share, which is the mid-point of the indicative Offer Price range stated in this prospectus and assuming that the Over-allotment Option is not exercised. We expect that approximately RMB41.8 million has been/will be charged to our statements of profit or loss and other comprehensive income as listing expenses, in which RMB18.6 million and RMB7.5 million have been charged for the year ended December 31, 2023 and the three months ended March 31, 2024, respectively, and approximately RMB24.3 million will be accounted for as a deduction from equity upon the Listing. The listing expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such listing expenses to have a material adverse impact on our results of operation for the year ending December 31, 2024.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of our Group as of March 31, 2024 as if the Global Offering had taken place on such date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as of March 31, 2024 or at any future dates following the Global Offering. It is prepared based on the audited consolidated net tangible liabilities of our Group as of March 31, 2024 as shown in the Accountants' Report in Appendix I to this prospectus and adjusted as described below.

	Consolidated net tangible liabilities of our Group attributable to owners of our Company as of March 31, 2024 <i>RMB'000</i> <i>(1)</i>	Estimated net proceeds from the Global Offering <i>RMB'000</i> <i>(2)</i>	Estimated impact related to the reclassification of convertible redeemable preferred shares upon Listing <i>RMB'000</i> <i>(3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owner of our Company <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share <i>RMB</i> <i>HK\$</i> <i>(4)</i> <i>(5)</i>	
Based on an Offer Price of HK\$2.74 per share	(3,164,257)	359,735	3,332,247	527,725	0.26	0.28
Based on an Offer Price of HK\$2.86 per share	(3,164,257)	376,393	3,332,247	544,383	0.27	0.30

Notes:

- The consolidated net tangible liabilities of our Group attributable to owners of our Company as of March 31, 2024 was based on the consolidated net liabilities attributable to owners of our Company as of March 31, 2024 of RMB3,164,257,000 set out in the Accountants' Report in Appendix I to this prospectus.
- The estimated net proceeds from the Global Offering are based on the Offer Price at the indicative Offer Price of HK\$2.74 per Share and HK\$2.86 per Share, after deduction of the underwriting fees and other related expenses payable by our Group (excluding the listing expenses that have been charged to profit or loss during the Track Record Period) and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option and/or under the Pre-IPO Share Plan. 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 RMB0.91234. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

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3. For the purpose of the unaudited pro forma financial information, considering the estimated impact related to the reclassification of convertible redeemable preferred shares upon Listing, the unaudited pro forma adjusted net tangible assets attributable to the owners of our Company will be increased by RMB3,332,247,000, being the fair value of the Preferred Shares as at March 31, 2024. Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into Shares. These Preferred Shares will be reclassified from liabilities to equity. The amount that is reclassified from liabilities to equity will be the fair value of the Preferred Shares on that date of the Global Offering.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of our Company and the amounts per share are arrived at after the adjustments referred to in the preceding paragraphs (note 2 and 3 above) and on the basis that 1,996,644,474 shares were in issue assuming that the automatic conversion of Preferred Shares into ordinary shares, the Capitalization Issue and the Global Offering had been completed on March 31, 2024.
5. For the purpose of the unaudited pro forma adjusted net tangible assets, the balances stated in RMB are converted into HK\$ at the rate of HK\$1.00 to RMB0.91234.
6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions for our Group entered into subsequent to March 31, 2024.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since March 31, 2024, being the end date of our latest audited financial statements, and there has been no event since March 31, 2024 that would materially affect the information shown in the Accountants' Report set out in Appendix I.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business — Our Development Strategies” in this prospectus for details of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$374.7 million (after deducting the underwriting fees and expenses related to the Global Offering), assuming the Over-allotment Option is not exercised and an Offer Price of HK\$2.80 per Share, being the mid-point of the Offer Price range of HK\$2.74 to HK\$2.86 per Offer Share.

We intend to use the net proceeds of the Global Offering for the following purposes:

(a) Approximately 38.0% of the net proceeds, or approximately HK\$142.4 million, is expected to be used for penetrating and deepening our presence in the application scenarios of our APaaS business and developing and expanding our customer base, including:

- 1) approximately 15.0% of the net proceeds, or approximately HK\$56.2 million, is expected to be used for purchases of (i) network and bandwidth, and (ii) server and storage to support our business growth. Network and bandwidth costs were our largest cost of sales during the Track Record Period and accounted for 52.8%, 61.4%, 61.3% and 64.6% of our total cost of sales in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Furthermore, server and storage costs accounted for 30.5%, 14.4%, 16.5% and 15.4% of our total cost of sales in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. We expect that we will require more bandwidth and storage as our business grows and we plan to use the additional bandwidth and storage in all of our five major scenarios of APaaS. Specifically, we plan to spend approximately HK\$21.6 million to purchase network and bandwidth and approximately HK\$34.6 million to purchase server and storage. Specifically, we plan to purchase two types of network and bandwidth, namely (i) core data center bandwidth with dual-active or triple-active architecture which supports basic requirements for uploads and downloads and meets disaster recovery requirements. Our data center currently has bandwidth with single-active architecture. With dual-active or triple-active architecture, data is saved and backed up in two or three data centers. When data is uploaded from one of the data centers, the data can be quickly distributed to the other data centers. In the event of a technical failure in one of the data centers, another data center will back up thereby ensuring the business continuity, maintaining data accessibility, and resulting in higher reliability; and (ii) CDN bandwidth. We also plan to acquire approximately 450 servers. Among the 450 servers, we plan to acquire approximately 225 servers for storage which are high-density storage models with 36 large-capacity hard drives and approximately 225 servers for computing which have 96 CPU cores and a minimum of 256GB random-access memory (RAM). The specifications of servers we plan to acquire are based on current market offerings. We will assess from time to time and select the most competitive and cost-effective models of servers based on market conditions and technological advancements.

FUTURE PLANS AND USE OF PROCEEDS

Specifically, we plan to create more solutions in five major scenarios. In the smart new media scenario, we plan to enhance the design and management of intelligent filming, intelligent media resources, intelligent editing and provide other solutions for television broadcasting media, and increase our television broadcasting customers. In the visual networking scenario, we plan to develop a solution for the agricultural setting, which includes connecting camera directly on cloud and AI processing of gathered data, thereby improving the digitization in agriculture and improving efficiency. In the metaverse scenario, we plan to create digital persons for marketing purpose. We plan to design 2D and 3D digital person, that closely resemble humans in appearances, expressions and interactions. These digital persons can showcase their marketing functions through live streaming. Further, through the use of deep learning technology, customers' marketing can be enhanced using user feedback on these digital persons' performance;

- 2) approximately 9.0% of the net proceeds, or approximately HK\$33.7 million, is expected to be used for enhancing our sales and marketing function. Specifically, over the next 36 to 60 months, we intend to use approximately HK\$33.7 million to (i) host nationwide and regional summits, forums and exhibitions inviting potential business partners including customers and media platforms; and (ii) enhance our brand image through online channels such as search engines, social media platforms and targeted advertising. We believe that investment in sales and marketing activities will help us achieve market acceptance, reinforce our market position and enlarge our customer base.
 - 3) approximately 14.0% of the net proceeds, or approximately HK\$52.5 million, is expected to be used to recruit personnel for developing and accumulating more in-depth scenarios in APaaS. We expect to recruit a total of approximately 25 additional engineers with a bachelor's degree or above and more than five years of relevant experience in the areas of software engineering or industry experience related to our five major scenarios of APaaS with competitive compensation at an average annual remuneration of approximately RMB600,000 to RMB700,000 over the next 60 months.
- (b) Approximately 20.0% of the net proceeds, or approximately HK\$74.9 million, is expected to be used for expanding our overseas business over the next 36 to 60 months, including:**
- 1) approximately 8.0% of the net proceeds, or approximately HK\$30.0 million, is expected to be used for enhancing our overseas IT infrastructure to support the growth in our customer base and traffic as well as our CDN system to enhance network efficiency by managing and optimizing the workload of the servers through real-time optimization and distribution. Specifically, we plan to improve our system and increase server capacity and bandwidth for our overseas customers by purchasing approximately 350 servers and additional network and bandwidth;

FUTURE PLANS AND USE OF PROCEEDS

2) approximately 12.0% of the net proceeds, or approximately HK\$45.0 million, is expected to be used for establishing local teams in regions and countries including Hong Kong and Southeast Asia where the audiovisual industry is at an early development stage and has large growth potential. We are currently actively searching for suitable talents in Southeast Asia with the objective of market expansion. We plan to establish a team capable of local operations in the second half of 2024 or the first half of 2025 as we expand our overseas business. We plan to expand our presence and customer base by setting up overseas operation teams with local experience and international perspective to provide local operational support and customer service. Specifically, we plan to recruit teams of approximately seven, seven and three members, each with a bachelor's degree or above and more than five years of relevant experience in marketing or operations in Hong Kong, Singapore and Vietnam, respectively, to provide customer service and conduct local marketing and brand promotion activities. The newly recruited team members in Hong Kong are expected to be paid an average annual remuneration of approximately RMB800,000 to RMB1,000,000. The newly recruited team members in Singapore are expected to be paid an average annual remuneration of approximately RMB1,000,000 to RMB1,200,000. The newly recruited team members in Vietnam are expected to be paid an average annual remuneration of approximately RMB400,000 to RMB500,000. We also plan to lease office spaces in the corresponding overseas market as our branch offices. The expected annual rental cost for leasing office space in Singapore and Vietnam is approximately RMB500,000 and RMB120,000, respectively.

(c) Approximately 12.0% of the net proceeds, or approximately HK\$45.0 million, is expected to be used for enhancing our research and development capabilities and improving our technology infrastructure, including:

1) approximately 8.0% of the net proceeds, or approximately HK\$30.0 million, is expected to be used for building our AIGC capabilities over the next 36 to 60 months. Among which, (i) approximately HK\$19.8 million is expected to be used to recruit a team of approximately 9 staff members, including four engineers, one product manager, and four operation staff members, each with a master's degree or above and more than seven years of relevant experience in software engineering, product or operation management, or algorithms research. The newly recruited engineers are expected to be paid an average annual remuneration of approximately RMB1,000,000 to RMB1,200,000. The newly recruited product manager is expected to be paid an average annual remuneration of approximately RMB800,000 to RMB1,000,000. The newly recruited operation staff members are expected to be paid an average annual remuneration of approximately RMB500,000 to RMB600,000; (ii) approximately HK\$10.2 million is expected to be used to purchase a total of approximately 17 servers with sufficient data storage capacities and purchase high performance cloud computing services.

FUTURE PLANS AND USE OF PROCEEDS

Specifically, we plan to increase investment in our 3D content generation platform which is currently under development to further improve the accessibility and content generation efficiency of the platform. We have completed preliminary technology research for our 3D content generation platform and are developing and improving functionalities and features of the platform. Our 3D content generation platform currently has basic 3D digital person generation, 3D object generation, 3D scene generation, and 3D material and picture generation features and may be used to generate simple 3D content in marketing or gaming scenarios. The purposes of the 3D content generation platform are to provide content generation, script generation, and low-code script drawing functionalities by using AI technologies in the context of 3D scenario generation. We also plan to use more AI technology in 3D creation and rendering and further improve our 3D scenario generation capabilities. Particularly, we plan to optimize 3D generated models and low-precision models that can be used for different scenes. Additionally, we plan to leverage image generation capabilities to generate virtual scene maps. After laying out and segmenting of 3D scenes, we will split small tasks to use basic modeling capabilities and model markets to complete scene construction, thereby overcoming the current shortcomings of 3D model generation. Character animation is also an important part of virtual content. We plan to utilize AI to learn from a large number of videos, extract expressions, movements and animations of persons, animals, game characters, and integrate skeleton-bound animation technology to generate natural character animations that fit seamlessly with the scenes;

- 2) approximately 4.0% of the net proceeds, or approximately HK\$15.0 million, is expected to be used for upgrading and iterating our low-code platform over the next 36 to 60 months. We expect to recruit approximately seven additional developers with a bachelor's degree or above and more than five years of relevant experience in the areas of software engineering or platform development with competitive compensation at an average annual remuneration of approximately RMB750,000 to RMB900,000 to develop and enhance our low-code platform.

Specifically, we plan to continue to improve three aspects of our low-code platform, namely ease of use, scalability and openness. We also plan to continue to consolidate and optimize our technologies in audiovisual data transmission, compression and rendering.

FUTURE PLANS AND USE OF PROCEEDS

- (d) **Approximately 20% of the net proceeds, or approximately HK\$74.9 million, is expected to be used for selected mergers, acquisitions, and strategic investments, including to continue seeking potential businesses and assets that can supplement or enhance our existing business and are strategically beneficial to our long-term goals in the next 36 to 60 months.** Potential targets include businesses with leading audiovisual or AI technologies complementary to our technology stack, businesses with successful PaaS or SaaS products to broaden our customer base, among others. In selecting acquisition and investment opportunities, we will take into account a number of considerations, including our strategic goals and the target company's market position, management experience, valuation, track record and financial performance. We will select target companies: (i) at a growing stage, (ii) led by senior management with more than five years of experience, (iii) with a successful track record offering PaaS or SaaS products, with robust IPs, talent and technical skills in the audiovisual or AI technologies that we can leverage to expand our capabilities, and (iv) with average annual revenue of at least RMB50 million for the past three years and with a valuation ranging from RMB100 million to RMB500 million (subject to future market condition, industry development and valuation multiples such as price-to-sales ratios and price-to-earnings ratios of comparable companies). We primarily consider targets located in China and we understand that such targets are available in the industry. According to iResearch, there are over 20 targets that match our criteria in China.

As of the Latest Practicable Date, we had not identified any specific acquisition target, or adopted a concrete timetable or expected capital expenditure plan to implement any acquisition, and we had not entered into any agreements, commitments or understandings with respect to any such transaction, to which we plan to apply the proceeds from the Global Offering. The timetable for the deployment of the proceeds will be subject to the identification of suitable targets, market conditions and the opportunistic nature of strategic acquisitions.

FUTURE PLANS AND USE OF PROCEEDS

- (e) **Approximately 10.0% of the net proceeds, or approximately HK\$37.5 million, is expected to be used for working capital and general corporate purposes.**

The table below sets forth the expected implementation timetable of our planned use of our proceeds:

	For the year ending December 31,					Total
	2024	2025	2026	2027	2028	
	<i>(HK\$ in millions)</i>	<i>(HK\$ in millions)</i>	<i>(HK\$ in millions)</i>	<i>(HK\$ in millions)</i>	<i>(HK\$ in millions)</i>	<i>(HK\$ in millions)</i>
Penetrating and deepening our presence in the application scenarios of our APaaS business and developing and expanding our customer base						
Purchasing network and bandwidth and servers	6.1	10.3	11.4	12.7	15.7	56.2
Enhancing our sales and marketing function – enhancing our brand awareness through online channels	1.4	4.7	7.4	9.5	10.9	33.7
Recruiting personnel for developing and accumulating more in-depth scenarios in APaaS	0.7	5.7	11.0	15.8	19.3	52.5
Expanding our overseas business						
Enhancing our overseas IT infrastructure	2.7	4.9	5.4	6.0	10.9	30.0
Establishing local teams in various regions and countries	0.3	5.3	8.0	11.3	20.1	45.0
Enhancing our research and development capabilities and improving our technology infrastructure						
Building our AIGC capabilities	0.5	3.9	6.3	7.5	11.8	30.0
Upgrading and iterating our low-code platform	0.2	1.8	2.7	3.7	6.6	15.0
Selected mergers, acquisitions, and strategic investments	–	18.7	18.7	18.7	18.7	74.9
Working capital and general corporate purposes	2.9	8.6	8.6	8.7	8.6	37.5
Total	14.9	64.1	79.6	93.8	122.3	374.7

FUTURE PLANS AND USE OF PROCEEDS

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the Offer Price range or the Over-allotment Option is exercised.

If the Offer Price is fixed at HK\$2.86 per Offer Share (being the high end of the Offer Price range) and assuming the Over-allotment Option is not exercised, we will receive net proceeds of approximately HK\$383.8 million, after deduction of underwriting fees and expenses related to the Global Offering.

If the Offer Price is fixed at HK\$2.74 per Offer Share (being the low end of the Offer Price range) and assuming the Over-allotment Option is not exercised, we will receive net proceeds of approximately HK\$365.6 million, after deduction of underwriting fees and expenses related to the Global Offering.

In the event that the Over-allotment Option is exercised in full, we will receive additional net proceeds ranging from approximately HK\$62.2 million (assuming an Offer Price of HK\$2.74 per Share, being the low end of the Offer Price range) to HK\$65.0 million (assuming an Offer Price of HK\$2.86 per Share, being the high end of the Offer Price range), after deduction of underwriting fees and expenses related to the Global Offering.

If the net proceeds of the Global Offering are not immediately used for the purposes described above, they will be only be placed in short-term interest-bearing accounts at licensed commercial banks and/or other authorized financial institutions (as defined under the SFO or applicable laws and regulations in other jurisdictions).

UNDERWRITING

HONG KONG UNDERWRITERS

Shenwan Hongyuan Securities (H.K.) Limited
BOCOM International Securities Limited
Huatai Financial Holdings (Hong Kong) Limited
GF Securities (Hong Kong) Brokerage Limited
CMB International Capital Limited
ABCI Securities Company Limited
Zheshang International Financial Holdings Co., Limited
China Merchants Securities (HK) Co., Limited
CMBC Securities Company Limited
SDICS International Securities (Hong Kong) Limited
Futu Securities International (Hong Kong) Limited
Livermore Holdings Limited
Tiger Brokers (HK) Global Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Offering is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 15,975,000 Hong Kong Offer Shares and the International Offering of initially 143,775,000 International Offer Shares, subject, in each case, to reallocation on the basis as described in the section headed “Structure of the Global Offering” in this prospectus as well as to the Over-allotment Option (in the case of the International Offering).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 15,975,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement and the Offer Price.

Subject to (a) the Stock Exchange granting or agreeing to grant the approval for the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus and such approval for the listing and permission to deal in the Shares not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange; and (b) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally,

UNDERWRITING

and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon, among other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for termination

The Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled, in their sole and absolute discretion, by notice in writing to our Company to terminate the Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

- (a) there shall develop, occur, exist or come into effect:
 - (i) any local, national, regional or international event or circumstance or series of events or circumstances, in the nature of force majeure including, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak, mutation, aggravation or escalations of disease (including but not limited to Severe Acute Respiratory Syndromes (SARS), swine or avian flu, H1N1, H5N1, H1N7, H7N9, Ebola virus, MERS and COVID-19 and such related/mutated forms), economic sanctions, strikes, labour disputes, lockouts, other industrial actions, fire, explosion, flooding, earthquake, tsunami, volcanic eruption, civil commotion, riots, rebellion, severe transport disruption, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war or state of emergency is declared), acts of God or acts of terrorism (whether or not responsibility is claimed) paralysis in government operations, in or affecting Hong Kong, the PRC, the United States, the United Kingdom, any member of the European Union or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the “**Relevant Jurisdictions**”); or
 - (ii) any change or development involving a prospective change, or any event or circumstance or series of events or circumstances resulting or likely to result in or representing any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, legal, fiscal, regulatory, currency, credit or market matters or conditions or equity securities or exchange control or any monetary or trading settlement system or other financial markets (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets, or any member of the European Union announcing, voluntarily or compulsorily, its intention to leave the European Union or the Economic and Monetary Union of the European Union), or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or Renminbi is linked to any foreign currency or currencies or revaluation of the Hong Kong dollar or Renminbi against any foreign currencies or a change in any other currency exchange rates, in or affecting any of the Relevant Jurisdictions; or

UNDERWRITING

- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (iv) any general moratorium on commercial banking activities in or affecting the Relevant Jurisdictions (whether imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of the Relevant Jurisdictions; or
- (v) any new law, or any change or development involving a prospective change or any event or circumstance likely to result in a change or development involving a prospective change in (or in the interpretation or application by any court or other competent Authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vi) the imposition of economic sanctions, or the withdrawal of trade privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (vii) any change or development involving a prospective change or amendment in or affecting taxes or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or
- (viii) any change, development or event involving a prospective change in, or a materialization, of any of the risks set out in the section entitled “Risk Factors” in this prospectus; or
- (ix) any litigation, regulatory or disciplinary proceeding, legal action, dispute or claim of any third party being threatened or instigated against any member of the Group or any Director or any senior management member of the Group; or
- (x) a contravention by any member of the Group or any Director or any senior management member of the Group of the Listing Rules or applicable laws; or
- (xi) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or

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- (xii) a demand by any creditor for repayment or payment of any indebtedness of any member of the Group in respect of which any member of the Group is liable prior to its stated maturity; or
- (xiii) an authority or a political body or organization in any of the Relevant Jurisdictions announcing or commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of the Group or any Director or any senior management member of the Group; or
- (xiv) any Director or any senior management member of the Group vacating his office,

which, individually or in the aggregate, in the sole and absolute opinion of the Joint Sponsors and the Overall Coordinators (for themselves or on behalf of the Hong Kong Underwriters):

- (a) has or will have or may have a material adverse effect on the assets, liabilities, business, management, general affairs, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or
- (b) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Offer Shares in the secondary market; or
- (c) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus or
- (d) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable or impracticable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

- (b) there has come to the notice of the Joint Sponsors and the Overall Coordinators:
 - (i) that any statement contained in any of the Offering Documents (as defined in the Hong Kong Underwriting Agreement), the formal notice, the Operative Documents (as defined in the Hong Kong Underwriting Agreement) and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (collectively, the “**Offer Related Documents**”) was, when it was issued, or has become, untrue, incorrect, inaccurate, incomplete in any material respect or misleading or deceptive in any respect, or that any estimate, forecast, expression of opinion, intention or expectation contained in any of the Offer Related Documents is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the prospectus date, constitute a misstatement or a material omission from any of the Offer Related Documents; or

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- (iii) any material breach of any of the obligations imposed upon any parties to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Joint Sponsors, the Hong Kong Underwriters or the International Underwriters); or
- (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the Hong Kong Underwriting Agreement; or
- (v) any breach of, or any event or circumstances rendering untrue or incorrect or misleading in any respect, any of the warranties; or
- (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold 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 Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (vii) our Company withdraws any of the Offer Related Documents or the Global Offering; or
- (viii) any person (other than the Joint Sponsors) has withdrawn or is subject to withdrawing its consent to being named in this prospectus or to the issue of any of the Hong Kong Public Offering Documents; or
- (ix) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Shares to be issued pursuant to the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (x) that any certificate given by our Company or any of its respective officers under or in connection with the Hong Kong Underwriting Agreement or the Global Offering is false or misleading in any respect; or
- (xi) a Director or a senior management member of the Group being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management or taking directorship of a company; or
- (xii) non-compliance of this prospectus, the CSRC filings or any other documents used in connection with the contemplated offer and sale of the Offer Shares or any aspect of the Global Offering with the Listing Rules, the CSRC Rules or any other applicable Laws; or
- (xiii) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents issued or used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the CSRC rules or the Listing Rules or any requirement or request of the SEHK, the CSRC and/or the SFC; or

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- (xiv) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or
- (xv) the investment commitment by any cornerstone investor after signing of agreement with such cornerstone investor having been withdrawn, terminated or cancelled or a material portion of the orders placed or confirmed in the bookbuilding process having been withdrawn, terminated or cancelled and such withdrawn, terminated or cancelled orders not having been fully covered by other orders or any replacement order having been subsequently withdrawn, terminated or cancelled.

Undertakings to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the Listing Date (whether or not such issue of Shares will be completed within six months from the Listing Date), except pursuant to the Global Offering, the exercise of the Over-allotment Option or for the circumstances as permitted under Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering, he/it will not and will procure that the relevant registered holder(s) will not without the prior written consent of the Stock Exchange or unless otherwise in compliance with the applicable requirement of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company in respect of which it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months from the expiry of the First Six-Month Period, either directly or indirectly, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it would cease to be a Controlling Shareholder of our Company.

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Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, within the period commencing on the date by reference to which disclosure of his/its shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, he/it will and will procure that the relevant registered holder(s) will:

- (i) when he/it pledges or charges any securities of our Company beneficially owned by he/it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note 2 to Rule 10.07 of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) when he/it receives indications, either verbal or written, from the pledgee or chargee of any securities of our Company that any of the pledged or charged securities will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Stock Exchange as soon as he/it has been informed of the matters referred to in paragraphs (i) and (ii) above by the Controlling Shareholders and subject to the then applicable requirements of the Listing Rules, disclose such matters by way of an announcement.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has also undertaken to each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the syndicate capital market intermediaries and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company will not, and will procure each other member of the Group not to, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

- (a) offer, allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, 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 (as defined in the Hong Kong Underwriting Agreement) 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 any other securities of our 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 equity securities of our Company or any shares or other securities of such other member of

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the Group, as applicable), or deposit any Shares or other equity securities of our 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; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of, subscription or ownership (legal or beneficial) of any Shares or other equity securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any equity 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 equity securities of our Company or any shares or other securities of such other member of the Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transactions described in paragraphs in (a) or (b) above; or
- (d) offer to, contract to, or agree to or announce, or publicly disclose any intention to effect any transactions described in paragraphs in (a), (b) or (c) above,

in each case, whether any of the foregoing transactions is to be settled by delivery of such equity securities, in cash or otherwise (whether or not the issue of such equity securities will be completed within the First Six-Month Period).

Our Company further agrees that, in the event our Company enters into any of the transactions described in paragraphs (a), (b) or (c) above or offers to or agrees or contracts to or announces, or publicly discloses, any intention to enter into or effect any such transaction during the period of six months commencing on the date on which the First Six-Month Period expires (the “**Second Six-Month Period**”), it shall take all reasonable steps to ensure that our Company will not create a disorderly or false market in the Shares.

Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, the Controlling Shareholders undertake to each of our Company, the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the capital market intermediaries, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except as pursuant to the Global Offering, without the prior written consent of the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

- (a) he/it will not and will procure that the relevant registered holder(s), any nominee or trustee holding on trust for him or it and the companies controlled by him or it will not, at any time during the period commencing on the date of this Agreement and ending on, and including, the date that is twelve months from the Listing Date (the “**Twelve-Month Period**”), (i) offer, sell, offer to sell, contract or agree to sell, assign, mortgage, charge, pledge, hypothecate, 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

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directly or indirectly, conditionally or unconditionally, any Shares or other equity securities of our Company beneficially owned by him/it as of the date of this prospectus or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other equity securities, as applicable or any interest in any of the foregoing) (the “**Locked-up Securities**”), or deposit any Locked-up Securities with a depository in connection with the issue of depository receipts, or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Locked-up Securities, or (iii) enter into or effect any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or (iv) offer to, contract to, agree to or announce, or publicly disclose any intention to effect any transaction specified in Clause 9.3.1(i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other equity securities of our Company or in cash or otherwise (whether or not such transaction will be completed within the Twelve-Month Period); and

- (b) until the expiry of the Twelve-Month Period, in the event that he/it or any of the relevant registered holder(s), any nominee or trustee holding on trust for him or it and the companies controlled by him or it enters into any of the transactions specified in paragraphs (a)(i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Undertakings by the Pre-IPO Investors

Each of the Pre-IPO Investors has agreed to a lock-up arrangement (the “**Lock-up Arrangement**”) in favour of our Company, the Joint Sponsors and the Overall Coordinators (for themselves and on behalf of the Underwriters). Pursuant to the Lock-up Arrangement, during the period commencing on the Listing Date and ending on, and including, the date that is 12 months from the Listing Date, each of the Pre-IPO Investors agrees and undertakes not to (i) dispose of any of the Shares it shall hold in respect of its pre-IPO investment upon the Listing; (ii) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transactions; or (iii) agree or contract to, or publicly announce any intention to enter into any of the aforesaid transactions with a third party, subject to exceptions such as transfer of such Shares to the affiliates of the Pre-IPO Investors.

Indemnity

We have undertaken to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Joint Sponsors, the Sponsor-Overall Coordinators, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the syndicate capital market intermediaries and the Hong Kong Underwriters (for themselves and on trust for their directors, officers, employees, agents, assignees and affiliates involved in the Global Offering) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

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Hong Kong Underwriters' Interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and/or International Underwriting Agreement.

The International Offering

International Offering

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. See “Structure of the Global Offering — The International Offering” in this prospectus. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the absolute discretion of the Overall Coordinators (for themselves and on behalf of the International Underwriters) from the Listing Date until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 23,962,000 additional Offer Shares, representing not more than 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Offering, if any. See “Structure of the Global Offering — Over-allotment Option” in this prospectus.

Commission and Expenses

The Underwriters will receive an underwriting commission of 3.8% of the aggregate Offer Price of all the Offer Shares, including Offer Shares to be issued pursuant to the Over-allotment Option (the “**Fixed Fees**”). Our Company may, at our sole and absolute discretion, pay to one or more Underwriters an incentive fee up to but not exceeding 1.4% of the Offer Price of all the Offer Shares (including Offer Shares to be issued pursuant to the Over-allotment Option) (the “**Discretionary Fees**”). Assuming the Discretionary Fees are paid in full, the ratio of the Fixed Fees and Discretionary Fees payable is therefore approximately 73:27, regardless of whether the Over-allotment Option is not exercised or is exercised in full. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters and not the Hong Kong Underwriters.

UNDERWRITING

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, AFRC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$72.6 million in total (based on the Offer Price of HK\$2.80 per Offer Share which is the mid-point of the Offer Price range and assuming the Over-allotment Option is not exercised).

THE JOINT SPONSORS' INDEPENDENCE

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

BOCOM Asset Management and BOCOM Fund are Pre-IPO Investors with an aggregate shareholding of approximately 4.86% of our total issued share capital (assuming full conversion of preferred shares into ordinary shares on a one-to-one basis) as of the Latest Practicable Date. Please refer to the section headed “History, Development and Corporate Structure — Pre-IPO Investments — Information of Pre-IPO Investors” for further details of the ultimate beneficial owners of BOCOM Asset Management and BOCOM Fund. BOCOM Asset Management, BOCOM International Private Equity Fund Management (Shenzhen) Company Limited (the fund manager of BOCOM Fund) and BOCOM International (Asia) Limited (a Joint Sponsor) are members of a “sponsor group” as defined under the Listing Rules. As the aggregate shareholding of BOCOM Asset Management and BOCOM Fund in our Company is (and will remain so up to the Listing Date) below the threshold under Rule 3A.07(1) of the Listing Rules nor does it give rise to any circumstances under Rule 3A.07 of the Listing Rules, BOCOM International (Asia) Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

As none of the circumstances set out in Rule 3A.07 of the Listing Rules exists, Shenwan Hongyuan Capital (H.K.) Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

The Underwriters of the Hong Kong Public Offering and the International Offering (together, the “**Syndicate Members**”) and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates 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. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group’s loans and other debt.

UNDERWRITING

In relation to the Shares, the activities of the Syndicate Members and their affiliates 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 the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the 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 the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering.” Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking, lending and other services to our Company and each of its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

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:

- the Hong Kong Public Offering of initially 15,975,000 Offer Shares (subject to adjustments as mentioned below) in Hong Kong as described in “The Hong Kong Public Offering” below; and
- the International Offering of initially 143,775,000 Offer Shares (subject to adjustments and the Over-allotment Option as described below) outside the United States (including to professional, institutional and corporate investors and other investors anticipated to have a sizeable demand for the Offer Shares in Hong Kong) in offshore transactions in reliance on Regulation S as described in “— The International Offering” below.

Investors may either:

- apply for the Hong Kong Offer Shares under the Hong Kong Public Offering; or
- apply for or indicate an interest for the International Offer Shares under the International Offering,

but may not do both.

The 159,750,000 Offer Shares in the Global Offering will represent approximately 8.0% of our total issued share capital immediately following completion of the Capitalization Issue and the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 9.1% of our total issued share capital immediately following completion of the Capitalization Issue and the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. The International Underwriters are soliciting from prospective investors' indications of interest in acquiring the International Offer Shares. Prospective investors will be required to specify the number of International Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

References to applications, application monies or procedure for applications relate solely to the Hong Kong Public Offering.

STRUCTURE OF THE GLOBAL OFFERING

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, respectively, may be subject to reallocation as described in the section headed “— The Hong Kong Public Offering — Reallocation” below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

We are initially offering for subscription by the public in Hong Kong 15,975,000 Offer Shares, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the Hong Kong Public Offering will represent approximately 0.8% of our total issued share capital immediately following completion of the Capitalization Issue and the Global Offering, assuming 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, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set forth in “– Conditions of the Global Offering” below.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. We may, if necessary, allocate the Hong Kong Offer Shares on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

For allocation purposes only, the total number of Offer Shares available under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided equally into two pools (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 an aggregate subscription price of HK\$5 million or less (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable); and
- **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 an aggregate subscription price of more than HK\$5 million and up to the value of pool B (excluding brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy payable).

STRUCTURE OF THE GLOBAL OFFERING

Investors 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 pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in the pool and be allocated accordingly. For the purpose of this subsection only, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of 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 7,987,000 Hong Kong Offer Shares (being approximately 50% of the 15,975,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering) will be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to reallocation. Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if the International Offering is fully subscribed or oversubscribed and certain prescribed total demand levels under the Hong Kong Public Offering are reached.

If 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 total 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 such reallocation, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 47,925,000 Offer Shares (in the case of (a)), 63,900,000 Offer Shares (in the case of (b)) and 79,875,000 Offer Shares (in the case of (c)), representing 30%, 40% and 50% of the total number of Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option).

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 deem appropriate.

In addition, the Overall Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In accordance with Chapter 4.14 of the Guide For New Listing Applicants issued by the Stock Exchange, in the event that (i) the International Offer Shares are undersubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed irrespective of the number of times; or (ii) the International Offer Shares are fully subscribed or oversubscribed and the Hong Kong Offer Shares are fully subscribed or oversubscribed as to less than 15 times of the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering, the maximum total number of Offer Shares that may be allocated to the Hong Kong Public Offering following such reallocation shall be not more than double the initial allocation to the Hong Kong Public Offering (i.e. 31,950,000 Shares) and the final Offer Price range shall be fixed at the bottom end of the indicative Offer Price range (i.e. HK\$2.74 per Offer Share).

STRUCTURE OF THE GLOBAL OFFERING

In addition, the Overall Coordinators (for themselves and on behalf of the Underwriters) may reallocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Overall Coordinators may reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Overall Coordinators deem appropriate.

