云工场科技

Cloud Factory Technology Holdings Limited
雲工場科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2512)

2024
Annual Report

CONTENTS

Corporate Information

EXECUTIVE DIRECTORS

Mr. Sun Tao *(Chairman and Chief Executive Officer)*
Mr. Jiang Yanqiu
Mr. Ji Lijun
Mr. Zhu Wentao

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Mun Lam
Mr. Cui Qi
Ms. Zhao Hong

AUDIT COMMITTEE

Ms. Zhao Hong *(Chairman)*
Mr. Ip Mun Lam
Mr. Cui Qi

REMUNERATION COMMITTEE

Mr. Cui Qi *(Chairman)*
Mr. Ji Lijun
Mr. Ip Mun Lam

NOMINATION COMMITTEE

Mr. Sun Tao *(Chairman)*
Mr. Cui Qi
Ms. Zhao Hong

LEGAL ADVISERS TO HONG KONG LAW

Zhong Lun Law Firm LLP
4/F, Jardine House
1 Connaught Place
Central
Hong Kong

JOINT COMPANY SECRETARIES

Mr. Ji Lijun
Ms. Lam Chi Ching Cecilia *(Solicitor of the High Court of Hong Kong)*

AUTHORISED REPRESENTATIVES

Mr. Ji Lijun
Ms. Lam Chi Ching Cecilia

STOCK CODE

2512

COMPANY WEBSITE

www.cloudcsp.com

REGISTERED OFFICE

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Grand Cayman, KY1-9009
Cayman Islands

HEADQUARTER AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

2-601, Tian An Intelligence Park
228 Linghu Avenue
Xinwu District
Wuxi, Jiangsu
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 2712, Office Tower
Convention Plaza
1 Harbour Road
Wan Chai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716
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183 Queen's Road East
Wan Chai
Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
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979 King's Road
Quarry Bay
Hong Kong

PRINCIPAL BANK

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

Financial Highlights

	Year ended 31 December		
	2024	2023	Change
	RMB'000	RMB'000	(%)
Revenue	**707,629**	695,949	1.7
Gross profit	**89,622**	87,641	2.3
Profit before tax	**13,831**	14,671	(5.7)
Profit for the year	**12,372**	14,224	(13.0)
Earnings per Share (expressed in RMB per Share)	**0.03**	0.04	(25.0)

	As at 31 December	
	2024	2024
	RMB'000	RMB'000
Assets		
Non-current assets	**89,219**	103,811
Current assets	**822,187**	397,930
Total assets	**911,406**	501,741
Equity		
Equity attributable to owners of the parent	**402,442**	54,138
Non-controlling interests	**3,478**	763
Total equity	**405,920**	54,901
Liabilities		
Non-current liabilities	**9**	664
Current liabilities	**505,477**	446,176
Total liabilities	**505,486**	446,840
Total equity and liabilities	**911,406**	501,741

Chairman's Statement

Dear Shareholders,

2024 marked the first year of our listing and a year of accelerated global digital transformation. As various industries deepen their digital transformation, the demand for edge computing services will continue to grow. In 2024, while continuing to focus on our IDC Solution Services, we leveraged our resource advantages, technological drive and market orientation to achieve significant breakthroughs in the edge computing service field.

In 2024, we officially launched the new product — Lingjing Cloud Global Edge Accelerating EdgeGlobalCDN Services ("**EdgeGlobalCDN Services**"). This marked an important step in our strategic layout, opening a new chapter in overseas edge network services. The EdgeGlobalCDN Service aims to precisely match content distribution nodes for overseas network users by deeply integrating the global edge distribution networks of high-quality overseas service providers.

In 2024, we actively responded to the global AI development wave by promoting the deep integration of edge computing and AI technologies. We officially launched our edge AI computing platform EdgeAIStation ("**EdgeAIStation Services**") under the brand of Lingjing Cloud. This platform integrates distributed heterogeneous computing resources to provide high-cost-performance, elastic, and scalable cloud computing services for AI training, scientific computing, and other high-computing-demand scenarios.