Where the International Offer Shares are undersubscribed, if the Hong Kong Offer Shares are also undersubscribed, the Global Offering will not proceed unless the Underwriters would subscribe or procure subscribers for their respective applicable proportions of the Offer Shares being offered which are not taken up under the Global Offering on the terms and conditions of this prospectus and the Underwriting Agreements.

Applications

Each applicant under the Hong Kong Public Offering will 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 for, and will not apply for or take up, or indicate an interest for, 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 may be required to pay, on application (subject to application channels), maximum price of HK\$2.86 per Offer Share in addition to brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% on each Offer Share, amounting to a total of HK\$2,888.84 for one board lot of 1,000 Shares. If the Offer Price, as finally determined on the Price Determination Date in the manner as described in “– Pricing and Allocation” below, is less than the maximum price of HK\$2.86 per Offer Share, appropriate refund payments (including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies) will be made to successful applicants (subject to application channels), without interest. For further details, please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

We will be initially offering for subscription under the International Offering 143,775,000 Offer Shares, representing 90% of the Offer Shares under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares offered under the International Offering will represent approximately 7.2% of our total issued share capital immediately following completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

The International Offering will include selective marketing of the Offer Shares to QIBs in the United States as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States 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 the Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after Listing. 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 its Shareholders as a whole.

The Overall Coordinators (for themselves and on behalf of the International Underwriters) may require any investor who has been offered the Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Overall Coordinators 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 the Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement as described above in “— The Hong Kong Public Offering — Reallocation” or the Over-allotment Option in whole or in part and/or any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters will have the right, exercisable by the Overall Coordinators at any time from the Listing Date until 30 days after the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue up to 23,962,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering, at the Offer Price under the International Offering to, among other things (such as effecting the permitted stabilizing actions as set out in “— Stabilization” below), cover over-allocations in the International Offering, if any.

If the Over-allotment Option is exercised in full, the additional Shares to be issued pursuant thereto will represent approximately 1.2% of our total issued share capital immediately following completion of the Capitalization Issue and the Global Offering. In the event that the Over-allotment Option is exercised, an announcement will be made.

STRUCTURE OF THE GLOBAL OFFERING

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager or any persons acting for it to conduct any such stabilizing action. Such stabilizing action, if taken, will be conducted at the absolute discretion of the Stabilizing Manager or any person acting for it and may be discontinued at any time, and is required to be brought to an end on the 30th day after the last day for lodging applications under the Hong Kong Public Offering.

Stabilization action permitted in Hong Kong under the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares, (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares, (iii) purchasing, or agreeing to purchase, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares, (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases, and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in Shares should note that:

- the Stabilizing Manager (or any person acting for it) may, in connection with the stabilizing action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager (or any person acting for it) will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager (or any person acting for it) and selling in the open market may have an adverse impact on the market price of the Shares;
- no stabilizing action can be taken to support the price of the Shares for longer than the stabilizing period which will begin on the Listing Date and is expected to expire on Saturday November 9, 2024 being the 30th day after the last day for lodging applications under the Hong Kong Public Offering. After this date, when no further action may be taken to support the price of the Shares, demand for the Shares, and therefore the price of the Shares, could fall;

STRUCTURE OF THE GLOBAL OFFERING

- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price, which means that stabilizing bids or transactions effected may be made at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part, using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price, or through the stock borrowing arrangement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager may choose to enter into an agreement with Dream Galaxy, a controlling shareholder of our Company, to borrow, whether on its own or through its affiliates, up to 23,962,000 Shares, representing approximately 15% of the total number of the Offer Shares initially available for the Global Offering. The stock borrowing arrangement under such an agreement, if entered into, will not be subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules, provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are complied with as follows:

- such stock borrowing arrangement is fully described in this prospectus and must be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares to be borrowed from Dream Galaxy by the Stabilizing Manager (or any person acting for it) is the maximum number of Shares that may be issued upon full exercise of the Over-allotment Option;
- the same number of Shares so borrowed must be returned to Dream Galaxy or its nominee(s) within three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised, and (b) the day on which the Over-allotment Option is exercised in full;
- the stock borrowing arrangement will be effected in compliance with all applicable listing rules, laws and other regulatory requirements; and
- no payment will be made to Dream Galaxy by the Stabilizing Manager (or any person acting for it) in relation to such stock borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) will determine the Offer Price and sign an agreement on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Monday, October 14, 2024.

The Offer Price will not be more than HK\$2.86 per Offer Share and is expected to be not less than HK\$2.74 per Offer Share, unless otherwise announced, as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you may be required to pay the maximum price of HK\$2.86 per Offer Share (subject to application channels), 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%, amounting to a total of HK\$2,888.84 for one board lot of 1,000 Shares.

If the Offer Price, as finally determined in the manner described below, is lower than HK\$2.86, we will refund the respective difference, including brokerage, SFC transaction levy, Stock Exchange trading fee and AFRC transaction levy attributable to the surplus application monies (subject to application channels). We will not pay interest on any refunded amounts. For more details, please refer to the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

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 Overall Coordinators (for themselves and on behalf of the Underwriters) may, where they deem appropriate, based on the level of interest expressed by prospective investors during the book-building process in respect of the International Offering, and with the prior consent of our Company, reduce the number of Offer Shares offered and/or the Offer Price range as 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, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the website of the Stock Exchange at www.hkexnews.hk and our website at www.qiniu.ltd (the contents of the website do not form a part of this prospectus), respectively, notices of the 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 canceled and subsequently relaunched on FINI pursuant to the supplemental prospectus. Upon the issue of such a notice and supplemental prospectus, the revised number of Offer Shares and/or the Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Overall Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

STRUCTURE OF THE GLOBAL OFFERING

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 Range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also confirm or revise, as appropriate, the working capital statement, the Global Offering statistics as currently set out in the section headed “Summary” in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Overall Coordinators (for themselves and on behalf of the Underwriters) will under no circumstances be set outside the Offer Price Range as stated in this prospectus.

If you have already submitted an application for the Hong Kong Offer Shares before the last day for lodging applications under the Hong Kong Public Offering, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price Range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of Offer Shares, the Overall Coordinators may, at its 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 final Offer Price, the level of indication of interest in the International Offering, the basis of allotment of Offer Shares available under the Hong Kong Public Offering and the identification document numbers of successful applicants under the Hong Kong Public Offering are expected to be made available in a variety of channels in the manner described in the paragraph headed “How to Apply for Hong Kong Offer Shares — B. Publication of Results” in this prospectus.

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for Offer Shares is conditional on:

- the Stock Exchange granting approval for the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option);
- the Offer Price having been agreed between us and the Overall Coordinators (for themselves and on behalf of the Underwriters);
- the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- 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 unconditional and not having been terminated in accordance with the terms of the respective agreements,

STRUCTURE OF THE GLOBAL OFFERING

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement, as the case may be (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Wednesday, October 30, 2024 being the 30th date after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between us and the Overall Coordinators (for themselves and on behalf of the Underwriters) on or before the Price Determination Date, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, each other offering becoming unconditional and not having been terminated in accordance with its respective terms. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the website of the Stock Exchange at www.hkexnews.hk and our website at www.qiniu.ltd on the next day following such lapse. In such an event, all application monies will be returned, without interest, on the terms set out in the paragraph headed “How to Apply for 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 separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

UNDERWRITING AGREEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to, among other conditions, us and the Overall Coordinators (for themselves and on behalf of the Underwriters) agreeing on the Offer Price on the Price Determination Date.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

Certain terms of the underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this prospectus.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, October 16, 2024, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Wednesday, October 16, 2024.

The Shares will be traded in board lots of 1,000 Shares each and the stock code will be 2567.

HOW TO APPLY FOR 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 under the “HKEXnews > New Listings > New Listing Information” section, and our website at www.qiniu.ltd.

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;
- have a Hong Kong address (*for the **HK eIPO White Form** service only*); and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

Unless permitted by the Listing Rules, 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.

2. Application Channels

The Hong Kong Public Offering period will begin at 9:00 a.m. on Monday, September 30, 2024 and end at 12:00 noon on Thursday, October 10, 2024 (Hong Kong time).

HOW TO APPLY FOR HONG KONG OFFER SHARES

To apply for Hong Kong Offer Shares, you may use one of the following application channels:

Application Channel	Platform	Target Investors	Application Time
HK eIPO White Form service	www.hkeipo.hk	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 9:00 a.m. on Monday, September 30, 2024 to 11:30 a.m. on Thursday, October 10, 2024, Hong Kong time. The latest time for completing full payment of application monies will be 12:00 noon on Thursday, October 10, 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 <u>not</u> 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 **HK eIPO White Form** 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 **HK eIPO White Form** service, once you complete payment in respect of any application instructions given by you or for your benefit through the **HK eIPO White Form** 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 **HK eIPO White Form** service more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you apply through the **HK eIPO White Form** service, you are deemed to have authorized the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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:

For Individual Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. HKID card; or
 - ii. National identification document; or
 - iii. Passport; and
- Identity document number

For Corporate Applicants

- Full name(s)² as shown on your identity document
- Identity document's issuing country or jurisdiction
- Identity document type, with order of priority:
 - i. LEI registration document; or
 - ii. Certificate of incorporation; or
 - iii. Business registration certificate; or
 - iv. Other equivalent document; and
- Identity document number

Notes:

1. If you are applying through the **HK eIPO White Form** 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. The number of joint applicants may not exceed four. If you are a firm, the applicant must be in the individual members' names.

HOW TO APPLY FOR 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 shares in a public offer. 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 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. Permitted Number of Hong Kong Offer Shares for Application

Board lot size : 1,000

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 maximum Offer Price is HK\$2.86 per Share.

If you are applying through the HKSCC EIPO channel, you are required to prefund 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 final 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 **HK eIPO White Form** 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 HONG KONG OFFER SHARES

No. of Hong Kong Offer Shares applied for	Maximum Amount Payable ⁽²⁾ on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount Payable ⁽²⁾ on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount Payable ⁽²⁾ on application/ successful allotment HK\$	No. of Hong Kong Offer Shares applied for	Maximum Amount Payable ⁽²⁾ on application/ successful allotment HK\$
1,000	2,888.84	25,000	72,221.08	300,000	866,652.94	6,000,000	17,333,058.60
2,000	5,777.68	30,000	86,665.30	400,000	1,155,537.25	7,000,000	20,221,901.70
3,000	8,666.52	35,000	101,109.51	500,000	1,444,421.56	7,987,000 ⁽¹⁾	23,073,189.84
4,000	11,555.38	40,000	115,553.72	600,000	1,733,305.85		
5,000	14,444.22	45,000	129,997.93	700,000	2,022,190.16		
6,000	17,333.06	50,000	144,442.15	800,000	2,311,074.48		
7,000	20,221.90	60,000	173,330.59	900,000	2,599,958.79		
8,000	23,110.74	70,000	202,219.02	1,000,000	2,888,843.10		
9,000	25,999.58	80,000	231,107.45	2,000,000	5,777,686.20		
10,000	28,888.43	90,000	259,995.88	3,000,000	8,666,529.30		
15,000	43,332.64	100,000	288,884.31	4,000,000	11,555,372.40		
20,000	57,776.86	200,000	577,768.62	5,000,000	14,444,215.50		

- (1) Maximum number of Hong Kong Offer Shares you may apply for and this is approximately 50% of the Hong Kong Offer Shares initially offered.
- (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) or to the **HK eIPO White Form** Service Provider (for applications made through the application channel of the **HK eIPO White Form** Service Provider) while the SFC transaction levy, the Stock Exchange trading fee and the AFRC transaction levy will be paid to the SFC, the Stock Exchange and the AFRC, respectively.

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 **HK eIPO White Form** service, (ii) HKSCC EIPO channel, or (iii) both channels concurrently are prohibited and will be rejected. If you have made an application through the **HK eIPO White Form** service or HKSCC EIPO channel, you or the person(s) for whose benefit you have made the application shall not apply further for any Offer Shares in the Global Offering.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names and identification document numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications (“**Best Practice Note**”) issued by the Federation of Share Registrars Limited.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Since applications are subject to personal information collection statements, identification document numbers displayed are redacted.

6. Terms and Conditions of An Application

By applying for Hong Kong Offer Shares through the **HK eIPO White Form** 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 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 **HK eIPO White Form** 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 Joint Sponsors, the Overall Coordinators, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their or our Company's respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering (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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (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 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) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiv) confirm that (a) your application or HKSCC Nominees’ application on your behalf is not financed directly or indirectly by our Company, any of the directors, chief executives, substantial Shareholder(s) or existing shareholder(s) of our 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 our Company, any of the directors, chief executives, substantial shareholder(s) or existing shareholder(s) of our 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;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (xv) warrant that the information you have provided is true and accurate;
- (xvi) 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;
- (xvii) agree to accept Hong Kong Offer Shares applied for or any lesser number allocated to you under the application;
- (xviii) 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;
- (xix) (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 application channel of the **HK eIPO White Form** Service Provider or by any one as your agent or by any other person; and
- (xx) (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 or the **HK eIPO White Form** Service Provider and (2) you have due authority to give electronic application instructions on behalf of that other person as its agent.

HOW TO APPLY FOR HONG KONG OFFER SHARES

B. PUBLICATION OF RESULTS

Results of Allocation

You can check whether you are successfully allocated any Hong Kong Offer Shares through:

Platform	Date/Time
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Applying through the **HK eIPO White Form** service or HKSCC EIPO channel:

Website	From the “Allotment Results” page at www.hkeipo.hk/IPOResult (or www.tricor.com.hk/ipo/result) with a “search by ID” function	24 hours, from 11:00 p.m. on Tuesday, October 15, 2024 to 12:00 midnight on Monday, October 21, 2024 (Hong Kong time)
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The full list of (i) wholly or partially successful applicants using the **HK eIPO White Form** service and HKSCC EIPO channel, and (ii) the number of Hong Kong Offer Shares conditionally allotted to them, among other things, will be displayed at www.hkeipo.hk/IPOResult or www.tricor.com.hk/ipo/result.

	The Stock Exchange’s website at www.hkexnews.hk and our website at www.qiniu.ltd which will provide links to the above mentioned websites of the Hong Kong Share Registrar.	No later than 11:00 p.m. on Tuesday, October 15, 2024 (Hong Kong time).
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Telephone	+852 3691 8488 – the allocation results telephone enquiry line provided by the Hong Kong Share Registrar	between 9:00 a.m. and 6:00 p.m., from Wednesday, October 16, 2024 to Monday, October 21, 2024 (Hong Kong time) on a business day
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For those applying through HKSCC EIPO channel, you may also check with your broker or custodian from 6:00 p.m. on Monday, October 14, 2024 (Hong Kong time).

HKSCC Participants can log into FINI and review the allotment result from 6:00 p.m. on Monday, October 14, 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 HONG KONG OFFER SHARES

Allocation Announcement

We expect to announce the results of the final Offer Price, 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 and our website at www.qiniu.ltd by no later than 11:00 p.m. on Tuesday, October 15, 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;
- 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 Global 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 Wednesday, October 16, 2024 (Hong Kong time), provided that the Global Offering 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 HONG KONG OFFER SHARES

The following sets out the relevant procedures and time:

	HK eIPO White Form service	HKSCC EIPO channel
Despatch/collection of Share certificate ^{Note}		
For application of 1,000,000 Hong Kong Offer Shares or more	<p>Collection in person at the Hong Kong Share Registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong</p> <p>Time: 9:00 a.m. to 1:00 p.m. on Wednesday, October 16, 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>Note: 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>

HOW TO APPLY FOR HONG KONG OFFER SHARES

	HK eIPO White Form service	HKSCC EIPO channel
For application of less than 1,000,000 Hong Kong Offer Shares	Your Share certificate(s) will be sent to the address specified in your application instructions by ordinary post at your own risk Date: Tuesday, October 15, 2024	
Refund mechanism for surplus application monies paid by you		
Date	Wednesday, October 16, 2024	Subject to the arrangement between you and your broker or custodian
Responsible party	Hong Kong Share Registrar	Your broker or custodian
Application monies paid through single bank account	HK eIPO White Form e-Auto 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
Application monies paid through multiple bank accounts	Refund check(s) will be despatched to the address as specified in your application instructions by ordinary post at your own risk	

Note: Except in the event of a tropical cyclone warning signal number 8 or above, a black rainstorm warning and/or an “extreme conditions” as announced by the Hong Kong Government in the morning on Tuesday, October 15, 2024 rendering it impossible for the relevant Share certificates to be dispatched to HKSCC in a timely manner, our 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 “— E. Bad Weather Arrangements” in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

E. BAD WEATHER ARRANGEMENTS

The Opening and Closing of the Application Lists

The application lists will not open or close on Thursday, October 10, 2024 if, there is:

- a tropical cyclone warning signal number 8 or above;
- a black rainstorm warning; and/or
- Extreme Conditions (collectively, “**Bad Weather Signals**”),

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 10, 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 Bad Weather Signals in force at any time between 9:00 a.m. and 12:00 noon.

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 and our website at www.qiniu.ltd of the revised timetable.

If a Bad Weather Signal is hoisted on Tuesday, October 15, 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 Wednesday, October 16, 2024.

If a Bad Weather Signal is hoisted on Tuesday, October 15, 2024, the despatch of physical Share certificates for application of less than 1,000,000 Hong Kong Offer Shares, will be made by ordinary post when the post office re-opens after the Bad Weather Signal is lowered or cancelled (e.g. in the afternoon of Tuesday, October 15, 2024 or on Wednesday, October 16, 2024).

If a Bad Weather Signal is hoisted on Wednesday, October 16, 2024, physical Share certificates for application of 1,000,000 Hong Kong Offer Shares or more, will be available for collection in person at the Hong Kong Share Registrar’s office after the Bad Weather Signal is lowered or cancelled (e.g. in the afternoon of Wednesday, October 16, 2024 or on Thursday, October 17, 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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.

G. PERSONAL DATA

The following Personal Information Collection Statement applies to any personal data collected and held by our Company, the Hong Kong Share Registrar, the receiving banks 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 our 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 our 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 our 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 our Company and the Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

HOW TO APPLY FOR HONG KONG OFFER SHARES

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 check and **HK eIPO White Form** e-Auto 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 our 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 our 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 our 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 HONG KONG OFFER SHARES

4. Transfer of personal data

Personal data held by our Company and the Hong Kong Share Registrar relating to the applicants for and holders of Hong Kong Offer Shares will be kept confidential but our 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:

- our Company's appointed agents such as financial advisers, receiving banks 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 our 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

Our 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).

6. Access to and correction of personal data

Applicants for and holders of Hong Kong Offer Shares have the right to ascertain whether our 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. Our 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 our 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.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF QINIU LIMITED, SHENWAN HONGYUAN CAPITAL (H.K.) LIMITED AND BOCOM INTERNATIONAL (ASIA) LIMITED

Introduction

We report on the historical financial information of Qiniu Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-96, which comprises the consolidated statements of profit or loss, statements of 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, 2023 and the three months ended 31 March 2024 (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, 2023 and 31 March 2024 and material accounting policy information and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-96 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 September 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, 2023 and 31 March 2024 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.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the three months ended 31 March 2023 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments***

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

Ernst & Young*Certified Public Accountants*

Hong Kong

30 September 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

	Notes	Year ended 31 December			Three months ended 31 March	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
REVENUE	5	1,471,010	1,147,290	1,333,991	270,890	342,373
Cost of sales		(1,179,834)	(918,649)	(1,053,746)	(221,372)	(271,833)
Gross profit		291,176	228,641	280,245	49,518	70,540
Other income and gains	5	17,716	19,543	30,854	4,376	370
Selling and marketing expenses		(193,016)	(147,521)	(139,065)	(34,985)	(27,442)
Administrative expenses		(119,528)	(111,175)	(135,824)	(31,587)	(30,815)
Research and development costs		(143,357)	(128,727)	(128,034)	(28,039)	(33,590)
Fair value gains/(losses) on financial assets at fair value through profit or loss, net		37,238	30,912	(54,682)	4,215	(8,864)
Fair value losses on convertible redeemable preferred shares	28	(96,467)	(83,810)	(156,087)	(57,312)	(111,528)
Impairment losses on financial assets		(4,763)	(8,233)	(11,757)	(1,893)	(4,396)
Other expenses		(2,659)	(3,636)	(1,596)	(404)	(144)
Finance costs	7	(6,046)	(8,746)	(8,162)	(2,218)	(2,153)
LOSS BEFORE TAX	6	(219,706)	(212,752)	(324,108)	(98,329)	(148,022)
Income tax expense	10	—	—	—	—	—
LOSS FOR THE YEAR/PERIOD		(219,706)	(212,752)	(324,108)	(98,329)	(148,022)
Attributable to:						
Owners of the parent		(219,706)	(212,752)	(324,108)	(98,329)	(148,022)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12					
Basic (RMB)		(4.52)	(4.37)	(6.66)	(2.02)	(3.04)
Diluted (RMB)		(4.52)	(4.37)	(6.66)	(2.02)	(3.04)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
LOSS FOR THE YEAR/PERIOD	(219,706)	(212,752)	(324,108)	(98,329)	(148,022)
OTHER COMPREHENSIVE INCOME					
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	<u>33,179</u>	<u>(134,894)</u>	<u>(24,226)</u>	<u>18,866</u>	<u>(2,763)</u>
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation	<u>22,827</u>	<u>(98,203)</u>	<u>(24,716)</u>	<u>18,808</u>	<u>(2,809)</u>
OTHER COMPREHENSIVE INCOME FOR THE YEAR/PERIOD, NET OF TAX	<u>56,006</u>	<u>(233,097)</u>	<u>(48,942)</u>	<u>37,674</u>	<u>(5,572)</u>
TOTAL COMPREHENSIVE LOSS FOR THE YEAR/PERIOD	<u>(163,700)</u>	<u>(445,849)</u>	<u>(373,050)</u>	<u>(60,655)</u>	<u>(153,594)</u>
Attributable to:					
Owners of the parent	<u>(163,700)</u>	<u>(445,849)</u>	<u>(373,050)</u>	<u>(60,655)</u>	<u>(153,594)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	<i>Notes</i>	31 December 2021 RMB'000	31 December 2022 RMB'000	31 December 2023 RMB'000	31 March 2024 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	231,121	171,811	126,951	118,387
Right-of-use assets	14	43,149	26,113	12,669	33,985
Other intangible assets	15	301	–	–	–
Investments in associates	17	–	–	–	–
Financial assets at fair value through profit or loss	18	121,706	152,868	98,186	89,322
Total non-current assets		<u>396,277</u>	<u>350,792</u>	<u>237,806</u>	<u>241,694</u>
CURRENT ASSETS					
Inventories	19	43,963	39,088	25,791	7,523
Trade and notes receivables	20	260,585	191,243	285,056	305,249
Prepayments, deposits and other receivables	21	30,950	19,634	28,448	20,878
Financial assets at fair value through profit or loss	18	–	–	50	50
Amounts due from related parties	35	15,930	12,964	8,429	9,437
Time deposits	22	51,187	101,941	107,822	36,879
Restricted cash	22	638	1,016	–	–
Cash and cash equivalents	22	285,523	187,404	166,378	236,562
Total current assets		<u>688,776</u>	<u>553,290</u>	<u>621,974</u>	<u>616,578</u>
CURRENT LIABILITIES					
Trade payables	23	148,686	144,058	230,956	230,378
Other payables and accruals	24	85,717	72,036	70,237	77,967
Deferred revenue	27	1,663	228	90	90
Contract liabilities	25	125,938	105,360	115,225	107,375
Interest-bearing bank and other borrowings	26	115,111	175,514	201,890	213,793
Convertible redeemable preferred shares	28	2,672,314	3,006,655	3,215,039	3,332,247
Amounts due to related parties	35	125,891	54,179	31,359	26,761
Lease liabilities	14	14,870	11,929	7,537	11,754
Total current liabilities		<u>3,290,190</u>	<u>3,569,959</u>	<u>3,872,333</u>	<u>4,000,365</u>
NET CURRENT LIABILITIES		<u>(2,601,414)</u>	<u>(3,016,669)</u>	<u>(3,250,359)</u>	<u>(3,383,787)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(2,205,137)</u>	<u>(2,665,877)</u>	<u>(3,012,553)</u>	<u>(3,142,093)</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	31 December 2021 RMB'000	31 December 2022 RMB'000	31 December 2023 RMB'000	31 March 2024 RMB'000
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	26	19,004	3,290	–	–
Lease liabilities	14	13,984	7,011	2,508	21,849
Deferred revenue	27	228	–	337	315
		<u>33,216</u>	<u>10,301</u>	<u>2,845</u>	<u>22,164</u>
Total non-current liabilities		<u>33,216</u>	<u>10,301</u>	<u>2,845</u>	<u>22,164</u>
NET LIABILITIES		<u>(2,238,353)</u>	<u>(2,676,178)</u>	<u>(3,015,398)</u>	<u>(3,164,257)</u>
EQUITY					
Equity attributable to owners of the parent					
Share capital	30	31	31	31	31
Reserves	32	(2,238,384)	(2,676,209)	(3,015,429)	(3,164,288)
		<u>(2,238,353)</u>	<u>(2,676,178)</u>	<u>(3,015,398)</u>	<u>(3,164,257)</u>
Deficiency in equity		<u>(2,238,353)</u>	<u>(2,676,178)</u>	<u>(3,015,398)</u>	<u>(3,164,257)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent				
	Share capital <i>RMB'000</i> <i>(Note 30)</i>	Share option reserve* <i>RMB'000</i> <i>(Note 31)</i>	Foreign currency translation reserve* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Deficiency in equity <i>RMB'000</i>
At 1 January 2021	31	111,175	20,065	(2,223,410)	(2,092,139)
Loss for the year	–	–	–	(219,706)	(219,706)
Other comprehensive income for the year:					
Exchange differences on translation	–	–	56,006	–	56,006
Total comprehensive loss for the year	–	–	56,006	(219,706)	(163,700)
Equity-settled share option arrangements	–	17,539	–	–	17,539
Repurchase of vested share options	–	(53)	–	–	(53)
At 31 December 2021	31	128,661	76,071	(2,443,116)	(2,238,353)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2022

	Attributable to owners of the parent				
	Share capital <i>RMB'000</i> <i>(Note 30)</i>	Share option reserve* <i>RMB'000</i> <i>(Note 31)</i>	Foreign currency translation reserve* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Deficiency in equity <i>RMB'000</i>
At 1 January 2022	31	128,661	76,071	(2,443,116)	(2,238,353)
Loss for the year	–	–	–	(212,752)	(212,752)
Other comprehensive income for the year:					
Exchange differences on translation	–	–	(233,097)	–	(233,097)
Total comprehensive loss for the year	–	–	(233,097)	(212,752)	(445,849)
Equity-settled share option arrangements	–	10,283	–	–	10,283
Repurchase of vested share options	–	(2,259)	–	–	(2,259)
At 31 December 2022	31	136,685	(157,026)	(2,655,868)	(2,676,178)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2023

	Attributable to owners of the parent				
	Share capital <i>RMB'000</i> <i>(Note 30)</i>	Share option reserve* <i>RMB'000</i> <i>(Note 31)</i>	Foreign currency translation reserve* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Deficiency in equity <i>RMB'000</i>
At 1 January 2023	31	136,685	(157,026)	(2,655,868)	(2,676,178)
Loss for the year	–	–	–	(324,108)	(324,108)
Other comprehensive income for the year:					
Exchange differences on translation	–	–	(48,942)	–	(48,942)
Total comprehensive loss for the year	–	–	(48,942)	(324,108)	(373,050)
Equity-settled share option arrangements	–	33,830	–	–	33,830
At 31 December 2023	31	170,515	(205,968)	(2,979,976)	(3,015,398)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Three months ended 31 March 2023

	Attributable to owners of the parent				
	Share capital <i>RMB'000</i> <i>(Note 30)</i>	Share option reserve* <i>RMB'000</i> <i>(Note 31)</i>	Foreign currency translation reserve* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Deficiency in equity <i>RMB'000</i>
At 1 January 2023	31	136,685	(157,026)	(2,655,868)	(2,676,178)
Loss for the period (unaudited)	–	–	–	(98,329)	(98,329)
Other comprehensive income for the period: (unaudited)					
Exchange differences on translation (unaudited)	–	–	37,674	–	37,674
Total comprehensive loss for the period (unaudited)	–	–	37,674	(98,329)	(60,655)
Equity-settled share option arrangements (unaudited)	–	4,814	–	–	4,814
At 31 March 2023 (unaudited)	31	141,499	(119,352)	(2,754,197)	(2,732,019)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Three months ended 31 March 2024

	Attributable to owners of the parent				
	Share capital <i>RMB'000</i> <i>(Note 30)</i>	Share option reserve* <i>RMB'000</i> <i>(Note 31)</i>	Foreign currency translation reserve* <i>RMB'000</i>	Accumulated losses* <i>RMB'000</i>	Deficiency in equity <i>RMB'000</i>
At 1 January 2024	31	170,515	(205,968)	(2,979,976)	(3,015,398)
Loss for the period	–	–	–	(148,022)	(148,022)
Other comprehensive income for the period:					
Exchange differences on translation	–	–	(5,572)	–	(5,572)
Total comprehensive loss for the period	–	–	(5,572)	(148,022)	(153,594)
Equity-settled share option arrangements	–	4,735	–	–	4,735
At 31 March 2024	31	175,250	(211,540)	(3,127,998)	(3,164,257)

* These reserve accounts comprise the reserves of RMB(2,238,384,000), RMB(2,676,209,000), RMB(3,015,429,000) and RMB(3,164,288,000) in the consolidated statements of financial position as at 31 December 2021, 2022, 2023 and 31 March 2024, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Three months ended 31 March	
		2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
					(unaudited)	
CASH FLOWS FROM						
OPERATING ACTIVITIES						
Loss before tax:		(219,706)	(212,752)	(324,108)	(98,329)	(148,022)
Adjustments for:						
Impairment losses on financial assets	6	4,763	8,233	11,757	1,893	4,396
Share-based payments	6, 31	17,539	10,283	33,830	4,814	4,735
Depreciation of property, plant and equipment	6, 13	67,113	70,932	52,862	15,452	10,668
Depreciation of right-of-use assets	6, 14(a)	22,443	22,246	18,034	4,995	3,410
Amortisation of other intangible assets	6, 15	1,231	301	–	–	–
Losses on disposal of items of property, plant and equipment, net	6	273	1,095	21	2	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	5	–	–	(259)	–	–
Finance costs	7	6,046	8,746	8,162	2,218	2,153
Bank interest income	5	(2,745)	(3,607)	(7,622)	(1,782)	(82)
Investment income from wealth management products measured at fair value through profit or loss	5	(110)	(211)	–	–	–
Foreign currency differences, net	6	198	2,541	962	(441)	144
Impairment losses on investments in associates	6, 17	1,703	–	–	–	–
Fair value losses/(gains), net:						
Convertible redeemable preferred shares	6, 28	96,467	83,810	156,087	57,312	111,528
Financial assets at fair value through profit or loss	6	(37,238)	(30,912)	54,682	(4,215)	8,864

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000 (unaudited)	2024 RMB'000
(Increase)/decrease in restricted cash	(638)	(378)	1,016	–	–
(Increase)/decrease in trade and notes receivables	(102,804)	62,094	(103,507)	(22,459)	(24,312)
(Increase)/decrease in inventories	(34,379)	4,875	16,853	752	18,399
Decrease/(increase) in amounts due from related parties	4,814	1,981	472	(345)	(1,285)
(Increase)/decrease in prepayments, deposits and other receivables	(12,364)	11,316	(3,789)	(3,556)	7,964
Increase/(decrease) in trade payables	12,679	(4,628)	86,898	68,611	(578)
Increase/(decrease) in contract liabilities	26,478	(20,578)	9,865	(4,958)	(7,850)
Increase/(decrease) in amounts due to related parties	32,093	(71,712)	(22,820)	2,949	(4,598)
Increase/(decrease) in other payables and accruals	22,941	(16,190)	(427)	8,337	7,326
(Decrease)/increase in deferred revenue	(1,769)	(1,663)	199	(228)	(22)
Cash (used in)/generated from operations	(94,972)	(74,178)	(10,832)	31,022	(7,162)
Interest received	3,479	2,834	6,995	746	893
Net cash flows (used in)/from operating activities	(91,493)	(71,344)	(3,837)	31,768	(6,269)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Year ended 31 December			Three months ended 31 March	
	2021 RMB'000	2022 RMB'000	2023 RMB'000	2023 RMB'000	2024 RMB'000
				(unaudited)	
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment	(182,015)	(16,132)	(11,611)	(5,297)	(93)
Proceeds from disposal of property, plant and equipment	280	3,415	32	12	–
Purchases of financial assets at fair value through profit or loss	(60,941)	(25,000)	(50)	–	–
Redemption of financial assets at fair value through profit or loss	40,110	25,211	–	–	–
Repayment of loans to related parties	–	–	2,000	–	–
Purchases of time deposits	(63,757)	(177,597)	(162,614)	(33,011)	(21,945)
Proceeds from maturity of time deposits	410,770	127,616	157,360	3,436	92,077
Net cash flows from/(used in) investing activities	144,447	(62,487)	(14,883)	(34,860)	70,039
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of principal portion of lease liabilities	(17,951)	(15,124)	(13,226)	(2,839)	(3,310)
Proceeds from interest-bearing bank and other borrowings	134,115	159,800	208,400	39,800	45,000
Repayment of interest-bearing bank and other borrowings	(12,013)	(115,111)	(185,314)	(43,723)	(33,097)
Repurchase of vested share options	(53)	–	(2,259)	(2,259)	–
Interest paid	(6,046)	(8,746)	(8,162)	(2,218)	(2,153)
Payment of listing expense	–	–	(4,138)	(1,541)	(230)
Net cash flows from/(used in) financing activities	98,052	20,819	(4,699)	(12,780)	6,210

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	<i>Note</i>	Year ended 31 December			Three months ended 31 March	
		2021 <i>RMB'000</i>	2022 <i>RMB'000</i>	2023 <i>RMB'000</i>	2023 <i>RMB'000</i>	2024 <i>RMB'000</i>
(unaudited)						
NET INCREASE/(DECREASE)						
IN CASH AND CASH EQUIVALENTS						
		151,006	(113,012)	(23,419)	(15,872)	69,980
Cash and cash equivalents at beginning of year/period		140,129	285,523	187,404	187,404	166,378
Effect of foreign exchange differences, net		(5,612)	14,893	2,393	(2,375)	204
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD						
		<u>285,523</u>	<u>187,404</u>	<u>166,378</u>	<u>169,157</u>	<u>236,562</u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	22	337,348	290,361	274,200	302,725	273,441
Less: Non-pledged time deposits with original maturity of more than three months when acquired	22	51,187	101,941	107,822	132,552	36,879
Restricted cash	22	638	1,016	–	1,016	–
Cash and cash equivalents as stated in the consolidated statements of financial position and the consolidated statements of cash flows						
		<u>285,523</u>	<u>187,404</u>	<u>166,378</u>	<u>169,157</u>	<u>236,562</u>

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	<i>Notes</i>	31 December 2021 RMB'000	31 December 2022 RMB'000	31 December 2023 RMB'000	31 March 2024 RMB'000
NON-CURRENT ASSETS					
Interests in subsidiaries	16	<u>1,492,227</u>	<u>1,632,477</u>	<u>1,689,803</u>	<u>1,696,986</u>
Total non-current assets		<u>1,492,227</u>	<u>1,632,477</u>	<u>1,689,803</u>	<u>1,696,986</u>
CURRENT ASSETS					
Prepayments, deposits and other receivables	21	197	181	5,193	2,642
Due from subsidiaries	35	189,641	197,699	177,999	174,167
Cash and cash equivalents	22	<u>5,084</u>	<u>921</u>	<u>1,847</u>	<u>472</u>
Total current assets		<u>194,922</u>	<u>198,801</u>	<u>185,039</u>	<u>177,281</u>
CURRENT LIABILITIES					
Other payables and accruals	24	4,739	4,143	6,859	7,643
Convertible redeemable preferred shares	28	<u>2,672,314</u>	<u>3,006,655</u>	<u>3,215,039</u>	<u>3,332,247</u>
Total current liabilities		<u>2,677,053</u>	<u>3,010,798</u>	<u>3,221,898</u>	<u>3,339,890</u>
NET CURRENT LIABILITIES		<u>(2,482,131)</u>	<u>(2,811,997)</u>	<u>(3,036,859)</u>	<u>(3,162,609)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(989,904)</u>	<u>(1,179,520)</u>	<u>(1,347,056)</u>	<u>(1,465,623)</u>
NET LIABILITIES		<u>(989,904)</u>	<u>(1,179,520)</u>	<u>(1,347,056)</u>	<u>(1,465,623)</u>
EQUITY					
Share capital	30	31	31	31	31
Reserves	32	<u>(989,935)</u>	<u>(1,179,551)</u>	<u>(1,347,087)</u>	<u>(1,465,654)</u>
Deficiency in equity		<u>(989,904)</u>	<u>(1,179,520)</u>	<u>(1,347,056)</u>	<u>(1,465,623)</u>

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company was a limited liability company incorporated in the British Virgin Islands on 23 May 2011. In June 2023, the Company re-domiciled and continued in the Cayman Islands with limited liability. The registered address of the Company is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company's subsidiaries, including controlled structured entities (together, the "Group") were principally engaged in the provision of Platform-as-a-Service ("PaaS") services focusing on one-stop audiovisual cloud services to enterprise customers.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, including controlled structured entities, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Qiniu (China) Limited ("Qiniu (China)") (note (a))	Hong Kong 2 June 2011	HK\$1.00	100	–	Investment holding, network technology, hardware and software development
Superstify Technology Holdings Limited ("Superstify") (note (c))	British Virgin Islands 14 June 2022	US\$1.00	100	–	Investment holding
Viculus Technology Holdings Limited ("Viculus") (note (c))	British Virgin Islands 13 July 2022	US\$1.00	100	–	Investment holding
Superstify Technology Company Limited (CÔNG TY TNHH KỸ THUẬT SUPERSTIFY) ("Superstify VN") (note (e))	Vietnam 1 December 2022	VND\$2,436,000,000	–	100	Network technology, hardware and software development
Kongshan Internet Technology (Shanghai) Co., Ltd. ("Shanghai Kongshan") 空山網絡科技(上海) 有限公司 (note (b)) *	People's Republic of China ("PRC")/ Chinese Mainland 6 January 2012	US\$16,800,000	–	100	Investment holding, Network technology and software development
Beijing Kongyu Information Technology Co., Ltd. 北京空雨信息技術有限公司 (note (b))	PRC/Chinese Mainland 11 November 2020	RMB2,000,000	–	100	Network technology, hardware and software development
Shanghai Qiniu Information Technology Co., Ltd. ("Qiniu Information") 上海七牛信息技術有限公司 (note (b))**	PRC/Chinese Mainland 3 August 2011	RMB50,000,000	–	100	Network technology, hardware and software development

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Beijing Kongshan Information Technology Co., Ltd. ("Beijing Kongshan") 北京空山信息技術有限公司 (note (b))	PRC/Chinese Mainland 6 September 2011	RMB10,000,000	–	100	Computer system service and consulting services
Shanghai Qiniu Internet Technology Co., Ltd. ("Qiniu Internet") 上海七牛網絡科技有限公司 (note (f))***	PRC/Chinese Mainland 29 November 2012	RMB50,000	–	100	Network technology, hardware and software development
Jiangxi Qiniu Information Technology Co., Ltd. ("Jiangxi Qiniu Information") 江西七牛信息科技有限公司 (note (g))***	PRC/Chinese Mainland 12 May 2022	RMB10,000,000	–	100	Network technology, hardware and software development
Qiniu (Shenzhen) Cloud Computing Co., Ltd. ("Qiniu (Shenzhen)") 七牛(深圳)雲計算有限公司 (note (d))	PRC/Chinese Mainland 6 May 2022	RMB10,000,000	–	100	Network technology, hardware and software development
WarpDrive Technology PTE. LTD ("WarpDrive") (note (c))	Singapore 19 May 2021	SG\$100,000	–	100	Hardware and software development
Superstify Technology PTE. LTD ("Superstify PTE.") (note (c))	Singapore 21 June 2022	SG\$300,000	–	100	Investment holding, network technology, hardware and software development
Viculus Technology PTE. LTD ("Viculus PTE.") (note (c))	Singapore 28 July 2022	SG\$10,000	–	100	Network technology, hardware and software development
Kongshan Internet Technology (Jiaxing) Co., Ltd. ("Jiaxing Kongshan") 空山網絡科技(嘉興)有限公司 (note (h))	People's Republic of China ("PRC")/Chinese Mainland 26 January 2024	US\$35,000,000	–	100	Network technology and software development

* Shanghai Kongshan is registered as a wholly-foreign-owned enterprise under PRC law.

** Qiniu Information was the immediate holding company of Qiniu (Shenzhen) during the Relevant Periods and the immediate holding company of Jiangxi Qiniu Information from May 2022 to November 2023.

*** Qiniu Internet and Jiangxi Qiniu Information were dissolved by deregistration in September 2023 and November 2023, respectively.

The English names of these entities registered in the PRC represent the best efforts made by the management of the Company to directly translate their Chinese names as they did not register any official English names. The Group's subsidiaries registered in the PRC are all limited liability companies.

Notes:

- (a) The statutory financial statements of this entity for the years ended 31 December 2021 and 2022 prepared under Hong Kong Financial Reporting Standards (“**HKFRSs**”) were audited by TC-Professional CPA Limited, certified public accountants registered in Hong Kong. Up to the date of this report, the statutory financial statements for the year ended 31 December 2023 have not yet to be issued.
- (b) The statutory financial statements of these entities for the years ended 31 December 2021, 2022 and 2023 prepared under PRC Generally Accepted Accounting Principles (“**PRC GAAP**”) were audited by Shanghai Yuanxiang Certified Public Accountings (General Partnership) (上海遠想會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (c) No audited financial statements have been prepared for these entities for the years ended 31 December 2021, 2022 and 2023 as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- (d) The statutory financial statements of this entity for the year ended 31 December 2022 and 2023 prepared under PRC Generally Accepted Accounting Principles (“**PRC GAAP**”) were audited by Shanghai Yuanxiang Certified Public Accountings (General Partnership) (上海遠想會計師事務所(普通合夥)), certified public accountants registered in the PRC.
- (e) No audited financial statements have been prepared for this entity for the year ended 31 December 2022 as this entity was newly incorporated in 2022. The statutory financial statements of this entity for the years ended 31 December 2023 under Vietnamese Accounting Standards (“**VASs**”) were audited by DAITIN AUDITING COMPANY LIMITED, certified public accountants registered in Vietnam.
- (f) The statutory financial statements of this entity for the years ended 31 December 2021 and 2022 prepared under PRC Generally Accepted Accounting Principles (“**PRC GAAP**”) were audited by Shanghai Yuanxiang Certified Public Accountings (General Partnership) (上海遠想會計師事務所(普通合夥)), certified public accountants registered in the PRC. No audited financial statements have been prepared for this entity for the year ended 31 December 2023 as this entity was dissolved by deregistration in September 2023.
- (g) The statutory financial statements of this entity for the year ended 31 December 2022 prepared under PRC Generally Accepted Accounting Principles (“**PRC GAAP**”) were audited by Shanghai Yuanxiang Certified Public Accountings (General Partnership) (上海遠想會計師事務所(普通合夥)), certified public accountants registered in the PRC. No audited financial statements have been prepared for this entity for the year ended 31 December 2023 as this entity was dissolved by deregistration in November 2023.
- (h) No audited financial statements have been prepared for this entity for the year ended 31 December 2021, 2022 and 2023 as this entity was newly incorporated in 2024.

Contractual arrangements

Due to regulatory restrictions on foreign ownership in providing online information services (the “**Relevant Business**”) in the PRC, certain cloud service business was carried out by Qiniu Information and Beijing Kongshan and their subsidiaries (collectively the “**PRC Operating Entities**”) during the Relevant Periods. Shanghai Kongshan, a wholly-owned subsidiary of the Company (the “**WFOE**”) has entered into a series of contractual arrangements (“**Contractual Arrangements**”) with the PRC Operating Entities and their respective registered equity holders. The arrangements of the Contractual Arrangements enable the WFOE to exercise effective control over the PRC Operating Entities, to obtain substantially all economic benefits and to have an exclusive option to acquire all or part of the equity interests in the PRC Operating Entities notwithstanding that the WFOE does not have any direct or indirect equity interest in the PRC Operating Entities. Details of the contractual arrangements are set out in the section headed “Contractual Arrangements” in the Prospectus.

2.1 BASIS OF PRESENTATION

The Historical Financial Information has been prepared on a consolidated basis. All intra-group transactions and balances have been eliminated on consolidation.

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 2024, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss and convertible redeemable preferred shares, which have been measured at fair value.

The Historical Financial Information has been prepared under the going concern basis notwithstanding the fact that, as at 31 March 2024, the Group recorded net current liabilities and net liabilities amounting to RMB3,383,787,000 and RMB3,164,257,000, respectively. The net current liabilities and net liabilities primarily arose from the convertible redeemable preferred shares (the “Preferred Shares”) amounting to RMB3,332,247,000 as at 31 March 2024. The directors of the Company are of the opinion that no payment is expected for the settlement of the liabilities arising from financial instruments issued to investors as the related redemption rights would be terminated and such financial instruments would irrevocably be converted into equity upon the listing of the Company’s shares on the Stock Exchange. In addition, as at 31 March 2024, the Group had unutilised banking facilities of RMB165,400,000. Taken the above into consideration, and together with the cashflow forecast which covers a period of not less than twelve months from 31 March 2024 prepared by the management of the Group, the directors of the Company are of the opinion that the Group has sufficient financial resources to continue as a going concern for the next twelve months. Therefore, the directors of the Company consider that it is appropriate that the Historical Financial Information is prepared on a going concern basis.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 18	<i>Presentation and Disclosure in Financial Statements</i> ³
IFRS 19	<i>Subsidiaries without Public Accountability: Disclosures</i> ³
Amendments to IFRS 9 and IFRS 7	<i>Amendments to the Classification and Measurement of Financial Instruments</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IAS 21	<i>Lack of Exchangeability</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ No mandatory effective date yet determined but available for adoption

Further information about those IFRSs that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 Presentation of Financial Statements and responds to investors’ demand for better information about companies’ financial performance. IFRS 18 introduces new requirements on presentation within the statement of profit or loss, including specified totals and subtotals. It also requires disclosure of management-defined performance measures and includes new requirements for aggregation and disaggregation of financial information based on the identified ‘roles’ of the primary financial statements and the notes. There are also consequential amendments to other accounting standards. For example, narrow scope amendments have been made to IAS 7 and some requirements previously included in IAS 1 have been moved to IAS 8 which has also been renamed as IAS 8 *Basis of Preparation of Financial Statements*. IAS 34 *Interim Financial Reporting* was amended to require a new disclosure of management-defined performance measures. Minor consequential amendments to other standards was also made. IFRS 18 is effective for reporting periods beginning on or after 1 January 2027, with earlier application permitted. Retrospective application is required in both annual and interim financial statements. Based on a preliminary assessment, the adoption of IFRS 18 is unlikely to have a significant impact on the Group’s financial position and financial performance.

IFRS 19 allows eligible subsidiaries without public accountability to elect to apply IFRS 19's reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. An eligible entity (including an intermediate parent) can apply IFRS 19 in its consolidated, separate or individual financial statements and it is applicable for both annual and interim reporting. IFRS 19 is effective for reporting periods beginning on or after 1 January 2027, with early application permitted. Based on a preliminary assessment, the IFRS 19 is not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 9 and IFRS 7 clarify that a financial liability is derecognized on the 'settlement date' and introduce an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date. The classification of financial assets with environmental, social and governance-linked features has been clarified via additional guidance on the assessment of contingent features. Clarifications have been made on non-resource loans and contractually linked instruments. Additional disclosures are introduced for financial instruments with contingent features and equity instruments classified as fair value through other comprehensive income. The amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for contingent features only. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the foreign currency translation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Investments in associates

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and the consolidated statement of other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognised its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where recognised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

Upon loss of significant influence over the associate, the Group measures and recognised any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

In addition, for certain investments in associates, the Group elects to measure at fair value through profit or loss according to IFRS 9 as the Group manages these investments based on fair values through venture capital investment organisation.

Fair value measurement

The Group measures its investments in unlisted entities, wealth management products and convertible redeemable preferred shares at fair value 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, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. 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 the statement of 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 the statement of 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 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 the statement of 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:

Leasehold improvements	The shorter of the estimated useful life of the assets and lease terms
Servers and computer equipment	20%
Office equipment and furniture	20%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of 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 the statement of 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.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. 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 the end of 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 3 to 5 years, which is mainly determined by reference to the licensed period of the purchased software.

Research and development costs

All research costs are charged to the statement of 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. That is, 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:

Servers and computer equipment	5 years
Office equipment and furniture	5 years
Buildings	1.08 to 6 years

If ownership of the leased asset transfers to the Group at 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 lease. 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 that is considered to be 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, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade and notes 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 and notes 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 or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. 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 the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or 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 the statement of profit or loss.

This category includes investments in unlisted entities which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on investments in unlisted entities classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established.

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 the end of each of the Relevant Periods, 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 90 days past due.

The Group considers a financial asset in default when contractual payments are 180 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 and notes receivables 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 and notes 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 established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, 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 payables, other payables and accruals, convertible redeemable preferred shares, interest-bearing bank and other borrowings and lease liabilities.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing 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 the statement of 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 the statement of profit or loss.

Convertible redeemable preferred shares

The Series A, Series B, Series C-1, Series C-2, Series D, Series E-1, Series E-2, Series F and Series F-1 of convertible redeemable preferred shares (collectively, the "**Preferred Shares**") issued by the Company are redeemable upon occurrence of certain events. These instruments can also be converted into ordinary shares of the Company at the option of the holders, or automatically upon occurrence of an initial public offering ("**IPO**") of the Company.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognised at fair value. Any directly attributable transaction costs are recognised as "finance costs" in the statement of profit or loss. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognised in the statement of profit or loss, except for the portion attributable to own credit risk change that should be charged to other comprehensive income.

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 the statement of profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the specific identification basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 flows, 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 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 the statement of profit or loss.

The Group provides for warranties in relation to the sale of certain products and the provision of services for general repairs of defects occurring during the warranty period. Provisions for these assurance-type warranties granted by the Group are initially recognised based on sales volume and past experience of the level of repairs and returns, discounted to their present values as appropriate. The warranty-related cost is revised annually.

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, and 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 or deduction in reporting the related expense on a systematic basis over the periods that the costs, for 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 the statement of 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 the statement of profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

The Group is mainly engaged in the business of providing MPaaS products, APaaS solutions, DPaaS solutions and other cloud services.

- (1) Media platform-as-a-service (“**MPaaS**”) provides interactive live streaming products, intelligent media data analytics solutions, content delivery network service and object storage solutions.
- (2) Application platform-as-a-service (“**APaaS**”) provides one-stop scenario-based audiovisual solutions that package audiovisual functions/(functionalities) of different scenarios in a low-code manner by leveraging MPaaS technologies. It mainly integrates image processing, live streaming and interaction, scene awareness analysis, audiovisual processing, storage services.
- (3) Data platform-as-a-service (“**DPaaS**”) provides data analytics solution for enterprise customers which enables them to develop, run and manage data analytics applications without the need to build and maintain the infrastructure themselves.
- (4) Other cloud services primarily include cloud virtual machine, which is a comprehensive suite of solutions including cloud servers, databases, network, security and storage.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

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.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

There are no significant variable consideration and financing component for the Group's revenue from contracts with customers.

The Group's PaaS solutions, including MPaaS, APaaS and DPaaS are provided to its customers either as cloud services offered on public cloud which are principally charged based on usage, or provided on private cloud which are charged on a project basis. Other cloud services are charged based on usage over the service period.

Revenue from PaaS solutions offered on public cloud, including interactive live streaming products, content delivery network service, object storage solutions, intelligent media data analytics products, and other cloud services, is measured on a usage basis and is recognised over time, using an output method to measure the value to the customer of the services rendered to date, with no rights of return once consumed, because the customer simultaneously receives and consumes the benefits provided by the Group. The Group uses monthly utilisation records to recognise revenue over time as it most faithfully depicts the simultaneous consumption and delivery of services. At the end of each month, the transaction consideration is fixed based on utilisation records and hence no estimation of the transaction price beyond the reporting period is necessary.

In addition, revenue from software licences included in interactive live streaming providing add-on features is recognised at the point in time when software licences are accepted by the customer. Such software licence is to provide a right to use and the functionality with which it exists at the point in time that it is granted to the customer, and there are no other performance obligations other than the promise to grant the licence. Consequently, the Group accounts for the licence as a performance obligation satisfied at a point in time.

Revenue from PaaS services offered on private cloud include hardware sales, software licence and post-delivery maintenance services. Revenue from hardware sales and software licence is recognised at the point in time when they are accepted by customers, which is when the control over the Group's goods or services is transferred to customers. Revenue from software licence is recognised at the point in time because such software can deliver stand-alone functionality without access to the maintenance services to customers. Once a customer has completed the testing of the functionalities of the software as an acceptance procedure, the customer can derive substantial benefit from the software licence on its own. The Group also provides related maintenance services for a specific period (normally 1 to 3 years after the customer's acceptance) after sale as stipulated in the same contract. These maintenance services are provided to maintain and improve the effectiveness of the software and therefore are accounted for as a separate performance obligation. Revenue from these post-delivery maintenance services is recognised on a straight-line basis over the service period as the customer receives and consumes the benefits provided by the Group.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Principal versus agent

When another party is involved in providing hardware to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the hardware itself (i.e. the Group is a principal) or to arrange for the hardware to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the hardware before the hardware is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the hardware by another party. In this case, the Group does not control the hardware provided by another party before hardware is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified hardware to be provided by the other party.

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).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using the discount cash flow method, option pricing model and binomial model, further details of which are given in note 31 to the Historical Financial Information.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Other 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 the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group operates a defined contribution Mandatory Provident Fund Retirement Benefit Scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for employees of the Group's subsidiary which operates in Hongkong. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB. The functional currency of the Company, incorporated in British Virgin Islands and re-domiciled in the Cayman Islands, is US\$. Each entity in the Group determines its own functional currency and items included in the financial information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Group's entities not operating in Chinese Mainland are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into the RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss. A foreign operation is defined as an entity that is a subsidiary, associate, joint arrangement, or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statements of cash flows, the cash flows of the Group's entities not operating in Chinese Mainland are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of such entities which arise throughout a particular year are translated into RMB at the weighted average exchange rates for that particular year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information 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:

Contractual arrangements

As disclosed in note 1, the Group exercises control over the PRC Operating Entities and enjoys substantially all economic benefits and is exposed to risk of the PRC Operating Entities through the Contractual Arrangements.

The Company does not have any direct equity interests in the PRC Operating Entities. However, as a result of the Contractual Arrangements, the Company has power over the PRC Operating Entities, has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. Consequently, the Company regards the PRC Operating Entities as indirect subsidiaries and has consolidated the financial position and results of the PRC Operating Entities in the Historical Financial Information throughout the Relevant Periods.

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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.

Share-based payments

The Group operates share option schemes for the purpose of providing incentives to the Company's directors and the Group's employees. The fair value of the option is determined using the discounted cash flow method, option pricing and binomial model at the grant dates. Valuation techniques are certified by an independent valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Some inputs, such as the discount rate for lack of marketability ("DLOM"), discount rate and volatility, require management estimates. Should any of the estimates and assumptions change, it may lead to a change in the fair value to be recognised in the statement of profit or loss. Further details are contained in note 31 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Fair value of investments in unlisted entities

When the fair values of financial assets recorded in the statement of financial position cannot be derived from active markets, their fair values are determined using valuation techniques including the use of comparable recent arm's length transactions and other valuation techniques commonly used by other market participants. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgements include considerations of inputs such as the implied equity value, volatility and discount rate. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Group classifies the fair value of these investments as Level 3. Further details are included in note 37 to the Historical Financial Information.

Fair value of convertible redeemable preferred shares

The instruments issued to investors are not traded in an active market and the respective fair value is determined by using valuation techniques, including the discounted cash flow method and option pricing model. Such valuation is based on key parameters about discount rate, risk-free interest rate, discounts for lack of marketability and volatility, which are subject to uncertainty and might materially differ from the actual results. Further details are included in notes 28 and 37 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provision for expected credit losses on trade and notes receivables

The Group uses a provision matrix to calculate ECLs for trade and notes receivables. The provision rates are based on the ageing of receivables for groups of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and notes receivables is disclosed in note 20.

4. OPERATING SEGMENT INFORMATION AND REVENUE**Operating segment information**

The Group is principally engaged in providing PaaS services to customers in Chinese Mainland.

The board of directors reviews the consolidated results of the Group when making decisions about resource allocation and assessing the performance of the Group. The board of directors considers that the Group operates in one business segment and the measurement of segment results is based on the profit from operations as presented in the consolidated statements of profit or loss and the consolidated statements of other comprehensive income.

Geographical information

Since almost all of the Group's non-current assets were located in Chinese Mainland and almost all of the revenue of the Group is derived from operations in Chinese Mainland during the Relevant Periods, no geographical information in accordance with IFRS 8 *Operating Segments* is presented.

Information about a major customer

The revenue generated from sales to customers which individually contributed more than 10% of the Group's total revenue during each of the Relevant Periods is set out below:

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Customer A	166,107	N/A	N/A	N/A	N/A
Customer I	N/A	N/A	157,457	30,292	55,216
Customer H	N/A	N/A	N/A	30,955	N/A

For the year ended 31 December 2022, there was no customer from which the revenue individually amounted to more than 10% of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from contracts with customers is as follows:

(a) Disaggregated revenue information*Types of products/services*

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March	
	RMB'000	RMB'000	RMB'000	2023	2024
				(unaudited)	
MPaaS	1,369,641	874,997	974,507	186,350	249,442
APaaS	24,901	194,013	281,359	64,074	83,238
DPaaS	35,914	16,085	4,698	2,321	398
Other cloud services	40,554	62,195	73,427	18,145	9,295
Total	<u>1,471,010</u>	<u>1,147,290</u>	<u>1,333,991</u>	<u>270,890</u>	<u>342,373</u>

Timing of revenue recognition

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March	
	RMB'000	RMB'000	RMB'000	2023	2024
				(unaudited)	
Revenue from services transferred to customers over time	983,260	961,089	1,090,230	258,422	277,274
Revenue from goods or services transferred to customers at a point in time	487,750	186,201	243,761	12,468	65,099
Total	<u>1,471,010</u>	<u>1,147,290</u>	<u>1,333,991</u>	<u>270,890</u>	<u>342,373</u>

(b) Performance obligations

The Group's PaaS solutions, including MPaaS, APaaS and DPaaS are provided to its customers either as cloud services offered on public cloud, which are principally charged based on usage, or solutions offered on private cloud which are charged on a project basis. Other cloud services are charged based on usage over the service period.

Information about the Group's performance obligations is summarised below:

PaaS solutions offered on public cloud

PaaS public cloud services provide customers with access to the Group's enterprise cloud computing platform, and revenue is recognised on a usage basis. The usage-based fees are recognised as revenue in the period in which the usage occurs. The Group uses monthly utilisation records to recognise revenue over time as it most faithfully depicts the simultaneous consumption and delivery of services. At the end of each month, the transaction consideration is determined based on utilisation records and hence no estimation of the transaction price beyond the reporting period is necessary. In addition, revenue from software licences is recognised at the point in time when software licences are accepted by the customers because the software licences are to provide rights to use and the functionality with which exists at the point in time that it is granted to the customers. No other performance obligations are provided to customers.

PaaS solutions offered on private cloud

The Group's PaaS solutions offered on private cloud typically comprise the sale of hardware, software licence and post-delivery maintenance services. Revenues from software licence and hardware sales are recognised at the point in time when they are delivered to customers, which is when the control over the Group's goods or services is transferred to customers. Revenue from maintenance services is recognised on a straight-line basis over the service period as the customer receives and consumes the benefits provided by the Group.

Other cloud services

Other cloud services primarily include a cloud virtual machine, which is a comprehensive suite of solutions including cloud servers, databases, network, security and storage. Revenue from other cloud services is recognised on an actual usage basis over the service period.

(c) Revenue recognised in relation to contract liabilities

The amounts of revenue recognised during the Relevant Periods that were included in the contract liabilities at the beginning of the reporting periods were RMB69,091,000, RMB91,503,000, RMB60,352,000 and RMB36,208,000 (unaudited) and RMB 44,959,000, respectively.

The following table includes the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the Relevant Periods and the amounts disclosed below do not include significant variable consideration which is constrained:

	Year ended 31 December			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Expected to be satisfied					
within 1 year	124,501	104,334	76,577	69,103	71,135
over 1 year	1,437	1,026	38,648	31,299	36,240
	<u>125,938</u>	<u>105,360</u>	<u>115,225</u>	<u>100,402</u>	<u>107,375</u>

An analysis of other income and gains is as follows:

	Year ended 31 December			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Other income					
Government grants	14,782	15,230	22,470	1,652	288
Bank interest income	2,745	3,607	7,622	1,782	82
Investment income from wealth management products measured at fair value through profit or loss	110	211	–	–	–
Subtotal	17,637	19,048	30,092	3,434	370
Gains					
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	259	–	–
Foreign exchange differences, net	–	–	–	441	–
Others	79	495	503	501	–
Subtotal	79	495	762	942	–
Total	17,716	19,543	30,854	4,376	370

6. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Notes	Year ended 31 December			Three months ended	
		2021	2022	2023	2023	2024
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales		1,179,834	918,649	1,053,746	221,372	271,833
Depreciation of property, plant and equipment*	13	67,113	70,932	52,862	15,452	10,668
Depreciation of right-of-use assets*	14(a)	22,443	22,246	18,034	4,995	3,410
Amortisation of other intangible assets*	15	1,231	301	–	–	–
Lease payments not included in the measurement of lease liabilities		96	115	611	440	58
Research and development costs		143,357	128,727	128,034	28,039	33,590
Auditor's remuneration		59	62	74	69	69
Listing expenses		–	–	18,592	5,462	7,518
Fair value (gains)/losses, net:						
Financial instruments at fair value through profit or loss		(37,238)	(30,912)	54,682	(4,215)	8,864
Convertible redeemable preferred shares	28	96,467	83,810	156,087	57,312	111,528
Foreign exchange differences, net		198	2,541	962	(441)	144
Bank interest income	5	(2,745)	(3,607)	(7,622)	(1,782)	(82)
Impairment losses on financial assets		4,763	8,233	11,757	1,893	4,396
Impairment losses on investments in associates		1,703	–	–	–	–
Losses on disposal of items of property, plant and equipment, net		273	1,095	21	2	–
Employee benefit expense (including directors' and chief executive's remuneration (note 8)) **: Wages, salaries and other allowances		274,946	272,983	221,310	56,658	52,366
Pension scheme contributions and social welfare		57,724	53,457	50,517	11,387	11,264
Share-based payments	31	17,539	10,283	33,830	4,814	4,735

* The depreciation of property, plant and equipment and right-of-use assets and amortisation of other intangible assets aggregated to RMB77,270,000, RMB81,498,000, RMB60,867,000 and RMB18,038,000 (unaudited) and RMB12,011,000 for the years ended 31 December 2021, 2022, 2023 and the three months ended 31 March 2023 and 2024, respectively, are included in the cost of sales and research and development costs provided disclosed above.

** Employee benefit expenses of RMB144,417,000, RMB131,650,000, RMB116,012,000 and RMB28,702,000 (unaudited) and RMB30,492,000 for the years ended 31 December 2021, 2022, 2023 and the three months ended 31 March 2023 and 2024, respectively, are included in the cost of sales and research and development costs provided disclosed above.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March	
	RMB'000	RMB'000	RMB'000	2023	2024
				(unaudited)	
Interest on interest-bearing bank and other borrowings	4,097	7,551	7,421	2,001	2,000
Interest on lease liabilities	1,949	1,195	741	217	153
Total	<u>6,046</u>	<u>8,746</u>	<u>8,162</u>	<u>2,218</u>	<u>2,153</u>

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration paid or payable to the directors and chief executive of the Company during the Relevant Periods is as follows:

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March	
	RMB'000	RMB'000	RMB'000	2023	2024
				(unaudited)	
Fees	–	–	–	–	–
Other emoluments:					
Salaries, allowances and benefits in kind	5,971	1,710	2,169	438	747
Performance related bonuses*	977	–	–	–	1,232
Share-based payments	4,993	350	15,487	4,041	1,709
Pension scheme contributions	437	238	286	69	73
Termination benefits	–	13,241	–	–	–
Total	<u>12,378</u>	<u>15,539</u>	<u>17,942</u>	<u>4,548</u>	<u>3,761</u>

The remuneration disclosed above included the remuneration received by certain directors prior to their appointments as the directors of the Company.

* Certain directors of the Company are entitled to bonus payments which are associated with the operating result of the Group.

During the Relevant Periods, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 31 to the Historical Financial Information. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Directors and the chief executive

	Fee <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonus <i>RMB'000</i>	Share-based payments <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Termination benefits <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2021							
Directors:							
Mr. Lyu Guihua	-	1,235	-	-	89	-	1,324
Mr. Chen Chao	-	1,454	297	3,324	106	-	5,181
Mr. Ji Qiang	-	1,436	288	1,669	121	-	3,514
Mr. Kuang Duane Ziping	-	-	-	-	-	-	-
Mr. Liu Wei	-	-	-	-	-	-	-
Mr. Xiong Fei	-	-	-	-	-	-	-
Mr. Qiu Xiaochuan	-	-	-	-	-	-	-
Mr. Zhu Yikai	-	-	-	-	-	-	-
Mr. Li Wu	-	-	-	-	-	-	-
Mr. Jia Qiuran	-	-	-	-	-	-	-
Mr. Li Jin	-	-	-	-	-	-	-
Mr. Jiang Yanxiang	-	-	-	-	-	-	-
	-	4,125	585	4,993	316	-	10,019
Chief executive:							
Mr. Xu Shiwei	-	1,846	392	-	121	-	2,359
Total	-	5,971	977	4,993	437	-	12,378

	Fee <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonus <i>RMB'000</i>	Share-based payments <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Termination benefits <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2022							
Directors:							
Mr. Chen Chao	-	473	-	303	63	8,171	9,010
Mr. Ji Qiang	-	230	-	47	42	5,070	5,389
Mr. Lyu Guihua	-	-	-	-	-	-	-
Mr. Jiang Yanxiang	-	-	-	-	-	-	-
	-	703	-	350	105	13,241	14,399
Chief executive:							
Mr. Xu Shiwei	-	1,007	-	-	133	-	1,140
Total	-	1,710	-	350	238	13,241	15,539

APPENDIX I

ACCOUNTANTS' REPORT

	Fee <i>RMB'000</i>	Salaries, allowances and benefits in kind <i>RMB'000</i>	Performance related bonus <i>RMB'000</i>	Share-based payments <i>RMB'000</i>	Pension scheme contributions <i>RMB'000</i>	Termination benefits <i>RMB'000</i>	Total remuneration <i>RMB'000</i>
Year ended 31 December 2023							
Directors:							
Mr. Chen Chao	-	-	-	-	-	-	-
Mr. Ji Qiang	-	-	-	-	-	-	-
Mr. Lyu Guihua	-	-	-	-	-	-	-
Mr. Jiang Yanxiang	-	-	-	-	-	-	-
Ms. Chen Yiling	-	750	-	15,487	143	-	16,380
	-	750	-	15,487	143	-	16,380
Chief executive:							
Mr. Xu Shiwei	-	1,419	-	-	143	-	1,562
Total	-	2,169	-	15,487	286	-	17,942

	Fee <i>RMB'000</i> (unaudited)	Salaries, allowances and benefits in kind <i>RMB'000</i> (unaudited)	Performance related bonus <i>RMB'000</i> (unaudited)	Share-based payments <i>RMB'000</i> (unaudited)	Pension scheme contributions <i>RMB'000</i> (unaudited)	Termination benefits <i>RMB'000</i> (unaudited)	Total remuneration <i>RMB'000</i> (unaudited)
Three months ended 31 March 2023							
Directors:							
Mr. Chen Chao	-	-	-	-	-	-	-
Mr. Ji Qiang	-	-	-	-	-	-	-
Mr. Lyu Guihua	-	-	-	-	-	-	-
Mr. Jiang Yanxiang	-	-	-	-	-	-	-
Ms. Chen Yiling	-	188	-	4,041	34	-	4,263
	-	188	-	4,041	34	-	4,263
Chief executive:							
Mr. Xu Shiwei	-	250	-	-	35	-	285
Total	-	438	-	4,041	69	-	4,548

	Fee	Salaries, allowances and benefits in kind	Performance related bonus	Share-based payments	Pension scheme contributions	Termination benefits	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended March 2024							
Directors:							
Mr. Lyu Guihua	-	-	-	-	-	-	-
Ms. Chen Yiling	-	188	203	1,709	37	-	2,137
	-	188	203	1,709	37	-	2,137
Chief executive:							
Mr. Xu Shiwei	-	559	1,029	-	36	-	1,624
Total	-	747	1,232	1,709	73	-	3,761

Mr. Jia Qiuran was appointed as a director on 27 May 2020 and resigned from the position of a director with effect from 30 April 2021.