At the same time, we unwaveringly continued to deepen our existing businesses, solidifying the foundation of our company. We continued to implement our lower-tier regions network Strategy (下沉戰略), extending our Edge Computing Services vertically to more geographic regions. During the Reporting Period, we achieved comprehensive coverage of edge computing resources in all provinces and major regions across the country, meeting the growing digital needs of the lower-tier regions market. This further strengthened our leading position in the cloud computing service market.

During the Reporting Period, we obtained numerous honors, including the Excellent Achievement Award at the 2024 World Computing Conference (2024世界計算大會專題展優秀成果獎), the title of the Top 20 Edge Computing Enterprises in China 2024 (2024中國邊緣計算企業20強), the title of Technological Innovation Pioneer Enterprise 2024 (金邊獎•2024技術革新先鋒企業), the first batch of three-star cloud enterprises in Jiangsu Province for 2024 (2024年度江蘇省首批三星級上雲企業) and the Big Data Innovative Application Achievement Award (大數據創新應用成果獎) from the Wuxi Big Data Association (無錫市大數據協會). Additionally, we continuously update our core products and enhanced the relevant technologies. We comprehensively improved our Lingjing Cloud Intelligent Road Inspection EdgeAIoT platform, perfecting its functions with a "one platform, one user, one mini-program" approach. Furthermore, we dedicated resources to enhance our key technologies. Our EdgeAIoT algorithm model added 17 new recognition targets and over 50 algorithm models, providing more intelligent edge computing solutions for industries such as transportation, factories, parks, and dining. Meanwhile, our edge distribution network EdgeCDN, completed coverage in all provinces and major cities, with the platform's overall capacity increasing by 4.8 times to support the massive business demands of leading platform customers.

Chairman's Statement

At the same time, we actively responded to the national initiative "Eastern Data and Western Computing" (東數西算) by seeking regional opportunities horizontally. During the Reporting Period, we signed a cooperation agreement with the government of Gaoxin District in Wuxi City and the Haichuan Industrial Park (海東工業園區) to co-build a green computing zero-carbon industry park, supporting the landing of the Qinghai kilo-class computing cluster project. We signed strategic cooperation agreements and establish ecological partnerships with institutions and enterprises such as the China Academy of Information and Communications Technology's AI Institute (中國信息通信研究院人工智能研究所), Xi'an Jiaotong University (西安交通大學). We also formed channel partnerships with industry leading enterprises companies to jointly expand the market.

After years of development, we have established a team of experienced professionals with autonomous research and development innovation capabilities. Our research and development team is led by an expert from the think tank of Shanghai Technology Exchange (上海技術交易所), and our core research and development team members come from renowned domestic universities. This strong technological capability gives us a leading technological advantage in the industry. During the Reporting Period, we were granted four invention patents, three utility model patents, and two software copyrights. Additionally, we recognize the importance of collaboration and actively partner with business partners to explore new developments in edge computing, the metaverse and computility.

We hereby express our sincere gratitude to all shareholders, customers, and ecological partners for their long-term trust and support, as well as our entire staff for their efforts over the past year. In 2025, we will seize development opportunities, continue to work diligently, "root deeply and bloom upwards", to provide support for customers' digital transformation and creating long-term value for all shareholders.

Chairman
Mr. Sun Tao

23 April 2025

BUSINESS REVIEW

IDC Solution Services

In 2024, we continued to deepen our IDC Solution Services by optimizing resource allocation, enhancing service quality and efficiency, effectively meeting our customers' demands for stable, efficient, and secured cloud computing foundational services.

During the Reporting Period, we strengthened our IDC Solution Services. In response to several internet security risks in internet data centers, we are developing a defence system that can proactively assess network traffic and identify potential security risks. We also attempted to integrate the technology of our EdgeAIoT Services into the real-time monitoring systems of internet data centers to detect emergent situations at an early stage and minimise the damages to property as well as the impact on our operation.

During the Reporting Period, the revenue from IDC Solution Services was RMB658.7 million, accounting for 93.1% of our total revenue. During the Reporting Period, we had 19 new customers for our IDC Solution Services. To increase our market share, we expanded the provision of our IDC Solution Services to more geographic locations, including Suqian and Taizhou in Jiangsu Province, Luohe in Henan Province, and Jiangxi Province.

Edge Computing Services

2024 was a crucial year for our Edge Computing Services to achieve strategic breakthroughs.