Mr. Li Jin was appointed as a director on 15 July 2020 and resigned from the position with effect from 19 February 2021.

Mr. Kuang Duane Ziping, Mr. Liu Wei, Mr. Xiong Fei, Mr. Qiu Xiaochuan, Mr. Zhu Yikai and Mr. Li Wu resigned as directors with effect from 30 April 2021.

Ms. Chen Yiling was appointed as a director on 13 March 2023. Mr. Ji Qiang resigned as a director with effect from 13 March 2023.

Mr. Chen Chao resigned as a director with effect from 9 May 2023.

Mr. Jiang Yanxiang resigned as a director with effect from 11 May 2023.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the years ended 31 December 2021 and 2022, 2023 and the three months ended 31 March 2023 and 2024 included 2 directors, 2 directors, 1 director, 1 director and 2 directors, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration for the remaining 3, 3, 4, 4 and 3 highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods are as follows:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries, allowances and benefits in kind	3,632	3,353	3,393	1,225	1,008
Performance related bonus	522	464	1,106	289	422
Share-based payments	8,195	5,855	16,112	522	1,866
Pension scheme contributions	340	399	429	140	118
Termination benefits	2,793	–	–	–	–
Total	<u>15,482</u>	<u>10,071</u>	<u>21,040</u>	<u>2,176</u>	<u>3,414</u>

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	(unaudited)				
Nil to HK\$4,500,000	–	2	3	4	3
HK\$4,500,001 to HK\$9,000,000	3	1	–	–	–
HK\$9,000,001 to HK\$18,000,000	–	–	1	–	–
Total	<u>3</u>	<u>3</u>	<u>4</u>	<u>4</u>	<u>3</u>

During the relevant periods, share options were granted to a non-director and non-chief executive highest paid employee in respect of his services to the Group, further details of which are included in the disclosures in note 31 to the Historical Financial Information. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the countries/jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

The Company was redomiciled in the Cayman Islands in 2023 as an exempted company with limited liability, and is exempted from Cayman Islands income tax under the current tax laws of the Cayman Islands.

British Virgin Islands

Pursuant to the rules and regulations of the British Virgin Islands, the Group is not subject to any income tax.

Singapore

The income tax rate of Singapore was 17% during the Relevant Periods. In addition, three-quarters of up to the first SG\$10,000, and one half of up to the next SG\$190,000, of a company's chargeable income otherwise subject to normal taxation is exempt from corporate tax. The remaining chargeable income, after the tax exemption, will be fully taxable at the prevailing corporate tax rate.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Relevant Periods. 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.

Vietnam

Pursuant to the relevant laws and regulations in Vietnam, the subsidiary in Vietnam is subject to tax at the statutory rate of 20%.

Chinese Mainland

The subsidiaries incorporated in Chinese Mainland are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the PRC Enterprise Income Tax Law which became effective on 1 January 2008, except for Qiniu Information which was taxed at preferential tax rates.

Qiniu Information obtained its "High and New Technology Enterprises" qualification in 2019 and renewed the qualification in 2022, so it was entitled to the preferential tax rate of 15% during the Relevant Periods.

The major components of income tax expense of the Group are as follows:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax	-	-	-	-	-
Deferred income tax (<i>note 29</i>)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total tax charger for the year/period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

A reconciliation of the tax expense applicable to loss before tax at the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Three months ended	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss before tax	(219,706)	(212,752)	(324,108)	(98,329)	(148,022)
Tax calculated at statutory tax rates of each entities' jurisdictions	(26,286)	(35,094)	(42,626)	(10,121)	(8,536)
Tax effects of:					
Effect of preferential tax rates	(3,163)	3,187	7,223	1,550	846
Income not subject to tax	(228)	(388)	(1,164)	(251)	–
Expenses not deductible for tax	1,456	518	881	89	223
Share-based payments not deductible for tax	3,370	2,179	6,700	1,131	899
Additional deductible allowance for qualified research and development costs (a)	(8,173)	(10,563)	(11,730)	(2,843)	(2,330)
Tax losses not recognised	31,204	39,491	39,041	9,994	8,172
Temporary differences not recognised	1,820	670	1,675	451	726
Tax charge at the Group's effective rate	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

- (a) Additional deductible allowance for qualified research and development costs. According to the relevant laws and regulations promulgated by the State Taxation Administration of the PRC, enterprises engaging in research and development activities are entitled to claim 175% of their research and development costs so incurred as tax deductible expenses when determining their assessable profits for the years ended 31 December 2021, and the nine months ended 30 September 2022. According to the relevant laws and regulations, for the period from 1 October 2022, the aforementioned deduction rate increases to 200%.

The Group has accumulated tax losses in Chinese Mainland of RMB704,247,000, RMB795,639,000, RMB812,937,000 and RMB848,070,000 in aggregate as at 31 December 2021, 2022, 2023 and 31 March 2024, respectively, which can be carried forward from five to ten years to offset against future taxable profits of the entities in which the losses were incurred. The Group has deductible temporary differences of RMB22,150,000, RMB26,614,000, RMB33,996,000 and RMB38,835,000 in aggregate as at 31 December 2021, 2022, 2023 and 31 March 2024, respectively.

The Group has accumulated tax losses in Singapore of RMB325,000, RMB1,194,000, RMB4,769,000 and RMB8,164,000 in aggregate as at 31 December 2021, 2022, 2023 and 31 March 2024, respectively, which can be carried forward indefinitely to offset against future taxable profits of the entity in which the losses were incurred.

11. DIVIDENDS

No dividends have been declared and paid by the Company during the Relevant Periods.

12. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Basic

The basic loss per share is calculated by dividing the loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares issued during the years ended 31 December 2021, 2022 and 2023 and the three months ended 31, 2023 and 2024.

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Loss attributable to owners of the company	<u>(219,706)</u>	<u>(212,752)</u>	<u>(324,108)</u>	<u>(98,329)</u>	<u>(148,022)</u>
Weighted average number of ordinary shares in issue	<u>48,657,140</u>	<u>48,657,140</u>	<u>48,657,140</u>	<u>48,657,140</u>	<u>48,657,140</u>
Basic loss per share (expressed in RMB per share)	<u>(4.52)</u>	<u>(4.37)</u>	<u>(6.66)</u>	<u>(2.02)</u>	<u>(3.04)</u>

Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible redeemable preferred shares and share options.

As the Group incurred losses for the years ended 31 December 2021, 2022, 2023 and the three months ended 31 March 2023 and 2024, the dilutive potential ordinary shares were not included in the calculation of diluted loss per share as their inclusion would be anti-dilution.

13. PROPERTY, PLANT AND EQUIPMENT

	Servers and computer equipment <i>RMB'000</i>	Office equipment and furniture <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2021				
At 1 January 2021:				
Cost	328,650	5,860	14,479	348,989
Accumulated depreciation	(220,379)	(4,211)	(7,627)	(232,217)
Net carrying amount	<u>108,271</u>	<u>1,649</u>	<u>6,852</u>	<u>116,772</u>
At 1 January 2021, net of accumulated depreciation				
Cost	108,271	1,649	6,852	116,772
Additions	179,527	677	1,811	182,015
Disposals	(553)	–	–	(553)
Depreciation provided during the year	(63,197)	(769)	(3,147)	(67,113)
At 31 December 2021, net of accumulated depreciation	<u>224,048</u>	<u>1,557</u>	<u>5,516</u>	<u>231,121</u>
At 31 December 2021 and 1 January 2022:				
Cost	498,062	6,538	16,290	520,890
Accumulated depreciation	(274,014)	(4,981)	(10,774)	(289,769)
Net carrying amount	<u>224,048</u>	<u>1,557</u>	<u>5,516</u>	<u>231,121</u>

	Servers and computer equipment <i>RMB'000</i>	Office equipment and furniture <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2022				
At 1 January 2022:				
Cost	498,062	6,538	16,290	520,890
Accumulated depreciation	(274,014)	(4,981)	(10,774)	(289,769)
Net carrying amount	<u>224,048</u>	<u>1,557</u>	<u>5,516</u>	<u>231,121</u>
At 1 January 2022, net of accumulated depreciation				
224,048	1,557	5,516	231,121	
Additions	15,019	275	838	16,132
Disposals	(4,499)	(11)	–	(4,510)
Depreciation provided during the year	(67,293)	(547)	(3,092)	(70,932)
At 31 December 2022, net of accumulated depreciation	<u>167,275</u>	<u>1,274</u>	<u>3,262</u>	<u>171,811</u>
At 31 December 2022 and 1 January 2023:				
Cost	507,531	6,799	17,128	531,458
Accumulated depreciation	(340,256)	(5,525)	(13,866)	(359,647)
Net carrying amount	<u>167,275</u>	<u>1,274</u>	<u>3,262</u>	<u>171,811</u>

	Servers and computer equipment <i>RMB'000</i>	Office equipment and furniture <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2023				
At 1 January 2023:				
Cost	507,531	6,799	17,128	531,458
Accumulated depreciation	(340,256)	(5,525)	(13,866)	(359,647)
Net carrying amount	<u>167,275</u>	<u>1,274</u>	<u>3,262</u>	<u>171,811</u>
At 1 January 2023, net of accumulated depreciation				
Cost	167,275	1,274	3,262	171,811
Additions	9,144	–	2,467	11,611
Disposals	(53)	–	–	(53)
Transfer to inventories	(3,556)	–	–	(3,556)
Depreciation provided during the year	(48,793)	(416)	(3,653)	(52,862)
At 31 December 2023, net of accumulated depreciation	<u>124,017</u>	<u>858</u>	<u>2,076</u>	<u>126,951</u>
At 31 December 2023:				
Cost	511,128	6,799	19,595	537,522
Accumulated depreciation	(387,111)	(5,941)	(17,519)	(410,571)
Net carrying amount	<u>124,017</u>	<u>858</u>	<u>2,076</u>	<u>126,951</u>

	Servers and computer equipment <i>RMB'000</i>	Office equipment and furniture <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Total <i>RMB'000</i>
31 March 2024				
At 1 January 2024:				
Cost	511,128	6,799	19,595	537,522
Accumulated depreciation	(387,111)	(5,941)	(17,519)	(410,571)
Net carrying amount	<u>124,017</u>	<u>858</u>	<u>2,076</u>	<u>126,951</u>
At 1 January 2024, net of accumulated depreciation				
depreciation	124,017	858	2,076	126,951
Additions	93	–	–	93
Transfer to inventories	(131)	–	–	(131)
Transfer from right-of-use assets	1,828	314	–	2,142
Depreciation provided during the period	(10,108)	(39)	(521)	(10,668)
At 31 March 2024, net of accumulated depreciation	<u>115,699</u>	<u>1,133</u>	<u>1,555</u>	<u>118,387</u>
At 31 March 2024:				
Cost	547,491	13,076	19,595	580,162
Accumulated depreciation	(431,792)	(11,943)	(18,040)	(461,775)
Net carrying amount	<u>115,699</u>	<u>1,133</u>	<u>1,555</u>	<u>118,387</u>

As at 31 December 2021, 2022, 2023 and 31 March 2024, certain of the Group's property, plant and equipment with net carrying amounts of approximately RMB50,109,000, RMB39,363,000, RMB28,617,000 and nil were pledged to secure bank and other borrowings of the Group (note 26).

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of buildings, servers and computer equipment used in its operations. Leases of buildings generally have lease terms between 23 months and 65 months, while servers and computer equipment and office equipment and furniture generally have lease terms of 5 years. Other rental agreements generally have lease terms of 12 months or less.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Servers and computer equipment <i>RMB'000</i>	Office equipment and furniture <i>RMB'000</i>	Buildings <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	19,773	2,858	36,425	59,056
Additions	–	143	6,393	6,536
Depreciation charge	(6,947)	(1,194)	(14,302)	(22,443)
At 31 December 2021	<u>12,826</u>	<u>1,807</u>	<u>28,516</u>	<u>43,149</u>
At 1 January 2022	12,826	1,807	28,516	43,149
Additions	–	–	5,210	5,210
Depreciation charge	(6,947)	(1,073)	(14,226)	(22,246)
At 31 December 2022	<u>5,879</u>	<u>734</u>	<u>19,500</u>	<u>26,113</u>
At 1 January 2023	5,879	734	19,500	26,113
Additions	315	–	4,368	4,683
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	(93)	(93)
Depreciation charge	(4,100)	(336)	(13,598)	(18,034)
At 31 December 2023	<u>2,094</u>	<u>398</u>	<u>10,177</u>	<u>12,669</u>
At 1 January 2024	2,094	398	10,177	12,669
Reassessment of a lease term arising from a decision to exercise the extension option	–	–	26,868	26,868
Transfer to property, plant and equipment	(1,828)	(314)	–	(2,142)
Depreciation charge	(15)	(7)	(3,388)	(3,410)
At 31 March 2024	<u>251</u>	<u>77</u>	<u>33,657</u>	<u>33,985</u>

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Carrying amount at beginning of year/period	40,269	28,854	18,940	10,045
New leases	6,536	5,210	4,683	–
Reassessment of a lease term arising from a decision to exercise the extension option	–	–	–	26,868
Accretion of interest recognised during the year/period	1,949	1,195	741	153
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	(352)	–
Payments	(19,900)	(16,319)	(13,967)	(3,463)
Carrying amount at end of year/period	<u>28,854</u>	<u>18,940</u>	<u>10,045</u>	<u>33,603</u>
Analysed into:				
Current portion	14,870	11,929	7,537	11,754
Non-current portion	<u>13,984</u>	<u>7,011</u>	<u>2,508</u>	<u>21,849</u>

The maturity analysis of lease liabilities is disclosed in note 38 to the Historical Financial Information.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	As at 31 December			Three months ended	
	2021	2022	2023	31 March	
	RMB'000	RMB'000	RMB'000	2023	2024
				(unaudited)	
Interest on lease liabilities	1,949	1,195	741	217	153
Depreciation charge of right-of-use assets	22,443	22,246	18,034	4,995	3,410
Expense relating to short-term leases (included in cost of sales, selling and marketing expenses, administrative expenses, and research and development costs)	72	65	595	430	58
Expense relating to leases of low-value assets (included in cost of sales, selling and marketing expenses, administrative expenses, and research and development costs)	<u>24</u>	<u>50</u>	<u>16</u>	<u>10</u>	<u>–</u>
Total amount recognised in profit or loss	<u>24,488</u>	<u>23,556</u>	<u>19,386</u>	<u>5,652</u>	<u>3,621</u>

(d) The total cash outflow for leases is disclosed in note 33(c) to the Historical Financial Information.

15. OTHER INTANGIBLE ASSETS

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Software				
At 1 January:				
Cost	6,672	6,672	6,672	6,672
Accumulated amortisation	(5,140)	(6,371)	(6,672)	(6,672)
Net carrying amount	1,532	301	–	–
Cost at 1 January, net of accumulated amortisation	1,532	301	–	–
Amortisation provided during the year/period	(1,231)	(301)	–	–
At 31 December:	301	–	–	–
At 31 December:				
Cost	6,672	6,672	6,672	6,672
Accumulated amortisation	(6,371)	(6,672)	(6,672)	(6,672)
Net carrying amount	301	–	–	–

16. INTERESTS IN SUBSIDIARIES

The Company

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Investments in subsidiaries*	108,214	108,214	108,214	108,214
Deemed investment arising from share-based payments**	128,661	136,685	170,515	175,250
Amounts due from subsidiaries***	1,255,352	1,387,578	1,411,074	1,413,522
Total	1,492,227	1,632,477	1,689,803	1,696,986

* Details of the subsidiaries of the Company are disclosed in note 1.

** The amount represents share-based compensation expenses arising from the grant of share options of the Company to employees of its subsidiaries in consideration for their services provided to these subsidiaries, which were deemed to be investments made by the Company into these subsidiaries. Please refer to note 31 for details of share-based payments.

*** The amount represents loans to subsidiaries and the Company has no plan to recover these amounts in the foreseeable future.

17. INVESTMENTS IN ASSOCIATES

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Share of net assets	47	47	–	–
Goodwill on acquisition	1,656	1,656	–	–
Impairment	(1,703)	(1,703)	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The Group's trade receivable and payable balances with associates are disclosed in note 35 to the Historical Financial Information.

The associates of the Group are considered not individually material for the years ended 31 December 2021, 2022, 2023 and the three months ended 31 March 2024.

Name	Place of incorporation/ registration and business	Nominal value of issued/ registered share capital				Percentage of ownership interest attributable to the Group				Principal activities
		As at 31 December		As at 31 March		As at 31 December		As at 31 March		
		2021	2022	2023	2024	2021	2022	2023	2024	
		RMB'000	RMB'000	RMB'000	RMB'000	%	%	%	%	
Hangzhou Yima Technology Co., Ltd.*	PRC/Mainland China	1,250	1,250	N/A	N/A	30	30	N/A	N/A	Provision of video data management solution
Hangzhou Oudun Qiniu Technology Co., Ltd.**	PRC/Mainland China	1,000	1,000	N/A	N/A	30	30	N/A	N/A	Network technology, hardware and software

* In April 2023, Hangzhou Yima Technology Co., Ltd. was dissolved by deregistration.

** In March 2023, Hangzhou Oudun Qiniu Technology Co., Ltd. was dissolved by deregistration.

The following table illustrates the aggregate financial information of the Group's associates' that are not individually material:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Share of the associates' profits and total comprehensive income for the year/period	–	–	–	–
Impairment losses recognised	(1,703)	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Aggregate carrying amount of the Group's investments in the associates	–	–	–	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Investments in unlisted entities	121,706	152,868	98,186	89,322
Investments in wealth management products	–	–	50	50
Total	<u>121,706</u>	<u>152,868</u>	<u>98,236</u>	<u>89,372</u>
Analysed into:				
Current portion	–	–	50	50
Non-current portion	<u>121,706</u>	<u>152,868</u>	<u>98,186</u>	<u>89,322</u>

Certain investments in associates which were managed through venture capital investment organisation were measured at financial assets at fair value through profit or loss according to IFRS 9 and amounted to RMB120,274,000, RMB146,441,000, RMB94,678,000 and RMB86,394,000 respectively.

19. INVENTORIES

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Hard discs and fittings	24,398	23,795	5,628	4,324
Servers for sale	19,565	15,293	20,163	3,199
Total	<u>43,963</u>	<u>39,088</u>	<u>25,791</u>	<u>7,523</u>

20. TRADE AND NOTES RECEIVABLES

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Trade receivables	273,258	211,164	305,719	333,431
Notes receivables	–	–	3,400	–
Subtotal	<u>273,258</u>	<u>211,164</u>	<u>309,119</u>	<u>333,431</u>
Impairment	<u>(12,673)</u>	<u>(19,921)</u>	<u>(24,063)</u>	<u>(28,182)</u>
Total	<u>260,585</u>	<u>191,243</u>	<u>285,056</u>	<u>305,249</u>

The Group provides credit terms to certain customers with satisfied creditworthiness and long-term relationship. The credit period is generally around 30 to 90 days. Each customer has a maximum credit limit. 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 28%, 21%, 18%, 15% and 54%, 49%, 43%, 37% of the Group's trade receivables were due from the Group's largest debtor and five largest debtors, respectively. Except for the aforementioned concentrations of credit risk, the Group's trade receivables relate to a large number of diversified customers. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. As with other customers, the Group normally demands payment in advance.

The Group's notes receivable was bank acceptance bills aged within three months. Notes receivable is subject to impairment under the simplified approach, and its impact is considered to be minimal.

As at 31 December 2021, 2022, 2023 and 31 March 2024, the Group did not hold any collateral or other credit enhancements over its trade and notes receivable balances.

An ageing analysis of the trade and notes receivables as at the end of each of the Relevant Periods, based on the invoice date and net of loss allowance, is as follows:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Within 90 days	187,746	153,835	214,309	232,148
90 days to 6 months	66,626	24,879	54,727	48,817
6 to 12 months	5,313	9,858	14,497	23,227
1 to 2 years	900	2,671	1,523	1,057
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>260,585</u>	<u>191,243</u>	<u>285,056</u>	<u>305,249</u>

The movements in the loss allowance for impairment of trade and notes receivables are as follows:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
At beginning of year/period	8,340	12,673	19,921	24,063
Impairment losses, net	4,333	7,248	9,694	4,119
Amount written off as uncollectible	<u> </u>	<u> </u>	<u>(5,552)</u>	<u> </u>
At end of year/period	<u>12,673</u>	<u>19,921</u>	<u>24,063</u>	<u>28,182</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days of the ageing of receivables for groups of various customer segments that have similar loss patterns. The calculation reflects the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy. The Group applies the simplified approach in calculating 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 and notes receivables using a provision matrix:

As at 31 December 2021

	Within 90 days	90 days to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate	0.91%	2.53%	26.09%	84.92%	100.00%	4.64%
Gross carrying amount (RMB'000)	189,467	68,356	7,188	5,970	2,277	273,258
Expected credit losses (RMB'000)	1,721	1,730	1,875	5,070	2,277	12,673

As at 31 December 2022

	Within 90 days	90 days to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.18%	3.14%	26.83%	73.17%	100.00%	9.43%
Gross carrying amount (RMB'000)	155,666	25,685	13,473	9,954	6,386	211,164
Expected credit losses (RMB'000)	1,831	806	3,615	7,283	6,386	19,921

As at 31 December 2023

	Within 90 days	90 days to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.52%	5.19%	27.49%	82.72%	100.00%	7.78%
Gross carrying amount (RMB'000)	217,624	57,722	19,992	8,812	4,969	309,119
Expected credit losses (RMB'000)	3,315	2,995	5,495	7,289	4,969	24,063

As at 31 March 2024

	Within 90 days	90 days to 6 months	6 to 12 months	1 to 2 years	Over 2 years	Total
Expected credit loss rate	1.68%	5.76%	24.22%	87.74%	100.00%	8.45%
Gross carrying amount (RMB'000)	236,105	51,800	30,651	8,623	6,252	333,431
Expected credit losses (RMB'000)	3,957	2,983	7,424	7,566	6,252	28,182

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Prepayments	13,908	5,826	11,105	8,831
Recoverable value-added tax	–	2,390	497	494
Purchase rebates receivable	9,682	1,531	2,248	1,558
Deferred assets	232	1,523	1,530	2,090
Listing fee	–	–	5,025	2,404
Deposits and other receivables	7,128	8,364	8,043	5,501
	<u>30,950</u>	<u>19,634</u>	<u>28,448</u>	<u>20,878</u>

The Company

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Listing fee	–	–	5,025	2,404
Deferred assets	197	181	168	238
	<u>197</u>	<u>181</u>	<u>5,193</u>	<u>2,642</u>

Prepayments mainly represent advanced payments to suppliers.

Purchase rebates receivable mainly represent receivables arising from volume rebates given by suppliers and settled by cash.

Deposits and other receivables mainly represent rental deposits and deposits with suppliers.

As there was no 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). As at 31 December 2021, 2022, 2023 and 31 March 2024, the credit rating of other receivables was performing. The Group assessed that the expected credit losses for these receivables were not material under the 12-month expected loss method. In view of the history of cooperation with debtors and the sound collection history of receivables, management believes that the credit risk inherent in the outstanding other receivable balances of the Group is not significant.

22. CASH AND CASH EQUIVALENTS, RESTRICTED CASH AND TIME DEPOSITS

The Group

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Cash and bank balances	337,348	290,361	274,200	273,441
Less: Non-pledged time deposits with original maturity of more than three months when acquired*	(51,187)	(101,941)	(107,822)	(36,879)
Restricted cash**	(638)	(1,016)	–	–
Cash and cash equivalents	<u>285,523</u>	<u>187,404</u>	<u>166,378</u>	<u>236,562</u>
Denominated in:				
RMB	170,319	94,395	117,521	121,593
US\$	114,742	92,510	47,371	113,609
HK\$	462	499	229	112
SG\$	–	–	1,255	1,244
VND\$	–	–	2	4

* Short-term bank deposits were deposits with original maturities over three months and less than one year.

** As at 31 December 2021, 2022, 2023 and 31 March 2024, the restricted cash of RMB638,000, RMB1,016,000, nil and nil represented guarantee deposits.

The Company

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Cash and cash equivalents	<u>5,084</u>	<u>921</u>	<u>1,847</u>	<u>472</u>
Denominated in:				
US\$	<u>5,084</u>	<u>921</u>	<u>1,847</u>	<u>472</u>

The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB and 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. Time deposits are made for varying periods of between one day and twelve months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no history of default.

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Within 6 months	148,507	142,317	226,506	223,718
6 to 12 months	–	1,419	3,277	5,289
Over 1 year	179	322	1,173	1,371
	<u>148,686</u>	<u>144,058</u>	<u>230,956</u>	<u>230,378</u>

The trade payables are non-interest-bearing and are normally settled on terms of 30 to 90 days.

24. OTHER PAYABLES AND ACCRUALS**The Group**

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Payroll payables	66,753	55,975	50,098	57,641
Other tax payables	6,470	2,594	3,342	3,723
Accrued listing expenses	–	–	4,112	5,817
Accrued expenses	11,532	9,263	11,285	9,336
Repurchase of vested share options	–	2,259	–	–
Deposits	221	747	326	326
Other payables	741	1,198	1,074	1,124
	<u>85,717</u>	<u>72,036</u>	<u>70,237</u>	<u>77,967</u>

The Company

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Accrued listing expenses	–	–	4,112	5,817
Other payables	4,739	4,143	2,747	1,826
	<u>4,739</u>	<u>4,143</u>	<u>6,859</u>	<u>7,643</u>

Other payables and accruals are non-interest-bearing and repayable on demand.

25. CONTRACT LIABILITIES

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Contract liabilities	125,938	105,360	115,225	107,375

Contract liabilities include advances received from customers for delivery of audiovisual PaaS services and solutions. The decrease during the year ended 31 December 2022 was mainly due to the decrease in advances received from customers and more services and products obligations were satisfied at end of 2022. The increase in contract liabilities during the year ended 31 December 2023 was mainly due to the increase in advances received from customers in relation to the provision of services and products at the end of 2023. The decrease during the period ended 31 March 2024 was mainly due to the decrease in advances received from customers and more services and products obligations were satisfied at end of March 2024.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

	31 December 2021			31 December 2022			31 December 2023			31 March 2024		
	Effective interest		RMB'000	Effective interest		RMB'000	Effective interest		RMB'000	Effective interest		RMB'000
	rate (%)	Maturity		rate (%)	Maturity		rate (%)	Maturity		rate (%)	Maturity	
Current												
Bank loans – secured	3.70-4.00	2022	50,000	3.30-3.70	2023	130,000	3.00-3.65	2024	198,600	3.00-3.50	2025	213,793
Bank loans – unsecured	4.35-5.50	2022	50,000	3.70-5.50	2023	29,800	-	-	-	-	-	-
Current portion of long-term												
other loan – secured	9.49	2022	15,111	9.49	2023	15,714	9.49	2024	3,290	-	-	-
Non-current												
Other loan – secured	9.49	2023-2024	19,004	9.49	2024	3,290	-	-	-	-	-	-
Total			134,115			178,804			201,890			213,793

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Analysed into:				
Bank loans repayable				
Within one year		100,000	159,800	198,600
Other borrowings repayable				213,793
Within one year		15,111	15,714	3,290
In the second year		15,714	3,290	-
In the third to fifth years, inclusive		3,290	-	-
Total		134,115	178,804	201,890

Notes:

- (a) Certain of the Group's bank and other borrowings are secured by the pledges of the Group's property, plant and equipment with carrying values at the end of the Relevant Periods of approximately RMB50,109,000, RMB39,363,000, RMB28,617,000 and nil.

- (b) As at 31 December 2021, a bank loan with an amount of RMB10,000,000 was guaranteed by the Shanghai Administration Center of Policy Financing Guarantee Funds for SMEs (“上海市中小微企業政策性融資擔保基金管理中心”) from 29 September 2021 to 28 September 2022. This bank loan was fully repaid in September 2022.
- (c) The Group’s other loans are finance leases provided by ZHONGGUANCUN SCIENCE-TECH LEASING CO., LTD. (“中關村科技租賃股份有限公司”), which has been fully repaid in March 2024.

27. DEFERRED REVENUE

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Government grants:				
Non-current	228	–	337	315
Current	1,663	228	90	90
	<u>1,891</u>	<u>228</u>	<u>427</u>	<u>405</u>
Total	<u>1,891</u>	<u>228</u>	<u>427</u>	<u>405</u>

The movements in deferred revenue during the Relevant Periods are as follows:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
At beginning of year/period	3,660	1,891	228	427
Received during the year/period	250	–	427	–
Credited to profit or loss during the year/period	(2,019)	(1,663)	(228)	(22)
	<u>1,891</u>	<u>228</u>	<u>427</u>	<u>405</u>
At end of year/period	<u>1,891</u>	<u>228</u>	<u>427</u>	<u>405</u>

Government grants received for compensation for the Group’s research and development costs which have not yet been undertaken are included in deferred income and recognised as income on a systematic basis over the periods that the cost, for which it is intended to compensate, is expensed. Government grants received related to assets invested in servers and computer equipment were credited to deferred income and are recognised as income over the expected useful lives of the relevant assets.

28. CONVERTIBLE REDEEMABLE PREFERRED SHARES

The Group and the Company

On 24 February 2012, the Company issued 12,500,000 Series A Convertible Redeemable Preferred Shares (“**Series A Preferred Shares**”) at US\$0.08 per share with a total consideration of US\$1,000,000 (equivalent to RMB6,292,000).

On 4 February 2013, the Company issued 18,750,000 Series B Convertible Redeemable Preferred Shares (“**Series B Preferred Shares**”) at US\$0.27 per share with a total consideration of US\$5,063,000 (equivalent to RMB31,825,000).

On 11 July 2014, the Company issued 4,035,714 Series C-1 Convertible Redeemable Preferred Shares (“**Series C-1 Preferred Shares**”) and 20,178,639 Series C-2 Convertible Redeemable Preferred Shares (“**Series C-2 Preferred Shares**”) at US\$0.74 and US\$0.83 per share, respectively, with a total consideration of US\$3,000,000 (equivalent to RMB18,396,000) and US\$16,667,000 (equivalent to RMB102,449,000), respectively.

On 20 November 2014, four third party investors purchased 4,842,860 ordinary shares from the founders with a total consideration of US\$3,600,000 (equivalent to RMB22,112,000) and these shares were then redesignated to Series C-1 Preferred Shares.

Series C-1 Preferred Shares and Series C-2 Preferred shares are collectively referred to as Series C Preferred Shares.

On 13 October 2015 and 8 January 2016, the Company issued in aggregate 28,651,471 Series D Convertible Redeemable Preferred Shares (“**Series D Preferred Shares**”) at US\$1.92 per share with a total consideration of US\$55,036,000 (equivalent to RMB351,487,000).

On 12 July 2017, two third party investors purchased 26,361,946 preferred shares including 7,272,268 Series A Preferred Shares, 9,544,839 Series B Preferred Shares, 1,409,158 Series C-1 Preferred Shares and 8,135,681 Series C-2 Preferred Shares from Series A, B, C Preferred Shares Holders with a total consideration of US\$46,483,000 (equivalent to RMB314,048,000) and these shares were then redesignated to Series E-1 Convertible Redeemable Preferred Shares (“**Series E-1 Preferred Shares**”).

On 28 December 2017, the Company issued 944,863 Series E-1 Preferred Shares at US\$1.76 per share with a total consideration of US\$1,666,000 (equivalent to RMB10,842,000).

On 12 July 2017 and 28 December 2017, the Company issued in aggregate 37,672,523 Series E-2 Convertible Redeemable Preferred Shares (“**Series E-2 Preferred Shares**”) at US\$2.20 per share with a total consideration of US\$83,033,000 (equivalent to RMB558,992,000).

Series E-1 Preferred Shares and Series E-2 Preferred Shares are collectively referred to as Series E Preferred Shares.

On 26 October 2018, 25 July 2019 and 9 August, 2019, the Company issued in aggregate 12,916,920 Series F Convertible Redeemable Preferred Shares (“**Series F Preferred Shares**”) at US\$3.34 per share with a total consideration of US\$43,203,000 (equivalent to RMB300,364,000), among which US\$28,000,000 (equivalent to RMB194,961,000), US\$14,603,000 (equivalent to RMB101,186,000) and US\$600,000 (equivalent to RMB4,217,000) were received in 2018, 2019 and 2020, respectively.

On 27 May 2020, the Company issued 14,949,256 Series F-1 Convertible Redeemable Preferred Shares (“**Series F-1 Preferred Shares**”) at US\$3.34 per share with a total consideration of US\$50,000,000 (equivalent to RMB354,410,000) to EverestLu Holding Limited (“**EverestLu**”). The terms of Series F-1 Preferred Shares are identical to those of Series F Preferred Shares. Series F-1 Preferred Shares and Series F Preferred Shares are collectively referred to as Series F Preferred Shares in the table below.

The above-mentioned Series A to F Convertible Redeemable Preferred Shares are collectively referred as “**Preferred Shares**”.

The key terms of all series of the Preferred Shares are summarised as follows:

Redemption rights and prices

The investors of Preferred Shares have a right to require the Company to redeem their investments, at any time upon the earlier occurrence of: (i) Holders of Series A Preferred Shares decide to exercise their redemption right (Holders of Series A Preferred Shares have the right to require the Company to redeem all of the then issued and outstanding shares at any time commencing on 30 June 2016), or (ii) certain contractual arrangements have been terminated without the approval of the Board (including affirmative votes of all the directors of Preferred Shares).

The redemption price is 200% of the original investment amount for Series A investors, 150% of the original investment amount for Series B to E investors and 140% of the original investment amount for Series F investors. In the event that any other class share issued in any future financing of the Company is granted a redemption price calculated in a manner which is more favourable, the price is subject to change, recalculated in a manner no less favourable than that of such other class share.

The redemption preference from high priority to low priority is as follows in sequence: Series F-1 Preferred Shares, Series F Preferred Shares, Series E-2 Preferred Shares, Series D Preferred Shares, Series E-1 Preferred Shares, Series C Preferred Shares, Series B Preferred Shares, and Series A Preferred Shares.

On 26 June 2023, the Group entered into an agreement with the holders of Preferred Shares of Series A to Series F to terminate the redemption rights attached to the convertible redeemable preferred shares. Notwithstanding the above, the Company agreed that if (i) the initial public offering on Stock Exchange of Hong Kong Limited (the “HKIPO”) is not completed on or before 1 January 2025; (ii) the A1 Filing of the HKIPO is formally withdrawn by the Company; (iii) the A1 Filing of the HKIPO is rejected by the Stock Exchange of Hong Kong Limited; or (iv) the A1 Filing of the HKIPO has lapsed and has not been re-filed within four months thereafter (each, a “Triggering Event”), the redemption rights terminated pursuant to the agreement shall be automatically restored and reinstated, and their respective obligations and liabilities under the Shareholders’ Agreement shall be in full force and effect upon the occurrence of the Triggering Event.

Upon the occurrence of any of the Triggering Event, the holders of Preferred Shares have a right to request the Company to redeem their investments. Following receipt of the request for redemption from such holders of Preferred Shares, the Company shall within fifteen business days give written notice (the “Redemption Notice”) to each holder. The closing (the “Redemption Closing”) of the redemption of any Preferred Shares will take place no later than six months from the date of the Redemption Notice at the offices of the Company, or such other date or other place as such holders of the then issued and outstanding Preferred Shares and the Company may mutually agree in writing.

Conversion rights

Each Preferred Share may, at the option of the holders, be converted at any time after the original issue date into fully-paid and non-assessable ordinary shares at an initial conversion ratio of 1:1 subject to (i) adjustment for Share Splits and Combinations; (ii) adjustment for Ordinary Share Dividends and Distributions; (iii) adjustments of other dividends; (iv) adjustments for reorganisations, mergers, consolidations, reclassifications, exchanges, substitutions; (v) sales of shares below the conversion price; and (vi) other dilutive events. Each Preferred Share shall automatically be converted into ordinary shares, at the applicable then-effective conversion price upon the earlier of (a) the closing of a qualified IPO, or (b) the date specified by written consent or agreement of the holders of a majority of each round of preferred shares with respect to each round of Preferred Shares.

Dividend rights

Non-cumulative dividends per Preferred Share of 8% per annum when and if declared by the board of the Company, prior and in preference to holders of all other current or future class or series of shares of the Company, including the ordinary shares. After the preferential dividends have been paid in full or declared and set apart in any fiscal year of the Company, any additional dividends out of funds legally available therefor may be declared in that fiscal year for the ordinary shares and, if such additional dividends are declared, then such additional dividends shall be declared pro rata on the ordinary shares and all Preferred Shares on an as-converted basis.

Liquidation preferences

In the event of any liquidation, holders of the Preferred Shares shall be entitled to receive, prior and in preference to any distribution or payment shall be made to the holders of any ordinary shares, the liquidation preference amount per share is equal to one hundred percent (100%) of the original issue price on each Preferred Share (adjusted for any share splits, share dividends, combinations, recapitalisations and similar transactions), as the case may be, plus all dividends accrued and unpaid with respect thereto (as adjusted for any share splits, share dividends, combinations, recapitalisations and similar transactions) per Series A to F Preferred Share then held by such holder.

Accounting for convertible redeemable preferred shares

The Company does not bifurcate any embedded derivatives from the host instruments and has designated the entire instruments as financial liabilities at fair value through profit or loss. Any directly attributable transaction costs are recognised as finance costs in the statement of profit or loss. Subsequent to initial recognition, the fair value change of the Preferred Shares is recognised in the statement of profit or loss except for the portion attributable to credit risk change which shall be recognised in other comprehensive income, if any. The directors of the Company considered that there was no material credit risk change during the Relevant Periods.

As at 31 December 2021 and 2022, the convertible redeemable preferred shares were classified as current liabilities, because the holders of the Preferred Shares can demand the Company to redeem their preferred shares or convert the convertible redeemable preferred shares to ordinary shares within 12 months. As at 31 December 2023 and 31 March 2024, the convertible redeemable preferred shares were classified as current liabilities because the holders of the Preferred Shares can convert the convertible redeemable preferred shares to ordinary shares within 12 months, even though the Company can defer the settlement of the liability arising from the redemption of convertible redeemable preferred shares, if certain redemption rights have been exercised, for at least twelve months from 31 December 2023 and 31 March 2024.

The movements of the convertible redeemable preferred shares are set out below:

	Series A Preferred Shares RMB'000	Series B Preferred Shares RMB'000	Series C-1 Preferred Shares RMB'000	Series C-2 Preferred Shares RMB'000	Series D Preferred Shares RMB'000	Series E-1 Preferred Shares RMB'000	Series E-2 Preferred Shares RMB'000	Series F Preferred Shares RMB'000	Total RMB'000
At 1 January 2021	60,760	108,317	92,819	151,098	454,980	397,675	691,309	680,309	2,637,267
Currency translation differences	(1,380)	(2,465)	(2,135)	(3,482)	(10,822)	(9,416)	(16,215)	(15,505)	(61,420)
Changes in fair value	(842)	(982)	1,085	2,333	36,209	27,908	35,253	(4,497)	96,467
At 31 December 2021 and at 1 January 2022	58,538	104,870	91,769	149,949	480,367	416,167	710,347	660,307	2,672,314
Currency translation differences	5,749	10,291	8,984	14,681	45,469	40,538	65,274	59,545	250,531
Changes in fair value	7,740	13,694	11,506	18,809	24,894	47,528	(7,683)	(32,678)	83,810
At 31 December 2022 and at 1 January 2023	72,027	128,855	112,259	183,439	550,730	504,233	767,938	687,174	3,006,655
Currency translation differences	1,315	2,346	2,015	3,283	9,547	8,692	13,361	11,738	52,297
Changes in fair value	11,190	19,151	13,267	20,560	24,769	16,819	40,355	9,976	156,087
At 31 December 2023 and at 1 January 2024	84,532	150,352	127,541	207,282	585,046	529,744	821,654	708,888	3,215,039
Currency translation differences	152	271	229	372	1,037	945	1,443	1,231	5,680
Changes in fair value	6,458	11,300	8,895	14,267	23,792	28,375	18,322	119	111,528
At 31 March 2024	91,142	161,923	136,665	221,921	609,875	559,064	841,419	710,238	3,332,247

The Group applied the discount cash flow method and option pricing method to determine the fair value of the convertible redeemable preferred shares. Key assumptions are set out below:

	As at 31 December			As at
	2021	2022	2023	31 March 2024
Discount rate	14.00%	14.00%	14.00%	14.00%
Risk-free interest rate	0.51%	4.68%	4.70%	5.24%
Discount for lack of marketability ("DLOM")	15.00%	9.00%	7.00%	7.00%
Volatility	41.53%	29.52%	51.64%	51.25%

The discount rate was determined based on a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systemic risk factors. The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as at the valuation date. The DLOM was quantified by the Finnerty options model. Under this option pricing method, which assumed that the put option is struck at the average price of the stock before the privately held shares can be sold, the cost of the put option was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM as it can take into consideration factors like timing of a liquidity event, such as an initial public offering, and estimated volatility of our shares. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The volatility was estimated based on annualised standard deviation of daily share price return of comparable companies for a period from the valuation date and with a similar span as time to expiration. In addition to the assumptions adopted above, the Company's projections of future performance were also factored into the determination of the fair value of the Preferred Shares on the valuation date.

Management considered that fair value changes of the Preferred Shares that are attributable to changes of own credit risk of these instruments are not material.

Set out below is a summary of significant unobservable inputs to the valuation of financial liabilities within Level 3 of the fair value hierarchy, together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods.

31 December 2021

Valuation technique	Significant unobservable inputs	Inputs	Increase/ (decrease) in the inputs (%)	Sensitivity of fair value to the inputs RMB'000
Discount cash flow method and option pricing method	Discount rate	14.00%	1/(1)	(40,554)/41,550
	Risk-free interest rate	0.51%	1/(1)	(23)/23
	DLOM	15.00%	1/(1)	(3,823)/3,822
	Volatility	41.53%	1/(1)	(628)/627

31 December 2022

Valuation technique	Significant unobservable inputs	Inputs	Increase/ (decrease) in the inputs (%)	Sensitivity of fair value to the inputs RMB'000
Discount cash flow method and option pricing method	Discount rate	14.00%	1/(1)	(40,193)/41,218
	Risk-free interest rate	4.68%	1/(1)	(97)/97
	DLOM	9.00%	1/(1)	(2,316)/2,316
	Volatility	29.52%	1/(1)	(25)/24

31 December 2023

Valuation technique	Significant unobservable inputs	Inputs	Increase/ (decrease) in the inputs (%)	Sensitivity of fair value to the inputs RMB'000
Discount cash flow method and option pricing method	Discount rate	14.00%	1/(1)	(41,494)/41,885
	Risk-free interest rate	4.70%	1/(1)	(132)/133
	DLOM	7.00%	1/(1)	(2,094)/2,094
	Volatility	51.64%	1/(1)	(320)/316

31 March 2024

Valuation technique	Significant unobservable inputs	Inputs	Increase/ (decrease) in the inputs (%)	Sensitivity of fair value to the inputs RMB'000
Discount cash flow method and option pricing method	Discount rate	14.00%	1/(1)	(41,673)/42,688
	Risk-free interest rate	5.24%	1/(1)	(111)/111
	DLOM	7.00%	1/(1)	(2,167)/2,167
	Volatility	51.25%	1/(1)	(127)/121

29. DEFERRED TAX

Deferred tax liabilities

	Financial assets at fair value through profit or loss RMB'000	Right-of-use assets RMB'000	Total RMB'000
At 1 January 2021	3,186	8,858	12,044
Deferred tax credited/(charged) to profit or loss during the year	5,586	(2,386)	3,200
At 31 December 2021 and 1 January 2022	8,772	6,472	15,244
Deferred tax credited/(charged) to profit or loss during the year	4,637	(2,555)	2,082
At 31 December 2022 and 1 January 2023	13,409	3,917	17,326
Deferred tax charged to profit or loss during the year	(8,202)	(1,821)	(10,023)
At 31 December 2023 and 1 January 2024	5,207	2,096	7,303
Deferred tax (charged)/credited to profit or loss during the period	(1,329)	3,174	1,845
At 31 March 2024	3,878	5,270	9,148

Deferred tax assets

	Lease liabilities <i>RMB'000</i>	Losses available for offsetting against future taxable profits <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	6,040	6,004	12,044
Deferred tax (charged)/credited to profit or loss during the year	<u>(1,712)</u>	<u>4,912</u>	<u>3,200</u>
At 31 December 2021 and 1 January 2022	4,328	10,916	15,244
Deferred tax (charged)/credited to profit or loss during the year	<u>(1,487)</u>	<u>3,569</u>	<u>2,082</u>
At 31 December 2022 and 1 January 2023	2,841	14,485	17,326
Deferred tax charged to profit or loss during the year	<u>(1,142)</u>	<u>(8,881)</u>	<u>(10,023)</u>
At 31 December 2023 and 1 January 2024	1,699	5,604	7,303
Deferred tax credited/(charged) to profit or loss during the period	<u>3,510</u>	<u>(1,665)</u>	<u>1,845</u>
At 31 March 2024	<u><u>5,209</u></u>	<u><u>3,939</u></u>	<u><u>9,148</u></u>

For presentation purposes, certain deferred tax assets and liabilities have been offset in the consolidated statement of financial position. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December			As at
	2021	2022	2023	31 March
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Net deferred tax assets recognised in the consolidated statement of financial position	–	–	–	–
Net deferred tax liabilities recognised in the consolidated statement of financial position	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Total	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>–</u></u>

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised. Deferred tax assets have not been recognised with respect to tax losses and deductible temporary differences for certain subsidiaries, refer to note 10.

30. SHARE CAPITAL**Authorised:**

	<i>Number of ordinary shares '000</i>	<i>Nominal value of ordinary shares US\$'000</i>
As at 31 December 2021, 2022, 2023 and 31 March 2024	<u>344,558</u>	<u>34</u>

Issued and fully paid

	<i>Number of ordinary shares '000</i>	<i>Nominal value of ordinary shares US\$'000</i>	<i>Equivalent nominal value of ordinary shares RMB'000</i>
As at 31 December 2021, 2022, 2023 and 31 March 2024	<u>48,657</u>	<u>5</u>	<u>31</u>

The number of ordinary shares issued and outstanding was 48,657,140 as at 31 December 2021, 2022, 2023 and 31 March 2024.

31. SHARE-BASED PAYMENTS**Share incentive plan**

On 14 January 2013, the board of directors of the Company approved the establishment of a share option scheme which was then supplemented on 13 June 2014, 12 July 2017, 25 October 2018, and 11 May 2023, with the purpose of attracting, motivating, retaining and rewarding certain employees and directors. The maximum number of shares that may be issued under this option scheme shall be 18,107,143 ordinary shares. The share option scheme was effective since 2013 and continued in effect for a term of 10 years, authorising the directors of the Company at their discretion to grant employees of the Group options at agreed considerations to subscribe for shares of the Company. On 11 May 2023, the shareholders of the Company approved the extension of the term of share option scheme to 20 years. The maximum number of shares that may be issued under the option scheme has reduced to 14,654,577 shares, as a result of the repurchase of vested options from the former employees in years 2020 and 2021 and 2022.

The share options shall vest in four years with graded vesting terms, on condition that employees remain in service. For Type A vesting schedule, a certain percentage (10%-25%) of the aggregate number of granted share options are vested immediately upon the grant date and the remaining granted share options are vested in equal tranches every month over the next 48 months. For Type B vesting schedule, a certain percentage (0%-20%) of the aggregate number of granted share options are vested immediately upon the grant date and the remaining granted share options are vested in equal tranches at the first, second, third and fourth anniversaries of the grant date. For Type C vesting schedule, 25% of the granted share options are vested on the first anniversary of the grant date and the remaining granted share options are vested in equal tranches every month over the next 36 months. Generally, share options will expire on a date which is no later than 10 years from the date of grant.

The Group repurchased 3,242,722, 9,844 and 200,000 vested options from the former employees in exchange for a total consideration of US\$3,607,000 (equivalent to RMB24,867,000), US\$8,000 (equivalent to RMB53,000) and US\$318,200 (equivalent to RMB2,259,000) in cash for the years ended 31 December 2020, 2021 and 2022, respectively.

The repurchased share options were cancelled from the option scheme. The number of shares issuable under the Company's option scheme is reduced by the number of vested options repurchased from the former employees.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following shares were outstanding under the share incentive plan during the Relevant Periods:

	Number of options	Average exercise price per share US\$
At 1 January 2021	12,048,002	1.42
Granted during the year	1,740,917	2.20
Forfeited during the year	(340,673)	2.29
Expired during the year	(728,901)	1.33
Repurchased during the year	(9,844)	2.02
	<u>12,709,501</u>	<u>1.51</u>
At 31 December 2021	<u>12,709,501</u>	<u>1.51</u>
At 1 January 2022	12,709,501	1.51
Granted during the year	4,249,500	1.71
Forfeited during the year	(1,570,957)	1.93
Expired during the year	(3,214,543)	1.41
Repurchased during the year	(200,000)	0.41
	<u>11,973,501</u>	<u>1.57</u>
At 31 December 2022	<u>11,973,501</u>	<u>1.57</u>
At 1 January 2023	11,973,501	1.57
Granted during the year	2,996,076	1.51
Forfeited during the year	(331,949)	2.70
Expired during the year	(328,051)	2.55
	<u>14,309,577</u>	<u>1.51</u>
At 31 December 2023	<u>14,309,577</u>	<u>1.51</u>
At 1 January 2024	14,309,577	1.51
Granted during the period	–	–
Forfeited during the period	(34,752)	2.70
Expired during the period	(55,248)	2.70
	<u>14,219,577</u>	<u>1.50</u>
At 31 March 2024	<u>14,219,577</u>	<u>1.50</u>

During the years ended 31 December 2021, 2022, 2023 and the three months ended 31 March 2023 and 2024, the Group recognised share-based compensation expenses of RMB17,539,000, RMB10,283,000, RMB33,830,000, RMB4,814,000 (unaudited) and RMB4,735,000, respectively.

As at 31 December 2021, 2022, 2023 and 31 March 2024, 8,142,880, 6,400,492, 9,199,482 and 9,648,735 options were vested but not exercised.

The exercise prices and exercise periods of the share options outstanding as at the end of each the Relevant Periods are as follows:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023 (unaudited)	2024
Number of options	12,709,501	11,973,501	14,309,577	11,741,501	14,219,577
Exercise price	US\$0.14 – US\$2.70	US\$0.14 – US\$2.70	US\$0.14 – US\$2.70	US\$0.14 – US\$2.70	US\$0.14 – US\$2.70
Weighted average remaining contractual life	6.32	7.02	7.27	6.62	7.02

The fair value of options granted during the Relevant Periods is estimated on the dates of grant using the discount cash flow method, option pricing model and binomial model with the following assumptions used:

	Year ended 31 December			Three months ended 31 March	
	2021	2022	2023	2023 (unaudited)	2024
Expected volatility	53.2% – 53.7%	53.1% – 53.4%	52.89% – 53.4%	52.89% – 53.4%	N/A
Risk-free interest rate	1.2% – 1.9%	2.7% – 3.9%	4.0%	4.0%	N/A
Exercise multiple	2.2	2.2	2.2 – 2.8	2.2 – 2.8	N/A
Expected forfeiture rate	2.0% – 10.0%	10.0%	10.0%	10.0%	N/A
Weighted average share price	US\$1.7 – US\$1.8	US\$1.8 – US\$1.9	US\$2.2	US\$2.2	N/A
Expected life of options	10 years	10 years	10 years	10 years	N/A

For the three months ended 31 March 2024, no options were newly granted.

32. RESERVES

The Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

(a) Share-based payment reserve

The share-based payment reserve represents the equity-settled share awards as set out in note 31 to the Historical Financial Information.

The Company

	Share option reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2021	111,175	(9,687)	(1,024,205)	(922,717)
Loss for the year	–	–	(109,689)	(109,689)
Other comprehensive income:				
Exchange differences on translation	–	24,985	–	24,985
Total comprehensive loss for the year	–	24,985	(109,689)	(84,704)
Equity-settled share option arrangements	17,539	–	–	17,539
Repurchase of vested share options	(53)	–	–	(53)
At 31 December 2021	<u>128,661</u>	<u>15,298</u>	<u>(1,133,894)</u>	<u>(989,935)</u>
	Share option reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2022	128,661	15,298	(1,133,894)	(989,935)
Loss for the year	–	–	(84,239)	(84,239)
Other comprehensive income:				
Exchange differences on translation	–	(113,401)	–	(113,401)
Total comprehensive loss for the year	–	(113,401)	(84,239)	(197,640)
Equity-settled share option arrangements	10,283	–	–	10,283
Repurchase of vested share options	(2,259)	–	–	(2,259)
At 31 December 2022	<u>136,685</u>	<u>(98,103)</u>	<u>(1,218,133)</u>	<u>(1,179,551)</u>

	Share option reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2023	136,685	(98,103)	(1,218,133)	(1,179,551)
Loss for the year	–	–	(176,650)	(176,650)
Other comprehensive income:				
Exchange differences on translation	–	(24,716)	–	(24,716)
Total comprehensive loss for the year	–	(24,716)	(176,650)	(201,366)
Equity-settled share option arrangements	33,830	–	–	33,830
At 31 December 2023	<u>170,515</u>	<u>(122,819)</u>	<u>(1,394,783)</u>	<u>(1,347,087)</u>
	Share option reserve <i>RMB'000</i>	Foreign currency translation reserve <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2024	170,515	(122,819)	(1,394,783)	(1,347,087)
Loss for the period	–	–	(120,493)	(120,493)
Other comprehensive income:				
Exchange differences on translation	–	(2,809)	–	(2,809)
Total comprehensive loss for the period	–	(2,809)	(120,493)	(123,302)
Equity-settled share option arrangements	4,735	–	–	4,735
At 31 March 2024	<u>175,250</u>	<u>(125,628)</u>	<u>(1,515,276)</u>	<u>(1,465,654)</u>

33. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

For the years ended 31 December 2021, 2022, 2023 and the three months ended 31 March 2024, the Group had non-cash additions to right-of-use assets of RMB6,536,000, RMB5,210,000, RMB4,683,000 and RMB26,868,000, and non-cash additions to lease liabilities of RMB6,536,000, RMB5,210,000, RMB4,683,000 and RMB26,868,000, respectively, in respect of lease arrangements for properties.

(b) Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings	Lease liabilities	Convertible redeemable preferred shares	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2021	12,013	40,269	2,637,267	2,689,549
Changes from financing cash flows	118,005	(19,900)	–	98,105
Changes in fair value	–	–	96,467	96,467
Currency translation differences	–	–	(61,420)	(61,420)
New leases	–	6,536	–	6,536
Interest expense	4,097	1,949	–	6,046
	<u>134,115</u>	<u>28,854</u>	<u>2,672,314</u>	<u>2,835,283</u>
At 31 December 2021	<u>134,115</u>	<u>28,854</u>	<u>2,672,314</u>	<u>2,835,283</u>
	Interest-bearing bank and other borrowings	Lease liabilities	Convertible redeemable preferred shares	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2022	134,115	28,854	2,672,314	2,835,283
Changes from financing cash flows	37,138	(16,319)	–	20,819
Changes in fair value	–	–	83,810	83,810
Currency translation differences	–	–	250,531	250,531
New leases	–	5,210	–	5,210
Interest expense	7,551	1,195	–	8,746
	<u>178,804</u>	<u>18,940</u>	<u>3,006,655</u>	<u>3,204,399</u>
At 31 December 2022	<u>178,804</u>	<u>18,940</u>	<u>3,006,655</u>	<u>3,204,399</u>

	Interest-bearing bank and other borrowings	Lease liabilities	Convertible redeemable preferred shares	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2023	178,804	18,940	3,006,655	3,204,399
Changes from financing cash flows	15,665	(13,967)	–	1,698
Changes in fair value	–	–	156,087	156,087
Currency translation differences	–	–	52,297	52,297
New leases	–	4,683	–	4,683
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	(352)	–	(352)
Interest expense	7,421	741	–	8,162
	<u>201,890</u>	<u>10,045</u>	<u>3,215,039</u>	<u>3,426,974</u>
At 31 December 2023	<u>201,890</u>	<u>10,045</u>	<u>3,215,039</u>	<u>3,426,974</u>
	Interest-bearing bank and other borrowings	Lease liabilities	Convertible redeemable preferred shares	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At 1 January 2024	201,890	10,045	3,215,039	3,426,974
Changes from financing cash flows	9,903	(3,463)	–	6,440
Changes in fair value	–	–	111,528	111,528
Currency translation differences	–	–	5,680	5,680
Reassessment of a lease term arising from a decision to exercise the extension option	–	26,868	–	26,868
Interest expense	2,000	153	–	2,153
	<u>213,793</u>	<u>33,603</u>	<u>3,332,247</u>	<u>3,579,643</u>
At 31 March 2024	<u>213,793</u>	<u>33,603</u>	<u>3,332,247</u>	<u>3,579,643</u>

(c) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statements of cash flows is as follows:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Within operating activities	96	115	611	58
Within financing activities	19,900	16,319	13,967	3,463
Total	19,996	16,434	14,578	3,521

34. COMMITMENTS

At the end of each of the Relevant Periods, the Group had the following contractual commitments:

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
Contracted, but not provided for:				
Property, plant and equipment	–	1,069	–	336

35. RELATED PARTY TRANSACTIONS

The directors are of the opinion that the following parties are related parties that had material transactions or balances with the Group during the Relevant Periods.

(a) Name and relationship of related parties

Name	Relationship with the Group
Shiwei Xu	Shareholder and executive management
Guihua Lyu	Shareholder and executive management
Chao Chen	Executive management
Qiang Ji	Executive management
Yiling Chen	Executive management
Bin Han	Executive management
Yuanhao Zhang	Executive management
Wenlong Jiang	Executive management
Lina Li	Executive management
Subsidiaries of Alibaba Group Holding Limited	Entities controlled by the ultimate holding company of the investor who has significant influence over the Company
Hangzhou Yima Technology Co., Ltd.	Entity which is significantly influenced by the Group
Shenzhen Zhichi Network Technology Development Co., Ltd.	Entity which is significantly influenced by the Group
Shanghai Shanma Intelligent Technology Co., Ltd.	Entity which is significantly influenced by the Group
Shanghai Jingduo Information Technology Co., Ltd.	Entity which is significantly influenced by the Group
Beijing Taiwu Network Technology Co., Ltd.	Entity which is significantly influenced by the Group
Shanghai Taiji Software Co., Ltd.	Entity which is significantly influenced by the Group
Shenzhen Taiji Internet of Things Technology Co., Ltd.	Entity which is significantly influenced by the Group
Beijing Kongji Technology Co., Ltd.	Entity which is significantly influenced by the shareholder and executive management

(b) Transactions with related parties

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March 2023	2024
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Entities controlled by the ultimate holding company of the investor who has significant influence over the Company:					
Sales of products or provision of services	30,927	10,687	495	105	1,246
Purchases of products or services	478,398	136,499	37,398	7,164	7,885
Entities which are significantly influenced by the Group:					
Sales of products or provision of services	312	215	3,538	39	38
Purchases of products or services	7,918	3,326	4,596	922	1,072
Entity which is significantly influenced by the shareholder and executive management:					
Sales of products or provision of services	1,432	1,356	484	309	15

These transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

(c) Outstanding balances with related parties

The Group

	As at 31 December			As at
	2021	2022	2023	31 March 2024
	RMB'000	RMB'000	RMB'000	RMB'000
Due from related parties:				
Trade				
Entities controlled by the ultimate holding company of the investor who has significant influence over the Company	8,669	5,242	4,293	5,567
Entities which are significantly influenced by the Group	5,570	5,639	5,600	5,600
Entity which is significantly influenced by the shareholder and executive management	295	1,672	2,188	2,199
Impairment	(604)	(1,589)	(3,652)	(3,929)
Total	<u>13,930</u>	<u>10,964</u>	<u>8,429</u>	<u>9,437</u>
Non-trade				
Entity which is significantly influenced by the Group	<u>2,000</u>	<u>2,000</u>	<u>–</u>	<u>–</u>

The Group performs impairment assessment under the ECL model on amounts due from related parties, which are subject to impairment assessment under IFRS 9. The amount of ECLs is updated at each reporting date to reflect changes in credit risk since initial recognition. As at 31 December 2021, 2022, 2023 and 31 March 2024, the impairment of amounts due from related parties amounted to RMB604,000, RMB1,589,000, RMB3,652,000 and RMB3,929,000, respectively.

The non-trade amounts due from Entity which is significantly influenced by the Group were unsecured, interest-free and repayable on demand, and were settled in October 2023.

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Due to related parties:				
Trade				
Entities controlled by the ultimate holding company of the investor who has significant influence over the Company	115,768	42,726	19,755	15,515
Entities which are significantly influenced by the Group	10,123	11,453	11,604	11,246
Total	<u>125,891</u>	<u>54,179</u>	<u>31,359</u>	<u>26,761</u>

Amounts due to related parties are unsecured, interest-free and normally settled on terms of 30 to 90 days.

The Company

	As at 31 December			As at
	2021	2022	2023	31 March
	RMB'000	RMB'000	RMB'000	2024
				RMB'000
Due from subsidiaries:				
Non-trade				
Qiniu (China)	136,651	118,278	85,749	82,208
Qiniu Information	52,453	76,741	85,380	83,090
Shanghai Kongshan	537	591	602	603
Superstify PTE	–	2,089	2,125	2,129
Superstify	–	–	4,143	6,137
Total	<u>189,641</u>	<u>197,699</u>	<u>177,999</u>	<u>174,167</u>

The non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December			Three months ended	
	2021	2022	2023	31 March	
	RMB'000	RMB'000	RMB'000	2023	2024
				RMB'000	RMB'000
				(unaudited)	
Short term employee benefits	11,901	6,100	6,849	1,507	3,226
Pension scheme contributions and social welfare	921	794	857	207	221
Share-based payments	9,770	5,284	28,373	4,413	3,648
Termination benefits	–	13,241	–	–	–
Total	<u>22,592</u>	<u>25,419</u>	<u>36,079</u>	<u>6,127</u>	<u>7,095</u>

Mr. Lyu Guihua resigned as an executive management member with effect from 24 September 2021. Mr. Ji Qiang resigned as an executive management member with effect from 15 April 2022. Mr Chen Chao resigned as an executive management member with effect from 29 July 2022. Mr. Han Bin was appointed as an executive management member with effect from 7 November 2022.

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at 31 December 2021, 2022, 2023 and 31 March 2024 were as follows:

31 December 2021

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	121,706	–	121,706
Trade and notes receivables	–	260,585	260,585
Amounts due from related parties	–	15,930	15,930
Financial assets included in prepayments, deposits and other receivables	–	16,810	16,810
Time deposits	–	51,187	51,187
Restricted cash	–	638	638
Cash and cash equivalents	–	285,523	285,523
	<hr/>	<hr/>	<hr/>
Total	121,706	630,673	752,379
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	148,686	148,686
Financial liabilities included in other payables and accruals	–	12,494	12,494
Amounts due to related parties	–	125,891	125,891
Lease liabilities	–	28,854	28,854
Interest-bearing bank and other borrowings	–	134,115	134,115
Convertible redeemable preferred shares	2,672,314	–	2,672,314
	<hr/>	<hr/>	<hr/>
Total	2,672,314	450,040	3,122,354
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

31 December 2022

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	152,868	–	152,868
Trade and notes receivables	–	191,243	191,243
Amounts due from related parties	–	12,964	12,964
Financial assets included in prepayments, deposits and other receivables	–	9,895	9,895
Time deposits	–	101,941	101,941
Restricted cash	–	1,016	1,016
Cash and cash equivalents	–	187,404	187,404
	<hr/>	<hr/>	<hr/>
Total	152,868	504,463	657,331
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	144,058	144,058
Financial liabilities included in other payables and accruals	–	13,467	13,467
Amounts due to related parties	–	54,179	54,179
Lease liabilities	–	18,940	18,940
Interest-bearing bank and other borrowings	–	178,804	178,804
Convertible redeemable preferred shares	3,006,655	–	3,006,655
	<hr/>	<hr/>	<hr/>
Total	3,006,655	409,448	3,416,103
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

31 December 2023

Financial assets

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	98,236	–	98,236
Trade and notes receivables	–	285,056	285,056
Amounts due from related parties	–	8,429	8,429
Financial assets included in prepayments, deposits and other receivables	–	10,291	10,291
Time deposits	–	107,822	107,822
Cash and cash equivalents	–	166,378	166,378
	<hr/>	<hr/>	<hr/>
Total	98,236	577,976	676,212
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	230,956	230,956
Financial liabilities included in other payables and accruals	–	16,797	16,797
Amounts due to related parties	–	31,359	31,359
Lease liabilities	–	10,045	10,045
Interest-bearing bank and other borrowings	–	201,890	201,890
Convertible redeemable preferred shares	3,215,039	–	3,215,039
	<u>3,215,039</u>	<u>–</u>	<u>3,215,039</u>
Total	<u>3,215,039</u>	<u>491,047</u>	<u>3,706,086</u>

31 March 2024**Financial assets**

	Financial assets at fair value through profit or loss	Financial assets at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit or loss	89,372	–	89,372
Trade and notes receivables	–	305,249	305,249
Amounts due from related parties	–	9,437	9,437
Financial assets included in prepayments, deposits and other receivables	–	7,059	7,059
Time deposits	–	36,879	36,879
Cash and cash equivalents	–	236,562	236,562
	<u>89,372</u>	<u>595,186</u>	<u>684,558</u>
Total	<u>89,372</u>	<u>595,186</u>	<u>684,558</u>

Financial liabilities

	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	–	230,378	230,378
Financial liabilities included in other payables and accruals	–	16,603	16,603
Amounts due to related parties	–	26,761	26,761
Lease liabilities	–	33,603	33,603
Interest-bearing bank and other borrowings	–	213,793	213,793
Convertible redeemable preferred shares	3,332,247	–	3,332,247
	<u>3,332,247</u>	<u>–</u>	<u>3,332,247</u>
Total	<u>3,332,247</u>	<u>521,138</u>	<u>3,853,385</u>

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

As at 31 December 2021

	Carrying amounts <i>RMB'000</i>	Fair values <i>RMB'000</i>
Financial liabilities		
Interest-bearing bank and other borrowings	19,004	18,744

As at 31 December 2022

	Carrying amounts <i>RMB'000</i>	Fair values <i>RMB'000</i>
Financial liabilities		
Interest-bearing bank and other borrowings	3,290	3,145

Management has assessed that the fair values of cash and cash equivalents, restricted cash, time deposits, trade and notes receivables, amounts due from related parties, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables and accruals, amounts due to related parties, lease liabilities and short-term interest-bearing bank and other borrowings 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. The finance manager reports directly to the chief financial officer and the directors. 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 chief financial officer. The valuation process and results are discussed with the directors 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.