During the Reporting Period, our EdgeCDN Services under the brand of *Lingjing Cloud* achieved several key technological breakthroughs. Firstly, the EdgeCDN network completed node deployment in all provinces and major cities nationwide, with the platform's overall capacity increasing by 4.8 times compared to the year of 2023 to successfully support the massive business demands of leading platform customers. Secondly, by completing the modular transformation of customized log processing services, we reduced the development cycle from seven days to one day and optimized the software and hardware architecture, with single-machine performance peaking at over 10 Gbps. Additionally, the Group developed graphical metadata management system and gray release system, achieving dual improvements in metadata operation efficiency and security. We also completed the development of the HTTP 302 scheduling system and built the *Lingjing Cloud* IP address library, which support full coverage of the QUIC (Quick UDP Internet Connections) protocol and significantly enhance scheduling flexibility and precision. Finally, by restructuring the preheating system logic, our cache climb speed increased by 400%, providing end-users with a more efficient content distribution experience.

In terms of product innovation, during the Reporting Period, we launched EdgeGlobalCDN Services. The EdgeGlobalCDN Services complement the EdgeCDN Services to jointly build a strong, stable, and secured global network acceleration system. The EdgeGlobalCDN Services deeply integrate high-quality service providers' edge distribution networks distributed globally, accurately matching content distribution nodes for overseas network users, facilitating users' access to resources nearby and reducing data transmission distances. This effectively avoids network delays, stuttering, and instability caused by long-distance transmission and network congestion, significantly improving overseas users' network access speed and experience.

Under the wave of global AI development, we invested considerable time and effort in optimizing our AIoT Services, achieving comprehensive enhancements in software and hardware capabilities. During the Reporting Period, on the software side, we had developed 17 new target recognition categories and over 50 algorithm models in aggregate, supporting key element recognition in multiple scenarios, such as transportation, factories, parks, and dining services, including analyzing and recognizing human behavior sequences. On the hardware side, our EdgeAIoT Services also achieved significant breakthroughs to fully support various mainstream edge computing hosts domestically and internationally, covering hardware devices from high to low computility. Additionally, we focused on promoting the adaptation of our EdgeAIoT Services with domestic computility, achieving comprehensive design, training, and inference support for neural network models. In achieving these measures, the commercialization process of our EdgeAIoT Services progressed smoothly during the Reporting Period. We secured over 20 contracts in 2024, covering areas such as smart municipal administration, urban management, intelligent highways (highways, provincial roads, rural roads), intelligent dining, and intelligent factories.

Furthermore, during the Reporting Period, our EdgeAIStation Services under the brand of *Lingjing Cloud* has also been officially launched. EdgeAIStation Services provides widely distributed GPU, NPU, FPGA, and other types of heterogeneous cloud computility services based on the *Lingjing Cloud* edge cloud network and uses distributed heterogeneous computility management scheduling technology to provide elastic cloud computing services for machine learning, deep learning, scientific computing, image rendering, AIoT, and high-performance computing.

Through these measures, our Edge Computing Services achieved a total revenue of RMB49.0 million during the Reporting Period, representing a 170.7% increase from the year of 2023. In terms of revenue proportion, our Edge Computing Services accounted for 6.9% of our total revenue, as compared to 2.6% in the year of 2023, laying the foundation for the continuous growth of our Edge Computing Services revenue in the future.

PROSPECT

Accompanying the acceleration of digital transformation across industries globally, we will continue to invest in the research of development of edge computing technology in 2025, gradually expanding our product layout. We will focus on two main directions:

1. AI Empowerment, Expanding New Frontiers of Edge Computing Applications and Diverse Business System Development

In business layout, under the basis of our *Lingjing Cloud* brand, we further construct three major business development curves: CDN, AIoT, and computility platforms.

With the rise of AI technology, various industries are actively exploring AI application scenarios. Edge computing lays the foundation for AI scenario implementation and will face significant development opportunities with AI empowerment. Our EdgeAIoT Services combines algorithms with IoT technology, deploying industry AI vision models and various large language models on edge computing nodes to meet customers' needs for rapid deployment, training, and application. This provides AI vision-based solutions for industries such as road patrols, factory management, and dining services. In 2025, we will continue to let digital productivity permeate various industries, empowering industrial digitalization upgrades.

Additionally, the computility platform is another key business area we will focus on developing. With the rapid development of large AI models, the demand for intelligent computility is surging. To address complex computility demands, we integrated the advantages of deeply distributed edge nodes to build a convenient, efficient, and cost-effective service platform that integrates computing, supercomputing, and intelligent computing. In 2024, we launched our EdgeAIStation Services, which was named as "Super Computing Cloud". This platform also formed strategic cooperation with national ministries to build a national-level large model public service platform, providing computility and model empowerment for the AI industry. In combining open-source large models and our self-developed AI algorithm models, we further provide high-real-time and fast-response edge AI model application solutions for various industries. Currently, the platform's computility mainly comes from our self-built *Lingjing Cloud* nodes, in the future, we plan to expand the computility pool through mergers and acquisitions or cooperation to better provide computility leasing services for enterprises, large models, and individual developers.

2. Internationalization, Expanding Overseas Markets

In 2024, we officially launched EdgeGlobalCDN Services under the brand of *Lingjing Cloud*, marking an important step in our company's international strategic layout. In 2025, we will continue to deeply cultivate the domestic market while actively expanding overseas markets. In the domestic market, we plan to complete node coverage in over 1,000 cities and further perfect the district and county-level node layout. In foreign markets, we will actively respond to the "Belt and Road Initiative", laying out overseas markets starting from Southeast Asia and gradually expanding to the Middle East and European and American markets.

In summary, in 2025, we are committed to acquiring more customers, achieving a higher market share, and making greater breakthroughs in product technology and regional expansion to ensure high-quality growth in our operations.

Revenue

The Group generated revenue from two operating segments, (i) IDC Solution Services; and (ii) Edge Computing Services. For the Reporting Period, the Group recorded a total revenue of RMB707.6 million when compared with RMB695.9 million for the year of 2023, representing an increase in its total revenue of 1.7%. Such increase was primarily attributable to the expansion of the Group's business, particularly in the Edge Computing Services segment.

The following table sets forth the Group's segment revenue both in absolute amount and as a percentage of its revenue for the periods presented:

	For the year ended 31 December			
	2024		2023	
	RMB'000	%	RMB'000	%
IDC Solution Services	**658,663**	**93.1**	673,752	96.8
Edge Computing Services	**48,966**	**6.9**	18,064	2.6
ICT Services and Other Services	**—**	**—**	4,133	0.6
	707,629	**100.0**	695,949	100.0

IDC Solution Services

The Group's revenue from IDC Solution Services decreased by 2.2% to RMB658.7 million for the Reporting Period (31 December 2023: RMB673.8 million), which was the results of a ease of the market demand.

Edge Computing Services

The Group's revenue from Edge Computing Services substantially increased by 170.7% to RMB49.0 million for the Reporting Period (31 December 2023: RMB18.1 million), which was the results of the Group's strategy in scaling up the business of Edge Computing Services for a steady growth of revenue, profit growth and profitability of the Group in long-term. The number of our customer of Edge Computing Services increased to 25 (31 December 2023: 16) When compared to the year of 2023, the revenue generated from our top five customer of Edge Computing Services during the Reporting Period increased by RMB28.1 million.

ICT Services and Other Services

We generated nil revenue from ICT Services and Other Services for the Reporting Period (31 December 2023: RMB4.1 million), which was due to the Group's strategy to place increasing focus on IDC Solution Services and Edge Computing Services, which tend to generate stable and sustainable revenue. Such services were primarily provided on a project basis per our clients' occasional enquiries and requests, which included the provision of information communications technology solution, system development and maintenance, network acceleration service and text messaging service. Given that these services were provided to our clients on as-needed basis, they provided relatively less predictable future revenue and gross profit margin to the Group. As a result, the Group has decided to gradually phase out the business and consolidate the Group's resources for the development of IDC Solution Services as well as Edge Computing Services.

Cost of Sales

The Group's cost of sales increased by 1.6% to RMB618.0 million for the Reporting Period (31 December 2023: RMB608.3 million). Such increase was generally in line with the growth of the Group's revenue and business.

IDC Solution Services

The cost of sales from IDC Solution Services decreased by 1.8% to RMB582.4 million for the Reporting Period (31 December 2023: RMB593.3 million). The decrease was in line with the slow down of market demand.