The following methods and assumptions were used to estimate the fair values:

The fair values of financial assets at fair value through profit or loss have been estimated by reference to the market approach and using the equity valuation allocation model. These valuation techniques are based on assumptions that are not supported by observable market prices or rates. The directors believe that the estimated fair values resulting from these valuation techniques, which are recorded in the consolidated statement of financial position, the related changes in fair values, and the consolidated statement of profit or loss, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

31 December 2021

Financial assets at fair value through profit or loss	Valuation technique	Significant unobservable inputs	Inputs	Sensitivity of fair value to the input
Investments in unlisted entities	Valuation multiples	Price to sales multiple ("P/S")	1.8 to 21.4	10% increase/decrease would result in increase/decrease in fair value by 9%
		Discounts for lack of marketability ("DLOM")	28.0% to 37.0%	10% increase/decrease would result in decrease/increase in fair value by 5%
		Volatility	40.1% to 50.1%	10% increase/decrease would result in decrease/increase in fair value by 3%
	The latest price method of financing	The latest price of financing	143.5 to 340.7	10% increase/decrease would result in increase/decrease in fair value by 10%

31 December 2022

Financial assets at fair value through profit or loss	Valuation technique	Significant unobservable inputs	Inputs	Sensitivity of fair value to the input
Investments in unlisted entities	Valuation multiples	Price to sales multiple ("P/S")	3.2 to 10.8	10% increase/decrease would result in increase/decrease in fair value by 8%
		Discounts for lack of marketability ("DLOM")	24.0% to 36.0%	10% increase/decrease would result in decrease/increase in fair value by 4%
		Volatility	43.9% to 56.5%	10% increase/decrease would result in decrease/increase in fair value by 3%
	The latest price method of financing	The latest price of financing	42.1 to 143.5	10% increase/decrease would result in increase/decrease in fair value by 10%

31 December 2023

Financial assets at fair value through profit or loss	Valuation technique	Significant unobservable inputs	Inputs	Sensitivity of fair value to the input
Investments in unlisted entities	Valuation multiples	Price to sales multiple ("P/S")	3.6 to 10.6	10% increase/decrease would result in increase/decrease in fair value by 9%
		Discounts for lack of marketability ("DLOM")	32.0% to 36.0%	10% increase/decrease would result in decrease/increase in fair value by 4%
		Volatility	45.8% to 58.2%	10% increase/ decrease would result in decrease/increase in fair value by 0.1%

31 March 2024

Financial assets at fair value through profit or loss	Valuation technique	Significant unobservable inputs	Inputs	Sensitivity of fair value to the input
Investments in unlisted entities	Valuation multiples	Price to sales multiple ("P/S")	3.1 to 11.4	10% increase/decrease would result in increase/decrease in fair value by 11%
		Discounts for lack of marketability ("DLOM")	28.0% to 36.0%	10% increase/decrease would result in decrease/increase in fair value by 5%
		Volatility	48.9% to 55.4%	10% increase/decrease would result in decrease/increase in fair value by 0.1%

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*Assets measured at fair value:***As at 31 December 2021**

	Fair value measurement using			Total RMB'000
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	
Financial assets at fair value through profit or loss	–	–	121,706	121,706

As at 31 December 2022

	Fair value measurement using			Total RMB'000	
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000		
	Financial assets at fair value through profit or loss	–	–		152,868
		<u>–</u>	<u>–</u>		<u>152,868</u>

As at 31 December 2023

	Fair value measurement using			Total RMB'000	
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000		
	Financial assets at fair value through profit or loss	–	50		98,186
		<u>–</u>	<u>50</u>		<u>98,186</u>

As at 31 March 2024

	Fair value measurement using			Total RMB'000	
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000		
	Financial assets at fair value through profit or loss	–	50		89,322
		<u>–</u>	<u>50</u>		<u>89,322</u>

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 March 2024 RMB'000
Financial assets at fair value through profit or loss				
At beginning of year/period	63,527	121,706	152,868	98,186
Purchases	20,941	250	–	–
Fair value gains/(losses) on financial assets at fair value through profit or loss, net	37,238	30,912	(54,682)	(8,864)
At end of year/period	<u>121,706</u>	<u>152,868</u>	<u>98,186</u>	<u>89,322</u>

Liabilities measured at fair value:

As at 31 December 2021

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
RMB'000	RMB'000	RMB'000		
Convertible redeemable preferred shares	–	–	2,672,314	2,672,314

As at 31 December 2022

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
RMB'000	RMB'000	RMB'000		
Convertible redeemable preferred shares	–	–	3,006,655	3,006,655

As at 31 December 2023

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
RMB'000	RMB'000	RMB'000		
Convertible redeemable preferred shares	–	–	3,215,039	3,215,039

As at 31 March 2024

	Fair value measurement using			Total RMB'000
	Quoted prices	Significant	Significant	
	in active	observable	unobservable	
	markets	inputs	inputs	
(Level 1)	(Level 2)	(Level 3)		
RMB'000	RMB'000	RMB'000		
Convertible redeemable preferred shares	–	–	3,332,247	3,332,247

The movements in fair value measurements within Level 3 during the Relevant Periods are as follows:

	As at 31 December 2021 RMB'000	As at 31 December 2022 RMB'000	As at 31 December 2023 RMB'000	As at 31 March 2024 RMB'000
Convertible redeemable preferred shares				
At beginning of year/period	2,637,267	2,672,314	3,006,655	3,215,039
Foreign exchange differences	(61,420)	250,531	52,297	5,680
Fair value changes of convertible redeemable preferred shares	96,467	83,810	156,087	111,528
At end of year/period	<u>2,672,314</u>	<u>3,006,655</u>	<u>3,215,039</u>	<u>3,332,247</u>

The movements of convertible redeemable preferred shares are disclosed in note 28 to the Historical Financial Information.

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise financial assets at fair value through profit or loss, interest-bearing bank and other borrowings, convertible redeemable preferred shares and cash and bank balances. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and notes receivables, and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are recognised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowings with a floating interest rate.

The Group's policy is to manage its interest cost using a mix of fixed and variable rate debts. As at 31 December 2021, 2022, 2023 and 31 March 2024, none of the Group's interest-bearing borrowings bore interest at floating rates. Accordingly, as at the end of each of the Relevant Periods, the Group did not have any significant exposure to the interest rate risk in the cash flows.

Foreign currency risk

The functional currency of the Company and its subsidiaries incorporated in Cayman Islands, British Virgin Islands, Hong Kong, Singapore and Vietnam is US\$, the Group is exposed to foreign currency risk with respect to transactions denominated in currencies other than US\$. In addition, in Chinese Mainland, the Group principally conducted business in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity.

As at the end of each of the Relevant Periods, the Group did not have any significant exposure to foreign currency risk.

Credit risk

The Group only offers credit terms to recognised and creditworthy customers. 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 are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show 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.

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and notes receivables *	–	–	–	260,585	260,585
Amounts due from related parties	2,000	–	–	13,930	15,930
Financial assets included in prepayments, deposits and other receivables					
– Normal**	16,810	–	–	–	16,810
Time deposits					
– Not yet past due	51,187	–	–	–	51,187
Restricted cash					
– Not yet past due	638	–	–	–	638
Cash and cash equivalents					
– Not yet past due	285,523	–	–	–	285,523
Total	356,158	–	–	274,515	630,673

As at 31 December 2022

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and notes receivables*	–	–	–	191,243	191,243
Amounts due from related parties	2,000	–	–	10,964	12,964
Financial assets included in prepayments, deposits and other receivables					
– Normal**	9,895	–	–	–	9,895
Time deposits					
– Not yet past due	101,941	–	–	–	101,941
Restricted cash					
– Not yet past due	1,016	–	–	–	1,016
Cash and cash equivalents					
– Not yet past due	187,404	–	–	–	187,404
Total	302,256	–	–	202,207	504,463

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and notes receivables*	–	–	–	285,056	285,056
Amounts due from related parties	–	–	–	8,429	8,429
Financial assets included in prepayments, deposits and other receivables					
– Normal**	10,291	–	–	–	10,291
Time deposits					
– Not yet past due	107,822	–	–	–	107,822
Cash and cash equivalents					
– Not yet past due	166,378	–	–	–	166,378
Total	284,491	–	–	293,485	577,976

As at 31 March 2024

	12-month ECLs	Lifetime ECLs			Total RMB'000
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	
Trade and notes receivables*	–	–	–	305,249	305,249
Amounts due from related parties	–	–	–	9,437	9,437
Financial assets included in prepayments, deposits and other receivables					
– Normal**	7,059	–	–	–	7,059
Time deposits					
– Not yet past due	36,879	–	–	–	36,879
Cash and cash equivalents					
– Not yet past due	236,562	–	–	–	236,562
Total	280,500	–	–	314,686	595,186

* For trade and notes receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables 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”.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2021			Total RMB'000
	Within 1 year or on demand RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	
Financial liabilities included in other payables and accruals	12,494	–	–	12,494
Interest-bearing bank and other borrowings	120,229	21,677	–	141,906
Trade payables	148,686	–	–	148,686
Convertible redeemable preferred shares	2,790,162	–	–	2,790,162
Lease liabilities	15,939	15,016	–	30,955
Due to related parties	125,891	–	–	125,891
Total	<u>3,213,401</u>	<u>36,693</u>	<u>–</u>	<u>3,250,094</u>

	As at 31 December 2022			Total RMB'000
	Within 1 year or on demand RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	
Financial liabilities included in other payables and accruals	13,467	–	–	13,467
Interest-bearing bank and other borrowings	179,886	3,441	–	183,327
Trade payables	144,058	–	–	144,058
Convertible redeemable preferred shares	3,047,879	–	–	3,047,879
Lease liabilities	12,493	7,359	–	19,852
Due to related parties	54,179	–	–	54,179
Total	<u>3,451,962</u>	<u>10,800</u>	<u>–</u>	<u>3,462,762</u>

	As at 31 December 2023			Total RMB'000
	Within 1 year or on demand RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	
Financial liabilities included in other payables and accruals	16,797	–	–	16,797
Interest-bearing bank and other borrowings	205,379	–	–	205,379
Trade payables	230,956	–	–	230,956
Convertible redeemable preferred shares*	–	3,099,563	–	3,099,563
Lease liabilities	7,765	2,555	–	10,320
Due to related parties	31,359	–	–	31,359
Total	492,256	3,102,118	–	3,594,374

	As at 31 March 2024			Total RMB'000
	Within 1 year or on demand RMB'000	1 year to 5 years RMB'000	Over 5 years RMB'000	
Financial liabilities included in other payables and accruals	16,603	–	–	16,603
Interest-bearing bank and other borrowings	216,921	–	–	216,921
Trade payables	230,378	–	–	230,378
Convertible redeemable preferred shares*	–	3,104,946	–	3,104,946
Lease liabilities	12,654	23,929	–	36,583
Due to related parties	26,761	–	–	26,761
Total	503,317	3,128,875	–	3,632,192

* The amounts represent the prices to redeem the convertible redeemable preferred shares. As at 31 December 2023 and 31 March 2024, the maturity profile of convertible redeemable preferred shares is between 1 year to 5 years, since the Company can defer the settlement of the liability arising from the redemption of convertible redeemable preferred shares, if certain redemption rights have been exercised, for at least twelve months.

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.

39. EVENTS AFTER 31 MARCH 2024

There are no significant subsequent events undertaken by the Company or by the Group after 31 March 2024.

40. 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 March 2024.

The following information sets out in this appendix does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Reporting Accountants, as set out in Appendix I to this prospectus, and is included herein for illustrative purpose only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted consolidated net tangible assets 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 Hong Kong Institute of Certified Public Accountants for illustration purposes only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible liabilities as at 31 March 2024 as if it had taken place on 31 March 2024.

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 March 2024 or any future dates. It is prepared based on our consolidated net tangible liabilities as at 31 March 2024 as set out in the Accountants' Report as set out in Appendix I to this prospectus and adjusted as described below.

	Consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 March 2024 <i>RMB'000</i> <i>(note 1)</i>	Estimated net proceeds from the Global Offering <i>RMB'000</i> <i>(note 2)</i>	Estimated impact related to the reclassification of convertible redeemable preferred shares upon Listing <i>RMB'000</i> <i>(note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets attributable to owner of the Company <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share	
					<i>RMB</i> <i>(note 4)</i>	<i>HK\$</i> <i>(note 5)</i>
Based on an Offer Price of HK\$2.74 per share	(3,164,257)	359,735	3,332,247	527,725	0.26	0.28
Based on an Offer Price of HK\$2.86 per share	(3,164,257)	376,393	3,332,247	544,383	0.27	0.30

Notes:

1. The consolidated net tangible liabilities of the Group attributable to owners of the Company as at 31 March 2024 was based on the consolidated net liabilities attributable to owners of the Company as at 31 March 2024 of RMB3,164,257,000 set out in the Accountants' Report in Appendix I to this prospectus.
2. The estimated net proceeds from the Global Offering are based on the Offer Price at the indicative Price of HK\$2.74 per Share and HK\$2.86 per Share, after deduction of the underwriting fees and other related expenses payable by the Group (excluding the listing expenses that have been charged to profit or loss during the Track Record Period) and do not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option and/or under the Pre-IPO Share Plan. 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 RMB0.91234. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.
3. For the purpose of the unaudited pro forma financial information, considering the estimated impact related to the reclassification of convertible redeemable preferred shares upon Listing, the unaudited pro forma adjusted net tangible assets attributable to the owners of the Company will be increased by RMB3,332,247,000, being the fair value of the Preferred Shares as at 31 March 2024. Upon the Listing and the completion of the Global Offering, all the Preferred Shares will be automatically converted into Shares. These Preferred Shares will be reclassified from liabilities to equity. The amount that is reclassified from liabilities to equity will be the fair value of the Preferred Shares on that date of the Global Offering.
4. The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company and the amounts per share are arrived at after the adjustments referred to in the preceding paragraphs (note 2 and 3 above) and on the basis that 1,996,644,474 shares were in issue assuming that the automatic conversion of Preferred Shares into ordinary shares, the Capitalisation Issue and the Global Offering had been completed on 31 March 2024.
5. For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in RMB are converted into HK\$ at the rate of HK\$1.00 to RMB0.91234.
6. No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions for the Group entered into subsequent to 31 March 2024.



Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of Qiniu Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Qiniu 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 March 2024, and related notes as set out on pages II-1 and II-2 of the prospectus dated 30 September 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 March 2024 as if the transaction had taken place at 31 March 2024. 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 March 2024, 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 management

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

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

30 September 2024

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on September 25, 2024 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available on Display”.

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on September 25, 2024 and include provisions to the following effect:

2.1 Directors

(a) Power to allot and issue Shares

Subject to the provisions in the Memorandum of Association (and to any direction that may be given by the Company in general meeting) and without prejudice to any rights attached to any existing shares, the Directors may allot, issue, grant options over or otherwise dispose of shares with or without preferred, deferred or other rights or restrictions, whether in regard to dividend or other distribution, voting, return of capital or otherwise and to such persons, at such times and on such other terms as the Directors think proper.

(b) Power to dispose of the assets of the Company or any subsidiary

Subject to the provisions of the Companies Act, the Memorandum and Articles of Association and to any directions given by special resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company. No alteration of the Memorandum and Articles of Association and no such direction shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.

(c) Compensation or payment for loss of office

There are no provisions in the Articles of Association relating to compensation or payment for loss of office of a Director.

(d) Loans to Directors

There are no provisions in the Articles of Association relating to making of loans to Directors.

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(e) Financial assistance to purchase Shares

There are no provisions in the Articles of Association relating to the giving of financial assistance by the Company to purchase shares in the Company or its subsidiaries.

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No person shall be disqualified from the office of Director or alternate Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director or alternate Director shall be in any way interested be or be liable to be avoided, nor shall any Director or alternate Director so contracting or being so interested be liable to account to the Company for any profit realised by or arising in connection with any such contract or transaction by reason of such Director or alternate Director holding office or of the fiduciary relationship thereby established, provided that the nature of the interest of any Director or any alternate Director in any such contract or transaction shall be disclosed by them at or prior to its consideration and any vote thereon.

A Director shall not be entitled to vote on (nor shall the Director be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor shall he be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates 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;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

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(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates to the Director, his close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The remuneration to be paid to the Directors, if any, shall be such remuneration as the Directors shall determine. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of any class of shares or debentures of the Company, or otherwise in connection with the business of the Company or the discharge of their duties as a Director, or to receive a fixed allowance in respect thereof as may be determined by the Directors, or a combination partly of one such method and partly the other.

The Directors may approve additional remuneration to any Director for any services which in the opinion of the Directors go beyond that Director's ordinary routine work as a Director. Any fees paid to a Director who is also counsel, attorney or solicitor to the Company, or otherwise serves it in a professional capacity shall be in addition to their remuneration as a Director.

(h) Retirement, appointment and removal

The Company may by ordinary resolution appoint any person to be a Director, either to fill a vacancy or as an additional Director.

The Company may by ordinary resolution remove any Director (including a managing or other executive Director) before the expiration of such Director's term of office, notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director, and may by ordinary resolution elect another person in their stead. Nothing shall be taken as depriving a Director so removed of compensation or damages payable to such Director in respect of the termination of his appointment as Director or of any other appointment or office as a result of the termination of his appointment as Director.

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The Directors may appoint any person to be a Director, either to fill a vacancy or as an additional Director provided that the appointment does not cause the number of Directors to exceed any number fixed by or in accordance with the Articles of Association as the maximum number of Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after such Director's appointment and shall then be eligible for re-election at that meeting.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated if:

- (i) the Director gives notice in writing to the Company that he resigns the office of Director;
- (ii) the Director is absent (for the avoidance of doubt, without being represented by proxy or an alternate Director appointed by him) for a continuous period of 12 months without special leave of absence from the Directors, and the Directors pass a resolution that he has by reason of such absence vacated office;
- (iii) the Director dies, becomes bankrupt or makes any arrangement or composition with his creditors generally;
- (iv) the Director is found to be or becomes of unsound mind; or
- (v) the Director is removed from office by notice in writing served upon such Director 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 then in office (including such Director).

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election at such meeting. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

- (i) Borrowing powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof and to issue debentures, debenture stock, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

2.2 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.3 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class for the time being issued (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied only 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 approval of a resolution passed by a majority of not less than three-fourths of the votes cast at a separate meeting of the holders of the shares of that class. To any such meeting all the provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis*, except that the necessary quorum shall be one or more persons holding or representing by proxy or duly authorised representative at least one-third of the voting rights of the issued shares of that class.

The rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.4 Alteration of capital

The Company may by ordinary resolution:

- (a) increase its share capital by such sum as the ordinary resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;
- (b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchasers thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (c) by subdivision of its existing shares or any of them divide the whole or any part of its share capital into shares of smaller amount than is fixed by the Memorandum of Association or into shares without par value; and
- (d) cancel any shares that at the date of the passing of the ordinary resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

The Company may by special resolution reduce its share capital or any capital redemption reserve fund, subject to the provisions of the Companies Act.

2.5 Special resolution – majority required

A “special resolution” is defined in the Articles of Association to have the same meaning as in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the 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 specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.6 Voting rights

Subject to any rights or restrictions attached to any shares, at any general meeting every member of the Company present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have (a) the right to speak; (b) one vote on a show of hands; and (c) one vote for every share of which he is the holder on a poll.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

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In the case of joint holders the vote of the senior holder who tenders a vote, whether in person or by proxy (or in the case of a corporation or other non-natural person, by its duly authorised representative or proxy) shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the register of members of the Company.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by their committee, receiver, curator bonis, or other person on such member's behalf appointed by that court, and any such committee, receiver, curator bonis or other person may vote by proxy.

No person shall be counted in a quorum or be entitled to vote at any general meeting unless he is registered as a member on the record date for such meeting, nor unless all calls or other monies then payable by him in respect of shares have been paid.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

Any corporation or other non-natural person which is a member of the Company may in accordance with its constitutional documents, or in the absence of such provision by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members, and the person so authorised shall be entitled to exercise the same powers as the corporation could exercise if it were an individual member.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company, provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which that person represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, including the right to speak and, where a show of hands is allowed, the right to vote individually on a show of hands.

2.7 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general meeting for each financial year, within six months (or such other period as may be permitted by the Listing Rules or the Stock Exchange) after the end of such financial year. An annual general meeting shall be specified as such in the notices calling it.

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The Directors may call general meetings, and they shall on a members' requisition forthwith proceed to convene an extraordinary general meeting of the Company. A members' requisition is a requisition of one or more members holding at the date of deposit of the requisition not less than 10% of the voting rights, on a one vote per share basis, of the issued shares which as at that date carry the right to vote at general meetings of the Company. The members' requisition must state the objects and the resolutions to be added to the agenda of the meeting and must be signed by the requisitionists and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If there are no Directors as at the date of the deposit of the members' requisition or if the Directors do not within 21 days from the date of the deposit of the members' requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all the requisitionists, may themselves convene a general meeting, but any meeting so convened shall be held no later than the day which falls three months after the expiration of the said 21 day period. A general meeting convened by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

2.8 Accounts and audit

The Directors shall cause proper books of account to be kept with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Such books of account must be retained for a minimum period of five years from the date on which they are prepared. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions.

The Directors shall determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members of the Company not being Directors, and no member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Companies Act or authorised by the Directors or by the Company in general meeting.

The Directors shall cause to be prepared and to be laid before the Company at every annual general meeting a profit and loss account for the period since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up, a Directors' report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditors' report on such accounts and such other reports and accounts as may be required by law.

2.9 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The Company may by ordinary resolution remove an auditor before the expiration of his period of office. No person may be appointed as an auditor of the Company unless such person is independent of the Company. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution, or in the manner specified in such resolution.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice and any extraordinary general meeting shall be called by not less than 14 days' notice, which 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. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Every notice shall specify the place, the day and the hour of the meeting, particulars of the resolutions and the general nature of the business to be conducted at the meeting. Notwithstanding the foregoing, a general meeting of the Company shall, whether or not the notice specified has been given and whether or not the provisions of the Articles of Association regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

- (a) in the case of an annual general meeting, by all members of the Company entitled to attend and vote at the meeting; and
- (b) in the case of an extraordinary general meeting, by a majority in number of the members having a right to attend and vote at the meeting, together holding not less than 95% in par value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, they may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

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Where a general meeting is postponed:

- (a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, provided that failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;
- (b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and
- (c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where any new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice for such reconvened meeting in accordance with the Articles of Association.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer, which shall be in writing and in any standard form of transfer as prescribed by the Stock Exchange or such other form as the Directors may approve. The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company.

The Directors may decline to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

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- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall notify the transferor and the transferee within two months of such refusal.

The registration of transfers shall be suspended during such periods as the register of members of the Company is closed. The Directors may, on at least 10 business days' notice (or on at least 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may from time to time determine, provided that the register of members shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

Subject to the provisions of the Companies Act, the Company may purchase its own shares provided that (a) the manner of purchase has first been authorised by the members of the Company by ordinary resolution, and (b) any such purchase shall only be made in accordance with any relevant code, rules or regulations issued by the Stock Exchange or the Securities and Futures Commission of Hong Kong from time to time in force.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company may by ordinary resolution resolve to pay dividends and other distributions on shares in issue and authorise payment of the dividends or other distributions out of the funds of the Company lawfully available therefor, provided no dividends shall exceed the amount recommended by the Directors. No dividend or other distribution shall be paid except out of the realised or unreleased profits of the Company, out of the share premium account or as otherwise permitted by law.

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The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may in addition from time to time declare and pay special dividends on shares of such amounts and on such dates as they think fit.

Except as otherwise provided by the rights attached to any shares, all dividends and other distributions shall be paid according to the amounts paid up on the shares that a member holds during any portion or portions of the period in respect of which the dividend is paid. For this purpose no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may deduct from any dividends or other distribution payable to any member of the Company all sums of money (if any) then payable by the member to the Company on account of calls or otherwise. The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.

No dividend shall carry interest against the Company. Except as otherwise provided by the rights attached to any shares, dividends and other distributions may be paid in any currency.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other monies payable in cash in respect of shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the register of members of the Company or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, other distributions, bonuses, or other monies payable in respect of the shares held by them as joint holders.

Any dividend or other distribution which remains unclaimed after a period of six years from the date on which such dividend or distribution becomes payable shall be forfeited and shall revert to the Company.

The Directors, with the sanction of the members of the Company by ordinary resolution, may resolve that any dividend or other distribution be paid wholly or partly by the distribution of specific assets, and in particular (but without limitation) by the distribution of shares, debentures, or securities of any other company or in any one or more of such ways, and where any difficulty arises in regard to such distribution, the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members of the Company upon the basis of the value so fixed in order to adjust the rights of all members, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

A member of the Company entitled to attend and vote at a general meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. Votes may be given either personally or by proxy. A proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting or at any one class meeting.

The instrument appointing a proxy shall be in writing and shall be executed under the hand of the appointor or of his attorney duly authorised in writing, or, if the appointor is a corporation or other non-natural person, under the hand of its duly authorised representative.

The Directors shall, in the notice convening any meeting or adjourned meeting, or in an instrument of proxy sent out by the Company, specify the manner (including by electronic means) by which the instrument appointing a proxy shall be deposited and the place and the time (being not later than the time appointed for the commencement of the meeting or adjourned meeting to which the proxy relates) at which the instrument appointing a proxy shall be deposited.

The instrument appointing a proxy may be in any usual or common form (or such other form as the Directors may approve) and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked.

2.16 Calls on shares and forfeiture of shares

Subject to the terms of the allotment and issue of any shares, the Directors may make calls upon the members of the Company in respect of any monies unpaid on their shares (whether in respect of par value or premium), and each member of the Company shall (subject to receiving at least 14 clear days' notice specifying the times or times of payment) pay to the Company at the time or times so specified the amount called on his shares. A call may be revoked or postponed, in whole or in part, as the Directors may determine. A call may be required to be paid by instalments. A person upon whom a call is made shall remain liable for calls made upon him, notwithstanding the subsequent transfer of the shares in respect of which the call was made.

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A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share.

If a call remains unpaid after it has become due and payable, the person from whom it is due shall pay interest on the amount unpaid from the day it became due and payable until it is paid at such rate as the Directors may determine (and in addition all expenses that have been incurred by the Company by reason of such non-payment), but the Directors may waive payment of the interest or expenses wholly or in part.

If any call or instalment of a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 clear days' notice requiring payment of the amount unpaid together with any interest which may have accrued and any expenses incurred by the Company by reason of such non-payment. The notice shall specify where payment is to be made and shall state if the notice is not complied with the shares in respect of which the call was made will be liable to be forfeited.

If such notice is not complied with, any share in respect of which it was given may, before the payment required by the notice has been made, be forfeited by a resolution of the Directors. Such forfeiture shall include all dividends, other distributions or other monies payable in respect of the forfeited shares and not paid before the forfeiture.

A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors think fit.

A person any of whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares and shall surrender to the Company for cancellation the certificate for the shares forfeited and shall remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, together with interest at such rate as the Directors may determine, but that person's liability shall cease if and when the Company shall have received payment in full of all monies due and payable by them in respect of those shares.

2.17 Inspection of register of members

The Company shall maintain or cause to be maintained the register of members of the Company in accordance with the Companies Act. The Directors may, on giving 10 business days' notice (or 6 business days' notice in the case of a rights issue) by advertisement published on the Stock Exchange's website or, subject to the Listing Rules, in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, close the register of members at such times and for such periods as the Directors may determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine, provided that such period shall not be extended beyond 60 days in any year).

Except when the register is closed, the register of members shall during business hours be kept open for inspection by any member of the Company without charge.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present. Two members of the Company present in person or by proxy, or if a corporation or other non-natural person by its duly authorised representative or proxy, shall be a quorum unless the Company has only one member entitled to vote at such general meeting in which case the quorum shall be that one member present in person or by proxy, or in the case of a corporation or other non-natural person by its duly authorised representative or proxy.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.3 above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

Subject to the rights attaching to any shares, in a winding up:

- (a) if the assets available for distribution amongst the members of the Company shall be insufficient to repay the whole of the Company's paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, on the shares held by them at the commencement of the winding up;
- (b) if the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the Company's paid up capital at the commencement of the winding up, the surplus shall be distributed amongst the members of the Company in proportion to the capital paid up on the shares held by them at the commencement of the winding up.

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If the Company shall be wound up, the liquidator may with the approval of a special resolution of the Company and any other approval required by the Companies Act, divide amongst the members of the Company in kind the whole or any part of the assets of the Company (whether such assets shall consist of property of the same kind or not) and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like approval, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like approval, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12-year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12-year period, the Company has caused an advertisement to be published in the newspapers or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated as a company limited by shares with limited liability under the BVI Business Companies Act (As Revised) in the British Virgin Islands on May 23, 2011 and re-domiciled and continued in the Cayman Islands as an exempted company with limited liability on June 14, 2023 under the Companies Act. As such, its 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 size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The 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 premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia 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 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 such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, 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.

Subject to the detailed provisions of the Companies Act, 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. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors 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,

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there would no longer be any member of the company holding 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company 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 to act 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.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the 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 (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, 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.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) 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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the 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.

10 Inspection of Books and Records

Members of a company will have no general right under the 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.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by (a) 75% in value of shareholders, or (b) a majority in number representing 75% in value of creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 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 require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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.

16 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 Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Restructuring

A company may present a petition to the Grand Court of the Cayman Islands for the appointment of a restructuring officer on the grounds that the company:

- (a) is or is likely to become unable to pay its debts; and
- (b) intends to present a compromise or arrangement to its creditors (or classes thereof) either pursuant to the Companies Act, the law of a foreign country or by way of a consensual restructuring.

The Grand Court may, among other things, make an order appointing a restructuring officer upon hearing of such petition, with such powers and to carry out such functions as the court may order. At any time (i) after the presentation of a petition for the appointment of a restructuring officer but before an order for the appointment of a restructuring officer has been made, and (ii) when an order for the appointment of a restructuring officer is made, until such order has been discharged, no suit, action or other proceedings (other than criminal proceedings) shall be proceeded with or commenced against the company, no resolution to wind up the company shall be passed, and no winding up petition may be presented against the company, except with the leave of the court. However, notwithstanding the presentation of a petition for the appointment of a restructuring officer or the appointment of a restructuring officer, a creditor who has security over the whole or part of the assets of the company is entitled to enforce the security without the leave of the court and without reference to the restructuring officer appointed.

18 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

19 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.

20 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) 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:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

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 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 not party to any double tax treaties that are applicable to any payments made by or to the Company.

21 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

22 General

Maples and Calder (Hong Kong) LLP, the Company’s legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is on display on the websites as referred to in the section headed “Documents Delivered to the Registrar of Companies and Available on Display” in Appendix V. 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/she is more familiar is recommended to seek independent legal advice.

1. FURTHER INFORMATION ABOUT OUR COMPANY**A. Incorporation**

Our Company was incorporated in the BVI with limited liability as offshore holding company on May 23, 2011. Our Company re-domiciled and continued in the Cayman Islands on June 14, 2023 as an exempted company with limited liability with our registered office located at PO Box 309, Uglund House, Grand Cayman, KY1-1104, Cayman Islands.

We have established a place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong, and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on July 14, 2023. Ms. Tam Sze Wai Sara is our process agent for the acceptance of services of process and notices on behalf of our Company in Hong Kong.

As we re-domiciled and continued in the Cayman Islands, we are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant aspects of laws and regulations of the Cayman Islands and our Articles of Association is set out in Appendix III to this prospectus.

B. Changes in the Share Capital of our Company

There has been no alteration in the share capital of our Company during the two years immediately preceding the date of this prospectus.

C. Our Subsidiaries*(a) Subsidiaries*

Certain details of our principal subsidiaries are set forth in the Accountant's Report in Appendix I to this prospectus.

(b) Changes in the share capital of subsidiaries

Save as disclosed in "History, Development and Corporate Structure – Corporate Development", there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

Save for the subsidiaries mentioned in the Accountant's Report set out in Appendix I to this prospectus, our Company has no other subsidiaries.

D. Resolutions of the Shareholders of our Company dated September 25, 2024

On September 25, 2024, the Shareholders of our Company passed, among other things, the following resolutions:

- (a) the Memorandum and the Articles were approved and adopted conditional on and immediately prior to the Listing on the Listing Date;
- (b) subject to and 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 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 authorized to allot and issue a total of 1,632,795,088 Shares credited as fully paid at par to the holders of Shares whose names are entered on the principal register of members of the Company maintained in the Cayman Islands prior to the Capitalization Issue (or as they may direct) in proportion to their respective shareholdings by way of capitalization of the sum of US\$163,279.5088 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;
- (c) the authorized share capital of our Company was increased from US\$50,000 divided into 500,000,000 Shares to US\$500,000 divided into 5,000,000,000 Shares by the creation of an additional 4,500,000,000 Shares;
- (d) the Global Offering, the Listing and the Over-allotment Option were approved, and our Directors were authorized to negotiate and agree the Offer Price and to allot and issue the Offer Shares (including pursuant to the Over-allotment Option);
- (e) a general mandate (the “**Issue Mandate**”) was granted to our Directors to allot, issue and deal with any Shares or securities convertible into Shares (including the power to sell or transfer any treasury shares, and to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued or treasury shares to be sold or transferred) and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following the completion of Global Offering;
- (f) a general mandate (the “**Repurchase Mandate**”) was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the Global Offering;

- (g) the Issue Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the Global Offering; and
- (h) the Post-IPO Share Option Scheme was approved and adopted.

Each of the general mandates referred to above will remain in effect until the earliest of:

- (i) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- (ii) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of our Company; and
- (iii) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

E. Repurchase of our Shares

This section sets out information required by the Stock Exchange to be included in this prospectus concerning the repurchase by us of our own Shares.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own Shares on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchase of shares (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 passed by our Shareholders on September 25, 2024, the Repurchase Mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, not exceeding in aggregate 10% of the total number of Shares in issue immediately following the completion of the Global Offering, with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman Islands law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not make a new issue or announce a proposed new issue of shares for a period of 30 days after any repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the listed company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase made on behalf of the listed company 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 relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of the company resolve to hold the shares purchased by the company as treasury shares, shares purchased by the company shall be treated as cancelled and the amount of the 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 authorized share capital under Cayman Companies Act.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of shares made during the year, including the number of shares repurchased each month (whether on the Stock Exchange or otherwise), the purchase price per share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate price paid.

(vii) Core Connected Persons

A listed company is prohibited from knowingly repurchasing its shares from a “core connected person”, that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling its shares to the company.

(b) Reasons for Repurchase

Our Directors believe that it is in the best interest of us and our Shareholders for our Directors to have general authority from the Shareholders to enable us to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit us and our Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of our Company or out of a new issuance of Shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,996,644,474 Shares in issue immediately following the completion of the Capitalization Issue and the Global Offering, assuming the Over-allotment Option is not exercised and no Shares are issued under the Pre-IPO Share Plan, could accordingly result in up to approximately 199,664,447 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.

No core connected person, as defined in the Listing Rules, has notified us that he/she or it has a present intention to sell his/her or its Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

If, as a result of a repurchase of our Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in our voting rights is increased, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

2. FURTHER INFORMATION ABOUT OUR BUSINESS

A. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material, and a copy of each has been delivered to the Registrar of Companies in Hong Kong for registration:

- (1) the exclusive business cooperation agreement dated May 11, 2023 entered into between Kongshan Network Technologies (Shanghai) Co., Ltd.* (空山網絡科技(上海)有限公司) (“**Shanghai Kongshan**”) and Beijing Kongshan Information Technologies Co., Ltd.* (北京空山信息技術有限公司) (“**Beijing Kongshan**”), pursuant to which Shanghai Kongshan agreed to provide comprehensive business supports, technical services and consultation services to Beijing Kongshan in exchange for service fees (“**Beijing Kongshan Cooperation Agreement**”);
- (2) the exclusive option agreement dated May 11, 2023 entered into among Shanghai Kongshan, Xu Shiwei (許式偉) (“**Mr. Xu**”), Lyu Guihua (呂桂華) (“**Mr. Lyu**”) and Beijing Kongshan, pursuant to which Mr. Xu and Mr. Lyu agreed to grant Shanghai Kongshan an irrevocable and exclusive right to acquire, without additional conditions, from Mr. Xu and Mr. Lyu any or all of their respective equity interests in Beijing Kongshan, and Beijing Kongshan agreed to grant Shanghai Kongshan an irrevocable and exclusive right to acquire, without additional conditions, from Beijing Kongshan any or all of its assets at the lowest purchase price that is permitted by the PRC law (“**Beijing Kongshan Option Agreement**”);
- (3) the power of attorney dated May 11, 2023, executed by Mr. Xu, pursuant to which Mr. Xu irrevocably and unconditionally appointed Shanghai Kongshan as his proxy to exercise all his rights as the shareholder of Beijing Kongshan (“**Xu’s Beijing Kongshan POA**”);
- (4) the power of attorney dated May 11, 2023, executed by Mr. Lyu, pursuant to which Mr. Lyu irrevocably and unconditionally appointed Shanghai Kongshan as his proxy to exercise all his rights as the shareholder of Beijing Kongshan (“**Lyu’s Beijing Kongshan POA**”);
- (5) the equity pledge agreement dated May 11, 2023 entered into among Shanghai Kongshan, Mr. Xu, Mr. Lyu and Beijing Kongshan, pursuant to which Mr. Xu and Mr. Lyu agreed to pledge all of their respective equity interests in Beijing Kongshan to Shanghai Kongshan as a charge to guarantee the performance of the contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement and the power of attorney (“**Beijing Kongshan Pledge Agreement**”);

- (6) the spouse undertaking dated May 11, 2023 executed by Zhou Pei (周培) (“**Ms. Zhou**”), pursuant to which she unconditionally agreed to the arrangements made by Mr. Xu under a series of agreements (including Beijing Kongshan Pledge Agreement, Beijing Kongshan Option Agreement and Xu’s Beijing Kongshan POA) in relation to his equity interests in Beijing Kongshan held and to be held under his name and she undertook not to take any action to compromise the aforementioned agreements;
- (7) the spouse undertaking dated May 11, 2023 executed by Chen Mingxing (陳明星) (“**Ms. Chen**”), pursuant to which she unconditionally agreed to the arrangements made by Mr. Lyu under a series of agreements (including Beijing Kongshan Pledge Agreement, Beijing Kongshan Option Agreement and Lyu’s Beijing Kongshan POA) in relation to his equity interests in Beijing Kongshan held and to be held under his name and she undertook not to take any action to compromise the aforementioned agreements;
- (8) the exclusive business cooperation agreement dated May 11, 2023 entered into between Shanghai Kongshan and Shanghai Qiniu Information Technologies Co., Ltd.* (上海七牛信息技術有限公司) (“**Qiniu Information**”), pursuant to which Shanghai Kongshan agreed to provide comprehensive business supports, technical services and consultation services to Qiniu Information in exchange for service fees (“**2023 Qiniu Cooperation Agreement**”);
- (9) the exclusive option agreement dated May 11, 2023 entered into among Shanghai Kongshan, Mr. Xu, Mr. Lyu and Qiniu Information, pursuant to which Mr. Xu and Mr. Lyu agreed to grant Shanghai Kongshan an irrevocable and exclusive right to acquire, without additional conditions, from Mr. Xu and Mr. Lyu any or all their equity interests in Qiniu Information, and Qiniu Information agreed to grant Shanghai Kongshan an irrevocable and exclusive right to acquire, without additional conditions, from Qiniu Information any or all of its assets at the lowest purchase price that is permitted by the PRC law (“**2023 Qiniu Option Agreement**”);
- (10) the power of attorney dated May 11, 2023, executed by Mr. Xu, pursuant to which Mr. Xu irrevocably and unconditionally appointed Shanghai Kongshan as his proxy to exercise all his rights as the shareholder of Qiniu Information (“**Xu’s 2023 Qiniu POA**”);
- (11) the power of attorney dated May 11, 2023, executed by Mr. Lyu, pursuant to which Mr. Lyu irrevocably and unconditionally appointed Shanghai Kongshan as his proxy to exercise all his rights as the shareholder of Qiniu Information (“**Lyu’s 2023 Qiniu POA**”);
- (12) the equity pledge agreement dated May 11, 2023 entered into among Shanghai Kongshan, Mr. Xu, Mr. Lyu and Beijing Kongshan, pursuant to which Mr. Xu and Mr. Lyu agreed to pledge all of their respective equity interests in Qiniu Information to Shanghai Kongshan as a charge to guarantee the performance of the contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement and the power of attorney (“**2023 Qiniu Pledge Agreement**”);

- (13) the spouse undertaking dated May 11, 2023 executed by Ms. Zhou, pursuant to which she unconditionally agreed to the arrangements made by Mr. Xu under a series of agreements (including 2023 Qiniu Pledge Agreement, 2023 Qiniu Option Agreement and Xu's 2023 Qiniu POA) in relation to his equity interests in Qiniu Information held and to be held under his name and she undertook not to take any action to compromise the aforementioned agreements ("**Zhou's 2023 Qiniu Undertaking**");
- (14) the spouse undertaking dated May 11, 2023 executed by Ms. Chen, pursuant to which she unconditionally agreed to all the arrangements made by Mr. Lyu under a series of agreements (including 2023 Qiniu Pledge Agreement, 2023 Qiniu Option Agreement and Lyu's 2023 Qiniu POA) in relation to his equity interests in Qiniu Information held and to be held under his name and she undertook not to take any action to compromise the aforementioned agreements ("**Chen's 2023 Qiniu Undertaking**");
- (15) the termination agreement dated June 21, 2024 entered into among Shanghai Kongshan, Qiniu Information, Mr. Xu, Mr. Lyu, Ms. Zhou and Ms. Chen, pursuant to which the parties agreed to terminate each of 2023 Qiniu Cooperation Agreement, 2023 Qiniu Option Agreement, 2023 Qiniu Pledge Agreement, Xu's 2023 Qiniu POA, Lyu's 2023 Qiniu POA, Zhou's 2023 Qiniu Undertaking and Chen's 2023 Qiniu Undertaking;
- (16) the exclusive business cooperation agreement dated June 21, 2024 entered into among Shanghai Kongshan, Qiniu Information and Qiniu (Shenzhen) Cloud Computing Co., Ltd.* (七牛(深圳)雲計算有限公司) ("**Qiniu Shenzhen**"), pursuant to which Shanghai Kongshan agreed to provide comprehensive business supports, technical services and consultation services to Qiniu Information and Qiniu Shenzhen in exchange for service fees ("**2024 Qiniu Cooperation Agreement**");
- (17) the exclusive option agreement dated June 21, 2024 entered into among Shanghai Kongshan, Mr. Xu, Mr. Lyu and Qiniu Information, pursuant to which Mr. Xu and Mr. Lyu agreed to grant Shanghai Kongshan an irrevocable and exclusive right to acquire, without additional conditions, from Mr. Xu and Mr. Lyu any or all their equity interests in Qiniu Information, and Qiniu Information agreed to grant Shanghai Kongshan an irrevocable and exclusive right to acquire, without additional conditions, from Qiniu Information any or all of its assets at the lowest purchase price that is permitted by the PRC law ("**2024 Qiniu Information Option Agreement**");
- (18) the exclusive option agreement dated June 21, 2024 entered into among Shanghai Kongshan, Qiniu Information and Qiniu Shenzhen, pursuant to which Qiniu Information agreed to grant Shanghai Kongshan an irrevocable and exclusive right to acquire, without additional conditions, from Qiniu Information any or all its equity interests in Qiniu Shenzhen, and Qiniu Shenzhen agreed to grant Shanghai Kongshan an irrevocable and exclusive right to acquire, without additional conditions from Qiniu Shenzhen any or all of its assets at the lowest purchase price that is permitted by the PRC law ("**2024 Qiniu Shenzhen Option Agreement**");
- (19) the power of attorney dated June 21, 2024, executed by Mr. Xu, pursuant to which Mr. Xu irrevocably and unconditionally appointed Shanghai Kongshan as his proxy to exercise all his rights as the shareholder of Qiniu Information ("**Xu's 2024 POA**");

- (20) the power of attorney dated June 21, 2024, executed by Mr. Lyu, pursuant to which Mr. Lyu irrevocably and unconditionally appointed Shanghai Kongshan as his proxy to exercise all his rights as the shareholder of Qiniu Information (“**Lyu’s 2024 POA**”);
- (21) the power of attorney dated June 21, 2024, executed by Qiniu Information, pursuant to which Qiniu Information irrevocably and unconditionally appointed Shanghai Kongshan as its proxy to exercise all its rights as the shareholder of Qiniu Shenzhen (“**Qiniu Information’s POA**”);
- (22) the equity pledge agreement dated June 21, 2024 entered into among Shanghai Kongshan, Mr. Xu, Mr. Lyu and Qiniu Information, pursuant to which Mr. Xu and Mr. Lyu agreed to pledge all of their respective equity interests in Qiniu Information to Shanghai Kongshan as a charge to guarantee the performance of the contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement and the power of attorney (“**2024 Qiniu Information Pledge Agreement**”);
- (23) the equity pledge agreement dated June 21, 2024 entered into among Shanghai Kongshan, Qiniu Information and Qiniu Shenzhen, pursuant to which Qiniu Information agreed to pledge all of its equity interests in Qiniu Shenzhen to Shanghai Kongshan as a charge to guarantee the performance of the contractual obligations under the exclusive business cooperation agreement, the exclusive option agreement and the power of attorney (“**2024 Qiniu Shenzhen Pledge Agreement**”);
- (24) the spouse undertaking dated June 21, 2024 executed by Ms. Zhou, pursuant to which she agreed to all the arrangements made by Mr. Xu under a series of agreements (including 2024 Qiniu Information Pledge Agreement, 2024 Qiniu Information Option Agreement and Xu’s 2024 POA) in relation to the equity interests in Qiniu Information held and to be held under his name and she undertook not to take any action to compromise the aforementioned agreements;
- (25) the spouse undertaking dated June 21, 2024 executed by Ms. Chen, pursuant to which she agreed to all the arrangements made by Mr. Lyu under a series of agreements (including 2024 Qiniu Information Pledge Agreement, 2024 Qiniu Information Option Agreement and Lyu’s 2024 POA) in relation to the equity interests in Qiniu Information held and to be held under his name and she undertook not to take any action to compromise the aforementioned agreements;
- (26) the assumption agreement entered into on January 31, 2023 between Qiniu Limited and Dream Galaxy Holdings Limited, pursuant to which Dream Galaxy Holdings Limited agreed to adhere to and be bound by all the duties, burdens and obligations of a party holding ordinary shares imposed pursuant to the provisions of the shareholders’ agreement;
- (27) the assumption agreement entered into on January 31, 2023 between Qiniu Limited and Dustland Ltd., pursuant to which Dustland Ltd. agreed to adhere to and be bound by all the duties, burdens and obligations of a party holding ordinary shares imposed pursuant to the provisions of the shareholders’ agreement;

- (28) the assumption agreement entered into on May 11, 2023 between Qiniu Limited and Matrix Partners China II, L.P., pursuant to which Matrix Partners China II, L.P. agreed to adhere to and be bound by all the duties, burdens and obligations of a party holding preferred shares imposed pursuant to the provisions of the shareholders' agreement;
- (29) the assumption agreement entered into on May 11, 2023 between Qiniu Limited and Matrix Partners China II-A, L.P., pursuant to which Matrix Partners China II-A, L.P. agreed to adhere to and be bound by all the duties, burdens and obligations of a party holding preferred shares imposed pursuant to the provisions of the shareholders' agreement;
- (30) the supplemental agreement to the shareholders' agreement entered into on June 26, 2023 among Qiniu Limited, Qiniu (China) Limited, Kongshan Network Technologies (Shanghai) Co., Ltd., Beijing Kongshan Information Technologies Co., Ltd., Shanghai Qiniu Information Technologies Co., Ltd., Shanghai Qiniu Web Technologies Co., Ltd., Qiming Venture Partners III, L.P., Qiming Managing Directors Fund III, L.P., Qiming Venture Partners III Annex Fund L.P., MATRIX PARTNERS CHINA II, L.P., MATRIX PARTNERS CHINA II-A, L.P., CBC Cloud Investment Limited, FG Venture L.P., Golden Valley Holdings Limited, Harvest Yuanxiang (Cayman) Limited, Telstra Ventures Fund II, L.P., Shanghai (Z.J.) Holdings Limited, Shanghai Zhangjiang Science & Technology Venture Capital Co., Ltd., Taobao China Holding Limited, Magic Logistics Investment Limited, Shanghai Shentai Investment Management Partnership (LLP), BOCOM International Asset Management Limited, Qiniu BOCOM International No.1 Equity Fund, Jumbo Sheen Amber LP, EverestLu Holding Limited, Shiwei XU, Dream Galaxy Holdings Limited, Guihua LYU and Dustland Ltd., pursuant to which, the parties thereto agreed, among other things, to terminate the divestment rights and other special rights;
- (31) the second supplemental agreement to the shareholders' agreement entered into on September 25, 2024 among Qiniu Limited, Qiniu (China) Limited, Kongshan Network Technologies (Shanghai) Co., Ltd., Beijing Kongshan Information Technologies Co., Ltd., Shanghai Qiniu Information Technologies Co., Ltd., Qiming Venture Partners III, L.P., Qiming Managing Directors Fund III, L.P., Qiming Venture Partners III Annex Fund L.P., MPC II L.P., MPC II-A L.P., CBC Cloud Investment Limited, FG Venture L.P., Golden Valley Holdings Limited, Harvest Yuanxiang (Cayman) Limited, Titanium Ventures Fund II, L.P., Shanghai (Z.J.) Holdings Limited, Shanghai Zhangjiang Science & Technology Venture Capital Co., Ltd., Taobao China Holding Limited, Magic Logistics Investment Limited, Shanghai Shentai Investment Management Partnership (LLP), BOCOM International Asset Management Limited, Qiniu BOCOM International No.1 Equity Fund, Jumbo Sheen Amber LP, EverestLu Holding Limited, Shiwei XU, Dream Galaxy Holdings Limited, Guihua LYU and Dustland Ltd., pursuant to which, the parties thereto agreed, among other things, to amend the definition and description of the term "Qualified IPO" as defined in exhibit A to the shareholders' agreement;

(32) the cornerstone investment agreement dated September 26, 2024 entered into among Qiniu Limited, Woseon Limited Partnership, Shenwan Hongyuan Capital (H.K.) Limited, BOCOM International (Asia) Limited, Shenwan Hongyuan Securities (H.K.) Limited and BOCOM International Securities Limited, pursuant to which Woseon Limited Partnership agreed to subscribe for 63,900,000 Shares at the Offer Price; and

(33) the Hong Kong Underwriting Agreement.

B. Intellectual Property Rights

(a) Patent

As of the Latest Practicable Date, we have the following patents which are considered by us to be or may be material to our business:

No.	Patent	Registered Owner	Patent No.	Type	Validation Period
1.	數據管理裝置及方法 (Data management device and method)	Qiniu Information	CN201310355089.9	Invention patent	August 15, 2013 to August 14, 2033
2.	一種文件存儲方法、系統及計算機存儲介質 (File storage method, system and computer storage medium)	Qiniu Information	CN201710480364.8	Invention patent	June 22, 2017 to June 21, 2037
3.	一種分佈式存儲內存管理方法、系統及計算機存儲介質 (Distributed storage memory management method, system and computer storage medium)	Qiniu Information	CN201710480382.6	Invention patent	June 22, 2017 to June 21, 2033
4.	一種媒體播放方法、裝置以及媒體播放系統 (Media playing method, device and media playing system)	Qiniu Information	CN201810476477.5	Invention patent	May 17, 2018 to May 16, 2038
5.	一種驗證方法以及系統 (A verification method and system)	Qiniu Information	CN201811227621.8	Invention patent	October 22, 2018 to October 21, 2038






No.	Patent	Registered Owner	Patent No.	Type	Validation Period
6.	音視頻傳輸帶寬自適應方法 (Audio and video transmission bandwidth adaptive method)	Qiniu Information	CN202010876742.6	Invention patent	August 27, 2020 to August 26, 2040
7.	一種內容分發網路的緩存讀寫系統和方法 (Cache reading and writing system and method of content distribution network)	Qiniu Information	CN202010937835.5	Invention patent	September 9, 2020 to September 8, 2040
8.	音視頻的連麥合流方法、裝置、電子設備及存儲介質 (Method, device, electronic equipment and storage medium for connecting and merging audio and video)	Qiniu Information	CN202010953283.7	Invention patent	September 11, 2020 to September 10, 2040
9.	一種RTMP快速發佈和訂閱方法 (A rapid RTMP publishing and subscription method)	Qiniu Information	CN202010955088.8	Invention patent	September 12, 2020 to September 11, 2040
10.	基於http-dns的動態視頻流接入系統及方法 (Dynamic video stream access system and method based on http-dns)	Qiniu Information	CN202010998220.3	Invention patent	September 22, 2020 to September 21, 2040
11.	一種文件系統的用戶操作發現方法和裝置 (An identification approach and device for user operation of document system)	Qiniu Information	CN201110302797.7	Invention patent	September 30, 2011 to September 29, 2031
12.	一種內容分發網路緩存節點的熱點均衡方法及系統 (A hotspot balancing approach and system for cache nodes in content delivery network)	Qiniu Information	CN202011259526.3	Invention patent	November 12, 2020 to November 11, 2040

No.	Patent	Registered Owner	Patent No.	Type	Validation Period
13.	域名帶寬成本優化式投放方法、裝置及計算機設備 (A domain bandwidth cost optimizing-based display approach, device and computer and equipment)	Qiniu Information	CN202110175220.8	Invention patent	February 7, 2021 to February 6, 2041
14.	一種在RTC網絡中對合流任務動態均衡調度方法及系統 (A dynamic balancing dispatch approach and system for combined streaming tasks in the RTC network)	Qiniu Information	CN202110069188.5	Invention patent	January 19, 2021 to January 18, 2041

(b) Trademarks

(i) Registered Trademarks

As of the Latest Practicable Date, our Group had registered the following trademarks which we consider to be material to our Group's business:

No.	Trademark	Registered Owner	Class	Registration Number	Application/ Registration Date	Place of Application/ Registration	Expiry Date
1.		Shanghai Kongshan	42	14056050	April 21, 2015	PRC	April 20, 2025
2.		Shanghai Kongshan	42	14056063	April 21, 2015	PRC	April 20, 2025
3.		Shanghai Kongshan	42	19171161	April 7, 2017	PRC	April 6, 2027
4.		Shanghai Kongshan	42	19214123	April 14, 2017	PRC	April 13, 2027
5.		Shanghai Kongshan	9	23499959	December 14, 2019	PRC	December 13, 2029

No.	Trademark	Registered Owner	Class	Registration Number	Application/ Registration Date	Place of Application/ Registration	Expiry Date
6.		Shanghai Kongshan	9	23500026	September 7, 2019	PRC	September 6, 2029
7.		Shanghai Kongshan	9	23500467	December 14, 2019	PRC	December 13, 2029
8.		Shanghai Kongshan	42	23500333	November 28, 2018	PRC	November 27, 2028
9.		Shanghai Kongshan	42	23500300	November 28, 2018	PRC	November 27, 2028
10.		Shanghai Kongshan	9, 42	304434570	February 14, 2018	Hong Kong	February 13, 2028
11.		Shanghai Kongshan	9, 42	304434589	February 14, 2018	Hong Kong	February 13, 2028
12.		Shanghai Kongshan	9, 42	304434598	February 14, 2018	Hong Kong	February 13, 2028
13.		Shanghai Kongshan	9, 42	304434606	February 14, 2018	Hong Kong	February 13, 2028
14.		Qiniu Information	9, 42	306286997	July 5, 2023	Hong Kong	July 4, 2033

(c) Domain Name

As of the Latest Practicable Date, the following domain names have been registered in the name of the relevant members of our Group which are considered by us to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1.	cloudn.com	Qiniu Information	April 14, 2025
2.	cloudvsn.com	Qiniu Information	February 24, 2025
3.	qiniu.com	Qiniu Information	November 8, 2024
4.	qiniudns.com	Qiniu Information	July 30, 2025

(d) Copyright

As of the Latest Practicable Date, the following copyrights have been registered in the name of the relevant members of our Group which are considered by us to be or may be material to our business:

No.	Copyright	Registered Owner	Registration Number	Registration Date	Expiry Date
1.	七牛雲音視頻處理系統V1.0 (Qiniu Cloud Audio and Video Processing System V1.0)	Qiniu Information	2016SR048499	March 9, 2016	December 31, 2064
2.	七牛雲直播軟件V1.0 (Qiniu Cloud Live Broadcast Software V1.0)	Qiniu Information	2016SR046218	March 7, 2016	December 31, 2065
3.	七牛雲短視頻軟件(IOS版)(Qiniu Cloud short video software (IOS version))	Qiniu Information	2018SR324567	May 10, 2018	December 31, 2067
4.	七牛雲短視頻軟件(Android版) (簡稱：七牛雲短視頻軟件)V1.0 Qiniu Cloud short video software(Android version) V1.0 (Abbreviation: Qiniu Cloud short video software)	Qiniu Information	2018SR222786	March 30, 2018	December 31, 2067
5.	七牛雲QCDN緩存系統服務V1.0 (Qiniu Cloud QCDN cache system service V1.0)	Qiniu Information	2020SR1271834	December 31, 2020	December 31, 2066
6.	七牛雲企業級對象存儲軟件 (簡稱：Kodo Enterprise) V3.0 (Qiniu Cloud Enterprise Object Storage software V3.0 (Abbreviation: Kodo Enterprise) for short)	Qiniu Information	2021SR0857771	June 8, 2021	December 31, 2071
7.	七牛雲企業級大數據存儲軟件 V3.0 (Qiniu Cloud Enterprise Big Data Storage Software V3.0)	Qiniu Information	2023SR0559074	May 23, 2023	December 31, 2073

3. FURTHER INFORMATION ABOUT OUR DIRECTORS**A. Particulars of Directors' Service Contracts and Appointment Letters***(a) Executive Directors*

Each of our executive Directors has entered into a service contract with our Company for a term of three years.

(b) Non-executive Director

Our non-executive Director has entered into a letter of appointment with our Company for a term of three years.

(c) Independent Non-executive Directors

Each of our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years.

Except as aforesaid, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

B. Directors' Remuneration

Save as disclosed in "Directors and Senior Management — Remuneration Policy" and under Note 8 to the financial information in the Accountant's Report set out in Appendix I to this prospectus, no Director received any other fees, salaries, allowances, share based compensation, pension schemes contribution and other benefits in kind (if applicable) from our Company in respect of each of the year ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024.

It is estimated that under the arrangements currently in force, total remuneration (including fees, salaries, pension schemes contribution and other benefits, excluding any share based compensation) in an amount of approximately RMB4.9 million will be payable by our Company to our Directors for the year ending December 31, 2024 for their services as our Directors.

There is no arrangement under which any Director has waived or agreed to waive any remuneration of benefits in kind during the Track Record Period.

4. DISCLOSURE OF INTERESTS

A. Substantial Shareholders

For information on the persons (other than our Directors and chief executive of our Company) who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying the rights to vote in all circumstances at general meetings of our Company, see “Substantial Shareholder” for further details.

Save as disclosed above, our Directors and chief executive are not aware of any person, not being a Director and chief executive of our Company, who has an interest or short position in the shares and underlying shares of our Company which, once our Shares are listed, would have to be disclosed to us 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

B. Directors or Chief Executive

(a) Interests and short positions of our Directors in the share capital of our Company and its associated corporations following completion of the Capitalization Issue and the Global Offering

Immediately following completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Plan), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests in Shares and underlying Shares

Name of Director or chief executive	Nature of interest	Number of securities after the Capitalization Issue and the Global Offering	Approximate percentage of interest in our Company immediately after the Capitalization Issue and the Global Offering ⁽¹⁾
Mr. Xu	Interest in controlled corporation ⁽²⁾	329,861,880	16.5208%
	Interest of a party to an agreement ⁽³⁾	742,707,099	37.1978%
Ms. Chen Yiling	Beneficial owner	50,400,000 ⁽⁴⁾	2.5242%
Mr. Lyu	Interest in controlled corporation ⁽⁵⁾	108,052,380	5.4117%

Notes:

- (1) The calculation is based on the total number of 1,996,644,474 Shares in issue immediately after completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no Shares are issued pursuant to the Pre-IPO Share Plan).
- (2) Mr. Xu is interested in 329,861,880 Shares held by Dream Galaxy, a company wholly owned by Mr. Xu.
- (3) Under the Voting Proxy Arrangements, Mr. Xu will be entitled to exercise the voting rights attached to 742,707,099 Shares in aggregate, representing approximately 37.1978% of shareholding interest in the Company immediately following the completion of the Global Offering. See “History, Development and Corporate Structure – Voting Proxy Arrangements.” for details.
- (4) Ms. Chen Yiling is interested in 50,400,000 share options (as adjusted pursuant to the Capitalization Issue) granted to her under the Pre-IPO Share Plan.
- (5) Mr. Lyu is interested in 108,052,380 Shares held by Dustland, a company wholly owned by Mr. Lyu.

(b) Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group, See “Substantial Shareholders”.

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group.

C. Disclaimers

Save as disclosed in this prospectus:

- (a) save as disclosed in “4. Disclosure of Interests” in this Appendix, none of our Directors or chief executive of our Company has any interests and short positions in the Shares, underlying Shares and debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which have, or are deemed to have, been taken under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to us and the Stock Exchange, in each case once our Shares are listed;
- (b) none of our Directors is a director or employee of a company which is expected to have an interest in our Shares falling to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO once our Shares are listed on the Stock Exchange;
- (c) none of our Directors nor any of the parties listed in “6. Other Information – F. Qualification of Experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;
- (d) none of our Directors nor any of the parties listed in “6. Other Information – F. Qualification of Experts” of this Appendix is interested in our promotion, or in any assets which have, within 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 our Company;
- (e) none of the parties listed in the paragraph headed “6. Other Information – F. Qualification of Experts” of 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 our securities; and
- (f) none of our Directors or their respective associates or any Shareholders of our Company (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 customers for each year/period during the Track Record Period.

5. SHARE OPTION SCHEMES

A. Pre-IPO Share Plan

The following is a summary of the principal terms of the Pre-IPO Share Plan.

(a) Purpose

The purposes of this Pre-IPO Share Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentives to selected employees, directors, and consultants and to promote the success of our Company's business by offering these individuals or entities an opportunity to acquire a proprietary interest in the success of our Company, or to increase this interest by permitting them to acquire shares. The Pre-IPO Share Plan provides both for the direct award or sale of shares and for the grant of share options to purchase shares.

(b) Who may join

- (i) only Service Providers, or trusts or companies established in connection with any employee benefit plan of the Company (including the Pre-IPO Share Plan) for the benefit of a Service Provider, are eligible for the grant of shares under the Pre-IPO Share Plan.
- (ii) only Employees are eligible for the grant of share options under the Pre-IPO Share Plan.

“Employees” means (1) employees (including directors and officers) of our Company, our holding companies and our subsidiaries; and (2) our Directors.

“Service Providers” means (1) Employees; and (2) any person who is engaged by the Company, our holding companies, our subsidiaries or variable interest entity whose financial statements are intended to be consolidated with our Company, our holding companies or our subsidiaries to render bona fide consulting or advisory services to such entity and who is compensated for the services.

(c) Administration

The Pre-IPO Share Plan shall be administered by the chief executive officer of our Company or such other person approved and appointed by the Board as the administrator (the “**Administrator**”) or his delegates.

(d) Grant of the shares or Right to Purchase shares

Pursuant to the Pre-IPO Share Plan, each grantee of the shares or the right to purchase shares (the “**Share Purchase Right**”) is required to accept the award by entering into a share award agreement (the “**Share Award Agreement**”) or a share purchase agreement (the “**Restricted Share Purchase Agreement**”) (as the case may be), which set forth the terms and conditions of the relevant grant of shares or Share Purchase Right (as the case may be), with our Company.

- (i) Duration of offers of Share Purchase Right – any Share Purchase Rights granted shall automatically expire if not exercised within 30 days (or such longer time as is specified in the Restricted Share Purchase Agreement) after the Date of Grant.
- (ii) Purchase price – the purchase price, if any, shall be determined by the Administrator in its sole discretion as set forth in the applicable Restricted Share Purchase Agreement or Share Award Agreement.
- (iii) Restrictions on Transfer of shares – any shares awarded or sold pursuant to Share Purchase Right shall be subject to such special forfeiture conditions, rights of repurchase or redemption, rights of first refusal, market stand-offs, and other transfer restrictions as the Administrator may determine. The restrictions described in the preceding sentence shall be set forth in the applicable Restricted Share Purchase Agreement or Share Award Agreement, as applicable, and shall apply in addition to any restrictions that may apply to holders of shares generally.

(e) Grant of the Share Options

Pursuant to the Pre-IPO Share Plan, each grantee of the share options is required to accept the share options by entering into an option agreement (the “**Option Agreement**”), which set forth the terms and conditions of the relevant grant of share options, with our Company. No consideration is required to be paid by the relevant grantee to accept the grant of share options.

- (i) Time of exercise of option – each Option Agreement shall specify the date when all or any instalment of the Option is to become exercisable. Each Option Agreement shall also specify the term of the relevant share options granted to an eligible person; provided, however, that the term shall not exceed ten (10) years from the date of grant.
- (ii) Price of shares – the exercise price per share in respect of any particular share option granted under the Pre-IPO Share Plan shall be as set forth in the relevant Option Agreement.

- (iii) Termination – unvested share options shall lapse and shall not be vested in the relevant selected grantee upon the occurrence of any of the following events:
- a grantee ceases to be a Service Provider for any reason other than because of death, then the grantee’s share options shall expire on the earliest of the following occasions:
 - (A) the expiration date of such share options;
 - (B) the 30th day following the termination of the grantee’s relationship as a Service Provider for any reason other than disability, or such later date as specify in the Option Agreement; or
 - (C) the last day of the six-month period following the termination of the grantee’s relationship as a Service Provider by reason of disability, or such later date as specify in the Option Agreement.
 - in the case of that a grantee dies while a Service Provider, then the grantee’s share options shall expire on the earlier of the following dates:
 - (A) the expiration date;
 - (B) the last day of the six-month period immediately following the grantee’s death, or such later date as specify in the Option Agreement.

(f) Rights are personal to grantee

Any grant of shares, Share Purchase Right or share option is personal to the grantee and may be exercised in whole or in part. No grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party unless (i) by will or applicable laws of descent and distribution or pursuant to a qualified domestic relations order or (ii) by trusts or companies established in connection with any employee benefit plan of our Company (including the Pre-IPO Share Plan) for the benefit of a Service Provider or Service Providers.

(g) Ranking of shares

The shares awarded, purchased, or to be allotted upon the exercise of an option will not carry voting rights until completion of the registration of the grantee (or any other person) as the holder thereof. Subject as aforesaid, shares to be allotted on the exercise of options will rank *pari passu* and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation as attached to the fully-paid shares in issue on the date of issue, in particular but without prejudice to the generality of the foregoing, in respect of voting, transfer and other rights including those arising on a liquidation of the Company and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

(h) *Maximum number of shares to be granted or issued*

The maximum number of shares which may be granted or allotted and issued pursuant to the share options granted under the Pre-IPO Share Plan shall not exceed 18,107,143 shares (without taking into account effect of the Capitalization Issue) (as appropriately adjusted for subsequent stock splits, stock dividends and the like).

(i) *Effect of alterations to capital*

Subject to any required action by the members of the Company in accordance with applicable law, the class(es) and number and type of shares of each outstanding award (not being returned, cancelled or expired pursuant to the terms of the Pre-IPO Share Plan), as well as the purchase price per share or the exercise price per share option, shall be proportionately adjusted for any increase, decrease, or change in the number or type of outstanding shares or other securities of the Company or exchange of outstanding shares or other securities of the Company into or for a different number or type of shares or other securities of the Company or successor entity, or for other property (including, without limitation, cash) or other change to the shares resulting from a share split, reverse share split, share dividend, dividend in property other than cash, combination of shares, exchange of shares, combination, consolidation, recapitalization, reincorporation, reorganization, change in corporate structure, reclassification, or other distribution of the shares effected without receipt of consideration by the Company. The adjustment shall be made by our Board, whose determination shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of equity securities of the Company of any class, or securities convertible into equity securities of the Company of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number, type, or price of shares subject to an award.

(j) *Termination*

The Pre-IPO Share Plan shall terminate on the earlier of:

- (i) the 20th anniversary date of the date of adoption; and
- (ii) such date of early termination as determined by the Board.

As of the Latest Practicable Date, no shares or the Share Purchase Right had been granted pursuant to the Pre-IPO Share Plan.

(k) Outstanding Grants

As of the Latest Practicable Date, the total number of outstanding share options granted under the Pre-IPO Share Plan is 14,654,577 options, and if exercised in full, representing approximately 7.2% of the issued share capital of our Company immediately before completion of the Capitalization Issue and the Global Offering or 131,891,193 Shares (as adjusted pursuant to the Capitalization Issue) (the “**Adjusted Shares**”), representing approximately 6.5% of the issued share capital of our Company immediately after completion of the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option.