Edge Computing Services

The cost of sales from Edge Computing Services substantially increased by 147.2% to RMB35.6 million for the Reporting Period (31 December 2023: RMB14.4 million). Such increase was attributable to the procurement of bandwidth, cabinet, servers and routers to support the growth of our Edge Computing Services. The substantial increase corresponded with the increase in revenue generated from Edge Computing Services.

ICT Services and Other Services

The cost of sales incurred in ICT Services and Other Services for the Reporting Period were nil (31 December 2023: RMB576,000) for the reason mentioned above.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's overall gross profit increased by 2.3% to RMB89.6 million for the Reporting Period (31 December 2023: RMB87.6 million), while its overall gross profit margin slightly increased from 12.6% to 12.7%.

IDC Solution Services

The gross profit margin in IDC Solution Services decreased to 11.6% for the Reporting Period (31 December 2023: 11.9%). Such decrease was attributable to normal fluctuation of gross profit margin and the Group's adjustment in its business structure and resource costs.

Edge Computing Services

The gross profit margin in Edge Computing Services increased to 27.3% for the Reporting Period (31 December 2023: 20.4%). Such increase was attributable to (i) the technological advancement driven by the research and development resources invested by the Group; (ii) the Group's entry into emerging businesses in blue ocean markets with market barriers allowing less competitors to compete with the Group and therefore such businesses come with a higher profit margin; and (iii) the Group's recent commercialisation of EdgeAIoT Services under the segment of Edge Computing Services.

Other Income and Gains

The Group's other income and gains substantially increased to RMB9.4 million for the Reporting Period (31 December 2023: RMB1.3 million). Such increase was mainly attributable to government subsidies and increase in interest income.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by 3.7% to RMB7.8 million for the Reporting Period (31 December 2023: RMB8.1 million). Such decrease was primarily due to the enhanced internal cost management control.

Administrative Expenses

The Group's administrative expenses increased by 23.5% to RMB44.1 million for the Reporting Period (31 December 2023: RMB35.7 million). Such increase was primary attributable to (i) the costs associated with the increase of number of the management staffs and administrative staffs of the Group; and (ii) the increased service fees payable to professional consultants such as auditors and legal advisers to enhance the Group's compliance level in order to adhere to the applicable regulations and laws subsequent to the listing of the Company.

Research and Development Expenses

The Group's research and development expenses increased by 7.2% to RMB23.8 million for the Reporting Period (31 December 2023: RMB22.2 million). Such increase was mainly attributable to (i) the costs associated with the Group's additional hiring of 13 research and development personnels, including system development engineers, front-end engineers, back-end engineers and algorithm engineers; and (ii) the enhanced resource deployment for (a) research and development of new products, such as EdgeGlobalCDN Services and EdgeAIStation Services and (b) optimizing the functions of our existing products, such as our *Lingjing Cloud* Intelligent Road Inspection EdgeAIoT platform.

Impairment Losses on Financial Assets

The Group's impairment losses on financial assets substantially decreased by 83.3% to RMB0.7 million for the Reporting Period (31 December 2023: RMB4.2 million) mainly attributable to the increase in trade receivables from the previous year amounted to RMB37.4 million for the Reporting Period, while the increase in trade receivables in the year of 2023 from the year of 2022 amounted to RMB82.6 million, the decrease of increase in trade receivables results resulting in an decrease of bad debt provision.

Finance Costs

The Group's finance costs increased by 112.5% to RMB8.5 million for the Reporting Period (31 December 2023: RMB4.0 million). Such increase was primarily due to the increase in interest expenses led by the increase on the Group's bank borrowings.

Income Tax Expense

The Group's income tax expense increased by 275.0% to RMB1.5 million for the Reporting Period (31 December 2023: RMB0.4 million). Our income tax expenses mainly comprised of the current and deferred income tax in the PRC. The increase in income tax expenses was primarily due to the decrease in tax-deductible expenses.

Profit for the Year

As a result of the foregoing, the Group recorded a profit for the year of RMB12.4 million for the Reporting Period, compared with a profit of RMB14.2 million for the year ended 31 December 2023. Such decrease which was mainly attributable to the increase in (i) finance cost stemming from the increased bank borrowings; (ii) administrative expenses driven by the additional hiring and service fees payable to professional consultants.