The table below shows the details of share options granted to our Directors and members of our senior management under the Pre-IPO Share Plan:

Name	Relationship with our Group	Address	Date of Grant	Expiry date	No. of underlying shares pursuant to the options granted (before adjustment for the Capitalization Issue)	No. of underlying Shares pursuant to the options granted (as adjusted for the Capitalization Issue)	Exercise price (as adjusted for the Capitalization Issue)	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering ¹	Exercisable period
Chen Yiling	Executive Director	Room 1803, No. 8, Lane 1515, Zhangyang Road, Pudong New District, Shanghai, PRC	October 8, 2014	October 8, 2034	500,000	50,400,000	US\$0.0459 to US\$0.1889	2.47%	From the date of vesting to expiry date
			November 25, 2018	November 25, 2028	500,000				
			January 25, 2019	January 25, 2029	500,000				
			August 25, 2020	August 25, 2030	900,000				
			October 25, 2022	October 25, 2032	3,200,000				

APPENDIX IV
STATUTORY AND GENERAL INFORMATION

Name	Relationship with our Group	Address	Date of Grant	Expiry date	No. of underlying shares pursuant to the options granted (before adjustment for the Capitalization Issue)	No. of underlying Shares pursuant to the options granted (as adjusted for the Capitalization Issue)	Exercise price (as adjusted for the Capitalization Issue)	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering ¹	Exercisable period
Han Bin	Chief financial officer	Lane 899, North Zhongshan Road, Jing'an District, Shanghai, PRC	May 25, 2023	May 25, 2033	2,000,000	18,000,000	US\$0.1667	0.88%	From the date of vesting to expiry date
Zhang Yuanhao	Head of finance department and a joint company secretary	Lane 828, Chenhui Road, Pudong New District, Shanghai, PRC	August 25, 2015	August 25, 2025	5,000	765,000	US\$0.0459 to US\$0.3000	0.04%	From the date of vesting to expiry date
			March 25, 2016	March 25, 2026	15,000				
			September 25, 2019	September 25, 2029	35,000				
			April 25, 2022	April 25, 2032	30,000				
Li Lina	Head of human resources department	Lane 399, Zhujiagang Road, Pudong New District, Shanghai, PRC	February 25, 2018	February 25, 2028	5,000	1,089,684	US\$0.1667 to US\$0.3000	0.05%	From the date of vesting to expiry date
			September 25, 2019	September 25, 2029	35,000				
			August 25, 2020	August 25, 2030	10,000				
			May 25, 2023	May 25, 2033	71,076				

Name	Relationship with our Group	Address	Date of Grant	Expiry date	No. of underlying shares pursuant to the options granted (before adjustment for the Capitalization Issue)	No. of underlying Shares pursuant to the options granted (as adjusted for the Capitalization Issue)	Exercise price (as adjusted for the Capitalization Issue)	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering ¹	Exercisable period
Jiang Wenlong	Deputy chief technical officer	Lane 198, Qianhui Road, Pudong New District, Shanghai, PRC	August 1, 2013	August 1, 2033	300,000	9,900,000	US\$0.0150 to US\$0.1667	0.49%	From the date of vesting to expiry date
			August 1, 2014	August 1, 2034	200,000				
			November 25, 2018	November 25, 2028	150,000				
			January 25, 2019	January 25, 2029	150,000				
			November 25, 2022	November 25, 2032	300,000				

Note:

1. Assuming that the Over-allotment Option is not exercised and no shares are issued pursuant to the Pre-IPO Share Plan.

Save as disclosed above, no share options had been granted to our Directors, members of senior management or any connected persons under the Pre-IPO Share Plan.

Save as the five grantees disclosed above, the remaining 117 grantees who are not members of our Directors, members of our senior management or connected persons of our Company have been granted options to subscribe for 5,748,501 shares immediately before the completion of the Capitalization Issue (or 51,736,509 Adjusted Shares) under the Pre-IPO Share Plan. Please refer to below table for details.

Range of outstanding shares for options granted immediately before the Completion of the Capitalization Issue	Total number of grantees	Date of grant	Expiry date	No. of underlying shares pursuant to the options granted (before adjustment for the Capitalization Issue)	No. of underlying Shares pursuant to the options granted (as adjusted for the Capitalization Issue)	Exercise price (as adjusted for the Capitalization Issue)	Approximate percentage of enlarged issued share capital of our Company immediately after completion of the Global Offering ¹	Exercisable period
1 to 9,999	44	June 5, 2015 to August 25, 2024	June 5, 2025 to August 25, 2034	180,334	1,623,006	US\$0.05 to US\$0.3	0.08%	From the date of vesting to expiry date
10,000 to 99,999	60	August 1, 2013 to August 25, 2024	June 5, 2025 to August 25, 2034	1,880,667	16,926,003	US\$0.015 to US\$0.3	0.83%	From the date of vesting to expiry date
100,000 to 999,999	13	August 1, 2013 to August 25, 2024	February 25, 2026 to August 25, 2034	3,687,500	33,187,500	US\$0.015 to US\$0.3	1.63%	From the date of vesting to expiry date

Note:

1. calculated based on 1,996,644,474 Shares in issue immediately after completion of the Capitalization Issue and the Global Offering (assuming that the Over-allotment Option is not exercised and no shares are issued pursuant to the Pre-IPO Share Plan).

As of the Latest Practicable Date, taking into account the options granted, repurchased and lapsed, all the options available for granting under the Pre-IPO Share Plan have been fully granted and no further options could be granted pursuant to the Pre-IPO Share Plan.

Assuming full exercise of the outstanding share options under the Pre-IPO Share Plan, the shareholding of our Shareholders and earnings per Share immediately following the Global Offering will be diluted by approximately 6.5%, calculated based on 2,152,498,167 Shares in issue immediately after the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

Application has been made to the Stock Exchange for the listing of, and permission to deal in, on the Main Board our shares which may be issued pursuant to the exercise of the share options granted under the Pre-IPO Share Plan.

Our Company has applied for, and has been granted, (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix D1A to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance. See “Waivers and Exemptions from Strict Compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance” in this prospectus for details.

B. Post-IPO Share Option Scheme

Pursuant to the shareholders’ resolutions dated September 25, 2024, we conditionally adopted the Post-IPO Share Option Scheme taking effect upon the Listing. A summary of the principal terms of the Post-IPO Share Option Scheme is set out below.

(a) Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to enable our Company to grant share options (“**Share Options**”) to Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to our Company and/or any of its subsidiaries, to retain high-calibre employees and to maintain long term relationships with Service Providers (as defined below). The Directors consider that it is appropriate to reward selected participants’ contribution to our Group by granting Share Options to them since it will link the value of our Company with the interests of the selected participants and will provide them with an incentive to work for the interests of our Group.

(b) Who may join

The Directors may, at their absolute discretion, invite any person belonging to any of the following classes of participants (“**Eligible Participants**”), to take up Share Options to subscribe for Shares:

1. directors and employees of any member of our Group (including persons who are granted Share Options or awards under the scheme as an inducement to enter into employment contracts with any member of our Group) (the “**Employee Participants**”);
2. directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company (the “**Related Entity Participants**”); and

3. persons 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 and exclude (for the avoidance of doubt) (A) placing agents or financial advisers providing advisory services for fund-raising, mergers or acquisitions, (B) professional service providers (such as auditors or valuers) who provide assurance, or are required to perform their services with impartiality and objectivity (“**Service Providers**”), who fall under the following category or categories or who may meet with the eligibility criteria below:
- (i) suppliers: Service Providers under this category are mainly suppliers, which supply cloud services and electronic equipments;
 - (ii) contractors, agents, consultants and advisers: Service Providers under this category are mainly independent contractors, agents, consultants and advisers who provide design, research, development or other support or any advisory, consultancy, professional or other services to our Group on areas relating to our Group’s main businesses and/or other principal business activity(ies) that may be carried out by our Group from time to time, or on areas that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of our Group by way of introducing new customers or business opportunities to our Group and/or applying their specialised skills and/or knowledge in the abovementioned fields; or
 - (iii) business and joint venture partners: Service Providers under this category are mainly business and joint venture partners who provide services to our Group on areas that are desirable and necessary from a commercial perspective and help maintain or enhance the competitiveness of our Group by way of introducing new customers or business opportunities to our Group.

The eligibility of any of the Eligible Participants to the grant of Share Options shall be determined by the Directors from time to time on the basis of the Directors’ opinion as to his/her contribution to the development and growth of our Group.

(c) Offer and grant of Share Options

No grant of Share Options shall be made after inside information has come to our Company’s knowledge until (and including) the trading day after our Company has announce such inside information pursuant to the requirements of the Listing Rules. In particular, no Share Options shall be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company’s results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for our Company to publish an announcement of results for any year or half-year period in accordance with the Listing Rules (whether or not required under the Listing Rules).

If the Board determines to offer a Share Options to an Eligible Participant, the Board shall forward to the relevant Eligible Participant a letter which states (the “**Offer Letter**”), among others, (a) the Eligible Participant’s name, address and occupation; (b) the Offer Date (as defined below); (c) the acceptance date; (d) the commencement date of the Share Option Period (as defined below); (e) the Vesting Period (as defined below) and vesting conditions (if any); (f) the number of Shares in respect of which the Share Option is offered; (g) the Exercise Price (as defined below) and the manner of payment of the Exercise Price for the Shares on and in consequence of the exercise of the Share Option; (h) the expiry date in relation to that Share Option; (i) the method of acceptance of the Share Option; and (j) such other terms and conditions relating to the offer of the Share Option which in the opinion of the Board are fair and reasonable but not being inconsistent with the Post-IPO Share Option Scheme and the Listing Rules.

An offer of the grant of a Share Option (“**Offer**”) shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of offer duly signed by the grantee (“**Scheme Grantee**”) with the number of Shares in respect of which such offer is accepted clearly stated therein, together with a remittance in favor of our Company of HK\$1.0 by way of consideration for the grant thereof is received by our Company with 7 days from the Offer Date (as defined below). Such remittance shall in no circumstances be refundable and shall be deemed as part payment of the exercise price. Once accepted, the Share Option is granted as from the Offer Date (as defined below).

(d) Exercise price

The exercise price of a Share Option (“**Exercise Price**”) shall be such price as determined by the Board in its absolute discretion at the time of the grant of the relevant option (and shall be stated in the Offer Letter), but in any case the Exercise Price shall must be at least the higher of:

1. the closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, which must be a Business Day (the “**Offer Date**”);
2. the average closing price of the Shares as stated in the daily quotation sheets of the Stock Exchange for the five (5) Business Days immediately preceding the Offer Date; and
3. the nominal value of a Share.

(e) Maximum number of Shares and maximum entitlement of an Eligible Participant

The maximum number of Shares in respect of which Share Options granted under the Post-IPO Share Option Scheme or Share Options and awards granted under the other schemes may be granted is ten (10) per cent. (the “**Scheme Mandate Limit**”) of the Shares in issue as at the Listing Date. For the avoidance of doubt, awards already granted before Listing under the Pre-IPO Share Plan will not affect this scheme limit, which relates to awards to be granted after this scheme becomes effective (being the Listing Date).

The maximum number of Shares in respect of which Share Options granted under the Post-IPO Share Option Scheme or Share Options and awards granted under the other schemes may be granted to the Service Providers is two (2) per cent. (the “**Service Provider Sublimit**”) of the Shares in issue as at the Listing Date, which is within the Scheme Mandate Limit. The basis for determining the Service Provider Sublimit includes the potential dilution effect arising from grants to the Service Providers, and the importance of striking a balance between achieving the purpose of the Post-IPO Share Option Scheme and protecting Shareholders from the dilution effect from granting a substantial amount of Share Options to the Service Providers, the actual or expected increase in our Group’s revenue or profits which is attributable to the Service Providers, the extent of use of Service Provider in our Group’s business, the current payment and/or settlement arrangement with the Service Providers, and the fact that our Company expects that a majority of Share Options will be granted to Employee Participants and as such there is a need to reserve a larger portion of the Scheme Mandate Limit for grants to the Employee Participants. Given the above, the Directors considered that a sublimit of 2% would not lead to an excessive dilution of existing Shareholders’ holdings.

Considering that there are no other share schemes involving grant of Share Options over new Shares, our Group’s hiring practice and organisational structures and that the Service Providers have contributed to the long-term growth of our businesses, the Board is of the view that the Service Provider Sublimit is appropriate and reasonable as it provides flexibility to grant Share Options to the Service Providers to achieve the purpose of the Post-IPO Share Option Scheme and the low threshold of 2% can provide adequate safeguard against excessive dilution.

Share Options lapsed in accordance with the terms of the Post-IPO Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit and the Service Provider Sublimit.

Our Company may seek approval of the Shareholders, any controlling shareholders and their associates (or if there is no controlling shareholder, directors (excluding independent non-executive directors) and the chief executive of our Company and their respective associates) in general meeting for refreshing the Scheme Mandate Limit (including the Service Provider Sublimit) after three (3) years from the date of the Shareholders’ approval for the last refreshment or the adoption of the Post-IPO Share Option Scheme.

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 listed issuer under the scheme mandate as “refreshed” must not exceed 10% of Shares in issue (excluding treasury Shares) as at the date of approval of the refreshed scheme mandate. A circular containing the information required under the Listing Rules shall be sent to the Shareholders in connection with the meeting at which their approval will be sought.

The total number of Shares issued and to be issued upon exercise of the Share Options and awards granted to each Eligible Participant (excluding any awards lapsed in accordance with the terms of the Post-IPO Share Option Scheme) in any 12-month period shall not exceed 1% of the Shares in issue (excluding treasury Shares) (the “**Individual Limit**”). Any further grant of Share Options or awards to an Eligible Participant which would result in the Shares issued and to be issued upon exercise of all Share Options and awards granted and to be granted to such Eligible Participant (excluding any awards lapsed in accordance with the terms of the Post-IPO Share Option Scheme) in the 12-month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to our Shareholders’ approval in general meeting with such Eligible Participant and his or her close associates (as defined under the Listing Rules, or his or her associate if the Participant is a connected person) abstaining from voting. A circular containing the information required under the Listing Rules shall be sent to the Shareholders. The number and terms (including the exercise price) of the Share Options to be granted to such Scheme Grantee must be fixed before the Shareholders’ approval is sought and the date of the meeting of the Board for proposing such further grant of Share Option should be taken as the date of grant for the purpose of calculating the exercise price.

(f) Grant of Share Options to Directors, Chief Executive or Substantial Shareholders or any of their respective associates

Any grant of Share Options to an Eligible Participant who is a Director, chief executive or substantial shareholder (as defined in the Listing Rules) of our Company or their respective associates shall be approved by the independent non-executive Directors (excluding any independent non-executive director who is the grantee of the options or awards).

Where our Board proposes to grant any option to an Eligible Participant who is an independent non-executive Director of our Company or a substantial shareholder (with the meaning as ascribed under the Listing Rules) of our Company, or any of their respective associates would result in our Shares issued and to be issued upon exercise of all Share Options and awards already granted and to be granted under the Post-IPO Share Option Scheme and any other share schemes of our Company (excluding any options and awards lapsed in accordance with the terms of the Post-IPO Share Option Scheme) to him/her in the 12-month period up to and including the proposed Offer Date of such grant representing in aggregate more than 0.1% of the total number of Shares in issue (excluding treasury Shares) on the Offer Date, such grant shall be subject to, in addition to the approval of the independent non-executive Directors, the issue of a circular by our Company to its shareholders and the approval of the Shareholders in general meeting at which the relevant Scheme Grantee, his/her associates and all core connected persons of the listed issuer must abstain from voting in favour at such general meeting.

Any change in the terms of Share Options or awards granted to any Scheme Grantee who is a Director, chief executive or substantial shareholder of our Company, or any of their respective associates, must be approved by the Shareholders in general meeting (with such Scheme Grantee, his associates and all core connected person of our Company abstaining from voting in favour), if the initial grant of the Share Options or awards requires such approval (except where the changes take effect automatically under the existing terms of the Post-IPO Share Option Scheme). In such connection, our Company shall comply with the requirements under Rules 13.40, 13.41 and 13.42 of the Listing Rules (or the successor provisions then prevailing).

(g) Exercise of Share Options

A Share Option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during the period to be determined by our Board at its absolute discretion and notified by our Board to each Scheme Grantee as being the period during which a Share Option may be exercised and in any event, such period shall not be longer than ten (10) years from the date upon which any particular option is granted in accordance with the Post-IPO Share Option Scheme (“**Share Option Period**”).

Our Company has no intention to use treasury shares, if any, for the Post-IPO Share Option Scheme.

(h) Vesting

The vesting period for all Share Options granted under the Post-IPO Share Option Scheme (the “**Vesting Period**”) shall be the period starting from the Offer Date and ending on the date that the respective Scheme Grantee becomes entitled to exercise his Share Option. The Vesting Period shall not be less than twelve (12) months. A shorter vesting period may be granted to the Employee Participants at the discretion of the Board in any of the following circumstances:

1. grants of “make-whole” Share Options to new joiners to replace the share awards or Share Options they forfeited when leaving the previous employer;
2. grants to an Employee Participant whose employment is terminated due to death, ill-health, injury or disability or occurrence of any out of control event;
3. grants that are made in batches during a year for administrative and compliance reasons, which include Share Options that should have been granted earlier if not for such administrative or compliance reasons but had to wait for subsequent batch. In such case, the vesting period may be shorter to reflect the time from which the Share Option would have been granted;
4. grants with a mixed or accelerated vesting schedule such as where the Share Option may vest evenly over a period of 12 months; and
5. grants with performance-based vesting conditions in lieu of time-based vesting criteria.

It is considered that by having the flexibility of having a shorter vesting period, our Group will be in a better position to attract and retain such Eligible Participants to continue serving our Group whilst at the same time providing them with further incentive in achieving the goals of our Group, and thereby, to achieve the purpose of the Post-IPO Share Option Scheme.

(i) Performance target and clawback mechanism

Share Options granted under the Post-IPO Share Option Scheme shall be subject to such vesting conditions as set forth in the Scheme and the respective Offer Letter. Subject to the terms of the Offer Letter, there is no specific performance target that must be achieved before a Share Option could be exercised by the Scheme Grantee and there is no clawback mechanism to recover or withhold the remuneration (which may include any Share Options granted) to any Scheme Grantee.

(j) Share Options are personal to the Scheme Grantee

Save for a transfer of Share Option to a vehicle for the benefit of the Scheme Grantee and any family members of such Scheme Grantee which is subject to the grant of waiver by the Stock Exchange, a Share Option shall be personal to the Scheme Grantee and shall not be assignable or transferable. No Scheme Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option, except for the transmission of a Share Option on the death or incapacitation of the Scheme Grantee to this personal representative(s) according to the terms of the Post-IPO Share Option Scheme.

(k) Rights upon death, termination of employment, our Directorship, office or appointment

In the event of the Scheme Grantee ceasing to be an Eligible Participant for any reason other than on his death, ill-health, injury, disability or the termination of his relationship with our Group on one or more of the grounds, such as being guilty of serious misconduct or has been convicted of any criminal offence involving his integrity or honesty or in relation to an employee or consultant of our Company and/or any of its Subsidiaries (if so determined by the Board), or any other ground on which an employer would be entitled to unilaterally terminate his employment or service at common law or pursuant to any applicable laws or under the Scheme Grantee's service contract with our Company or the relevant subsidiary (the "**Specified Grounds**"), the Scheme Grantee may exercise the Share Option up to his entitlement at the date of cessation of being an Eligible Participant (to the extent not already exercised) within the period of one month (or such longer period as the Board may determine) following the date of such cessation (which date shall be, in relation to a Scheme Grantee who is an Eligible Participant by reason of his employment with our Company or any of its subsidiaries, the last actual working day with our Company or the relevant Subsidiary whether salary is paid in lieu of notice or not).

In the case of the Scheme Grantee ceasing to be an Eligible Participant by reason of death, ill-health, injury or disability (all evidenced to the satisfaction of the Board) and none of the events under the Specified Grounds has occurred, the Scheme Grantee or the Personal Representative(s) of the Scheme Grantee shall be entitled within a period of 12 months (or such longer period as the Board may determine) from the date of cessation of being an Participant or death to exercise the Share Option in full (to the extent not already exercised).

As stated in the paragraph headed “(h) Vesting” above, the Board may grant a shorter Vesting Period (i.e. less than 12 months) to Employee Participants whose employment is terminated due to death, ill-health, injury or disability. Should such circumstance occur within 12 months from the Offer Date, the Board may at its discretion grant a shorter Vesting Period to the Scheme Grantee and allow the Scheme Grantee or the personal representative(s) of the Scheme Grantee to exercise the Share Option in full (to the extent not already exercised). The Board believes the flexibility of granting a shorter Vesting Period in exceptional circumstances is essential and should be exercised on a case-by-case basis only.

(l) Rights on takeover

In the event of a general or partial offer, whether by way of takeover offer, share repurchase offer, or scheme of arrangement or otherwise in like manner is made to all the holders of our Shares (or all such holders other than the offer or and/or any person controlled by the offer or and/or any person acting in association or concert with the offeror), our Company shall use all reasonable endeavours to procure that such offer is extended to all the Scheme Grantees on the same terms, mutatis mutandis, and assuming that they will become, by exercise in full of the Share Options granted to them, Shareholders. If such offer becomes or is declared unconditional, a Scheme Grantee shall be entitled to exercise his option in full (to the extent not already exercised) at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

(m) Rights on a compromise or arrangement

In the event of a compromise or arrangement between our Company and its creditors (or any class of them) or between our Company and its members (or any class of them), in connection with a scheme for the reconstruction or amalgamation of our Company, our Company shall give notice thereof to all Scheme Grantees on the same day as it gives notice of the meeting to its members or creditors to consider such scheme or arrangement, and thereupon any Scheme Grantee (or her legal personal representative(s)) shall be entitled to exercise all or any of his Share Options in whole or in part at any time prior to 12 noon (Hong Kong time) on the Business Day immediately preceding the date of the meeting directed to be convened by the relevant court for the purposes of considering such compromise or arrangement and if there is more than one meeting for such purpose, the date of the first meeting. Our Company may thereafter require such Scheme Grantee to transfer or otherwise deal with the Shares issued as a result of such exercise of his or her or its option so as to place the Scheme Grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

(n) Adjustments to the Exercise Price

In the event of a capitalization issue, rights issue, consolidation or sub-division of Shares, or reduction of the share capital of our company while a Share Option remains exercisable, such corresponding alterations (if any) certified by the auditors for the time being or an independent financial adviser to our company as fair and reasonable will be made to (a) the number of Shares subject to the Post-IPO Share Option Scheme or any share option relates (insofar as it is/they are unexercised); and/or (b) the Exercise Price; and/or (unless the relevant Scheme Grantee elects to waive such adjustment) the number of Shares comprised in a Share Option or which remains comprised in a Share Option, provided that (i) any such adjustment shall give a Scheme Grantee the same proportion of the issued shares in our company (round to the nearest whole share) as that to which such Scheme Grantee was entitled immediately prior to such adjustment; (ii) no such adjustment may be made to the extent that a Share would be issued at less than its nominal value; (iii) the issue of Shares or other securities of our Group as consideration in a transaction may not be regarded as a circumstance requiring any such adjustment; and (iv) any such adjustment shall be in compliance with the Listing Rules and such applicable rules, codes, guidance notes and/or interpretation of the Listing Rules from time to time promulgated by the Stock Exchange.

In addition, in respect of any such adjustments, other than any adjustment made on a capitalisation issue, such auditors or independent financial adviser must confirm to the Directors in writing that the adjustments satisfy the requirements of the relevant provisions of the Listing Rules.

(o) Lapse of Share Options

A Share Option shall lapse automatically and not be exercisable (to the extent not already exercised) on the earliest of:

1. the expiry of the Share Option Period;
2. the date of the expiry of the periods for exercising the Share Option;
3. the date of which the offer (or as the case may be, revised offer) closes;
4. the date of the commencement of the winding-up of our Company (as determined in accordance with the Cayman Companies Act);

5. the date on which the Scheme Grantee ceases to be an Eligible Employee by reason of the termination of his or her employment on any one or more of the grounds that he or she voluntarily resigns, or has been guilty of misconduct or has found to have breached the terms of employment during his or her employment (regardless of whether such employment contract has already been terminated) leading to a material loss or damage to our Group, or his or her employment has terminated by reason of the failure of such employment to pass the annual evaluation, or has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offence involving his or her integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his or her employment at law or pursuant to any applicable laws or under the Scheme Grantee's service contract with our Company or the relevant subsidiary. A resolution of the Board or board of directors of the relevant subsidiary to the effect that employment of a Scheme Grantee has or has not been terminated shall be conclusive;
6. the date on which the Scheme Grantee commits a breach or the Share Options are cancelled in accordance with the Post-IPO Share Option Scheme; or
7. the date that is 30 days after the date on which the Scheme Grantee's employment is terminated by our Company and/or any of its subsidiaries on a ground other than those set forth in (k) above.

(p) Ranking of Shares allotted upon exercise of Share Options

The Shares to be allotted upon the exercise of a Share Option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with and shall have the same voting, dividend, transfer and other rights, including those arising on liquidation of our Company as attached to the fully paid Shares in issue on the date of issue and rights in respect of any dividend or other distributions paid or made on or after the date of issue.

Shares issued on the exercise of a Share Option shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(q) Duration of the Post-IPO Share Option Scheme

The Post-IPO Share Option Scheme will remain in force for a period of ten (10) years commencing on the date on which the Post-IPO Share Option Scheme is adopted.

(r) Cancellation of Share Options granted

Any cancellation of Share Options granted must be approved in writing by the Scheme Grantees of the relevant Share Options. Where our Company cancels Share Options, the grant of new Share Options to the same Scheme Grantee may only be made with available unissued Share Options (excluding the Share Options so cancelled) within the Scheme Mandate Limit or the new limits approved by the Shareholders.

(s) Termination of the Post-IPO Share Option Scheme

Our Company may terminate the operation of the Post-IPO Share Option Scheme at any time by resolution of the Board or resolution of our Shareholders in general meeting and in such event no further option will be offered but the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of the Share Options (to the extent not already exercised) granted prior to the termination or otherwise as may be required in accordance with the provisions of the Post-IPO Share Option Scheme. Share Options (to the extent not already exercised) granted prior to such termination shall continue to be valid and exercisable in accordance with the Post-IPO Share Option Scheme.

(t) Alteration of the provisions of the Post-IPO Share Option Scheme

Any alterations to the terms and conditions of the Post-IPO Share Option Scheme which are of a material nature or any alterations to the provisions relating to the matters set out in Rule 17.03 of the Listing Rules or relating to the advantage of the Scheme Grantees or the Eligible Participants (as the case may be) must be made with the prior approval of the shareholders of our Company in general meeting at which any persons to whom or for whose benefit the Shares may be issued under the Post-IPO Share Option Scheme and their respective associates shall abstain from voting, provided always that the amended terms of the Post-IPO Share Option Scheme shall continue to comply with the relevant provisions of the Listing Rules and any other applicable laws.

Any change to the terms of Share Options granted to a participant must be approved by the Board, the remuneration committee, the independent non-executive Directors and/or the shareholders of our Company (as the case may be) if the initial grant of the Share Options was approved by the Board, the remuneration committee, the independent non-executive Directors and/or the shareholders of our Company (as the case may be) (except any alterations which take effect automatically under the terms of the Post-IPO Share Option Scheme).

Any change to the authority of the Board to alter the terms of the Post-IPO Share Option Scheme must be approved by the Shareholders in general meeting.

6. OTHER INFORMATION**A. Estate Duty**

We have been advised that no material liability for estate duty is likely to fall upon our Company or any members of our Group.

B. Litigation

As of the Latest Practicable Date, we are not involved in any material litigation, arbitration or administrative proceedings, and so far as our Directors are aware, no such material litigation, arbitration or administrative proceedings are pending or threatened against any members of our Group.

C. Joint Sponsors

The Joint Sponsors have made an application on behalf of us to the Stock Exchange for the listing of, and permission to deal in, all 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 the share options granted under the Pre-IPO Share Plan).

Shenwan Hongyuan Capital (H.K.) Limited and BOCOM International (Asia) Limited, the Joint Sponsors, satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

BOCOM Asset Management and BOCOM Fund are Pre-IPO Investors with an aggregate shareholding of approximately 4.86% of our total issued share capital (assuming full conversion of preferred shares into ordinary shares on a one-to-one basis) as of the Latest Practicable Date. Please refer to the section headed “History, Development and Corporate Structure — Pre-IPO Investments — Information of Pre-IPO Investors” for further details of the ultimate beneficial owners of BOCOM Asset Management and BOCOM Fund. BOCOM Asset Management, BOCOM International Private Equity Fund Management (Shenzhen) Company Limited (the fund manager of BOCOM Fund) and BOCOM International (Asia) Limited (a Joint Sponsor) are members of a “sponsor group” as defined under the Listing Rules. As the aggregate shareholding of BOCOM Asset Management and BOCOM Fund in the Company is (and will remain so up to the Listing Date) below the threshold under Rule 3A.07(1) of the Listing Rules nor does it give rise to any circumstances under Rule 3A.07 of the Listing Rules, it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

As none of the circumstances set out in Rule 3A.07 of the Listing Rules exists, Shenwan Hongyuan Capital (H.K.) Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

We have entered into an engagement agreement with each of the Joint Sponsors, pursuant to which we agreed to pay a total of HK\$4 million to the Joint Sponsors to act as the joint sponsors to our Company in the Global Offering.

D. Compliance Advisor

We have appointed Shenwan Hongyuan Capital (H.K.) Limited as our compliance advisor in compliance with Rule 3A.19 of the Listing Rules.

E. Preliminary Expenses

We did not incur material preliminary expense.

F. Qualification of Experts

The qualifications of the experts, as defined under the Listing Rules, who have given their opinions or advice in this prospectus, are as follows:

Name	Qualification
Shenwan Hongyuan Capital (H.K.) Limited	Licensed corporation under the SFO for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
BOCOM International (Asia) Limited	Licensed corporation under the SFO for Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
King & Wood Mallesons	PRC Legal Advisor
Maples and Calder (Hong Kong) LLP	Cayman Islands legal advisor
Ernst & Young	Certified Public Accountants
Shanghai iResearch Co., Ltd.	Industry consultant

G. Promoters

We have no promoter for the purpose of the Listing Rules.

H. Consents of Experts

Each of the experts as referred to in “6. Other Information – F. Qualification of Experts” of this Appendix has given, and has not withdrawn, its respective written consents to the issue of this prospectus with the inclusion of its reports and/or letter(s) and/or opinion(s) and/or the references to its name included herein in the form and context in which it is respectively included.

As of the Latest Practicable Date, none of the experts named above has any shareholding interests in any members of our Group or the right (other than the penal provisions) of sections 44A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

I. No Material Adverse Change

Our Directors confirm that, after performing all due diligence work, there has been no material adverse change in our financial or operational position since March 31, 2024 and up to the date of this prospectus.

J. 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.

K. Related Party Transactions

Within the two years immediately preceding the date of this prospectus, we have entered into the related party transactions as described in Note 35 to the financial information in the Accountant's Report set out in Appendix I to this prospectus.

L. Miscellaneous

Save as disclosed in this prospectus:

- (a) within the two years immediately preceding the date of this prospectus, we have not issued or agreed to issue any share or loan capital fully or partly paid either for cash or for a consideration other than cash;
- (b) no share or loan capital of our Group, if any, is under option or is agreed conditionally or unconditionally to be put under option;
- (c) we have not issued or agreed to issue any founder shares, management shares or deferred shares;
- (d) our Company has no outstanding convertible debt securities or debentures;
- (e) there are no restrictions affecting the remittance of profits or repatriation of capital by us into Hong Kong from outside Hong Kong;
- (f) within the two years immediately preceding the date of this prospectus, no commission, discount, brokerage or other special term has been granted in connection with the issue or sale of any capital of our Company;
- (g) there is no arrangement under which future dividends are waived or agreed to be waived;

- (h) there has been no interruption in our business which may have or have had a significant effect on the financial position in the last 12 months; and
- (i) none of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

N. 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).

APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE ON DISPLAY

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of each of the material contracts referred to in Appendix IV “Statutory and General Information — 2. Further Information about our Business — A. Summary of Material Contracts” to this prospectus; and
- (b) the written consents referred to in Appendix IV “Statutory and General Information — 6. Other information — H. Consents of Experts” to this prospectus.

DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be available on display on the website of the Stock Exchange (www.hkexnews.hk) and our Company’s website (www.qiniu.ltd) up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the accountant’s report for the three years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024 prepared by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the three years ended December 31, 2021, 2022 and 2023 and the three months ended March 31, 2024;
- (d) the report prepared by Ernst & Young on the unaudited pro forma financial information of our Group, the text of which is set out in Appendix II to this prospectus;
- (e) the legal opinion issued by King & Wood Mallesons, our PRC Legal Advisor in respect of general matters and property interests of our Group in the PRC;
- (f) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisors as to the law of the Cayman Islands, summarizing certain aspects of Cayman Islands company law referred to in Appendix III “Summary of the Constitution of the Company and Cayman Islands Company Law” to this prospectus;
- (g) the material contracts referred to in Appendix IV “Statutory and General Information — 2. Further Information about our Business — A. Summary of Material Contracts” to this prospectus;
- (h) the written consents referred to in Appendix IV “Statutory and General Information — 6. Other information — H. Consents of Experts” to this prospectus;

**APPENDIX V DOCUMENTS DELIVERED TO THE REGISTRAR OF
COMPANIES AND AVAILABLE ON DISPLAY**

- (i) service contracts and the letters of appointment referred to in Appendix IV “Statutory and General Information — 3. Further information about our Directors — A. Particulars of Directors’ Service Contracts and Appointment Letters” to this prospectus;
- (j) the Cayman Companies Act;
- (k) the terms of the Pre-IPO Share Plan;
- (l) the rules of the Post-IPO Share Option Scheme; and
- (m) the industry report issued by Shanghai iResearch Co. Ltd..

DOCUMENT AVAILABLE FOR INSPECTION

A full list of the grantees of outstanding share options granted under the Pre-IPO Share Plan, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for public inspection at our Company’s principal place of business in Hong Kong at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus.