Trade Receivables

As at 31 December 2024, the Group's trade receivables amounted to RMB235.0 million, representing an increase of 18.9% as compared with RMB197.6 million as at 31 December 2023. Such increase was mainly attributable to the fluctuation corresponding to the growth of the Group's business.

Prepayments, Other Receivables and Other Assets

As at 31 December 2024, the Group's prepayments, other receivables and other assets amounted to RMB216.0 million, representing a substantial increase of 468.4% as compared with RMB38.0 million as at 31 December 2023. Such increase was mainly attributable to (i) prepayments in relation to bandwidth, cabinets and other resources; and (ii) purchase discount.

Note:

As at 31 December 2024, the Group's other receivables amounted to RMB67.9 million, representing an increase of 480.3% as compared with RMB11.7 million as at 31 December 2024. The other receivables of the Group incurred during the Reporting Period consists of:

(i) purchase discount in the amount of RMB54.1 million;

(ii) refund of paid contract sum in the amount of RMB7.1 million;

(iii) advances to third parties in the amount of RMB10.4 million; and

(iv) agency business and others RMB6.7 million.

Notably, for item (iii), the advances to third parties were made and fully settled by such third parties before the Listing Date during the Reporting Period.

Trade Payables

As at 31 December 2024, the Group's trade payables amounted to RMB199.6 million, representing a decrease of 18.2% as compared with RMB244.1 million as at 31 December 2023. Such decrease was primarily due to the enhancement of credit period policy.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policies

The Group adopts a prudent treasury management policy to actively monitor its liquidity position and maintain sufficient financial resources for future development. On this basis, the Group regularly reviews and adjusts its financial structure in response to dynamic changes in economic conditions to ensure financial resources are deployed in the best interests of the Group.

Cash and Cash Equivalents

As at 31 December 2024, the Group's cash and cash equivalents were RMB371.0 million, representing an increase of 128.6% from RMB162.3 million as at 31 December 2023.

Indebtedness

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Interest-bearing bank borrowings	**262,811**	166,734
Lease liabilities	**494**	1,259
	263,305	167,993

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities (31 December 2023: Nil).

CAPITAL COMMITMENT

As at 31 December 2024, the Group did not have any material capital commitment (31 December 2023: Nil).

GEARING RATIO

As at 31 December 2024, the Group's gearing ratio (i.e. percentage of total indebtedness divided by total equity, and total indebtedness represents interest-bearing bank borrowings and lease liabilities) was 0.6 times (31 December 2023: 3.1 times).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's businesses are principally conducted in RMB. The Group has transactional currency exposures. Such exposures arise from financing and operating activities of the Group's entities conducted in currencies other than the functional currency. As at 31 December 2024, the major non-RMB assets and liabilities of the Group are cash and cash equivalents, trade receivables, trade payables and contract liabilities, which denominated in HK$ or US$. Fluctuation of the exchange rate of RMB against HK$ or US$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

EMPLOYEES REMUNERATION AND RELATIONS

As at 31 December 2024, the Group had a total of 115 employees. The Group's total employee benefit expense (including directors' and chief executive's remuneration) for the Reporting Period was RMB33.7 million (31 December 2023: RMB25.6 million). Remuneration packages for employees and directors are structured according to market terms as well as individual performance and experience. The Group has also established comprehensive training programmes that cover topics such as its corporate culture, employees' rights and responsibilities, teambuilding, professional behaviour and job performance to ensure that its employees' skill sets remain up-to-date which enable them to discover and meet its clients' needs.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS OR DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 31 December 2024, the Group did not have any significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at 31 December 2024, the Group did not pledge any of its assets (31 December 2023: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2024, save as disclosed herein, the Group did not have any future plans for material investments and capital assets. However, the Group will continue to explore investment opportunities that would benefit the shareholders of the Company as a whole.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (year ended 31 December 2023: Nil).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, no major subsequent events affecting the Group have occurred since the end of the Reporting Period and up to the date of this annual report.

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Sun Tao (孫濤) ("**Mr. Sun**"), aged 42, one of the founders of the Group, is currently serving as an executive Director and the chairman of the Board. Mr. Sun joined our Group in October 2013 and was appointed as a Director in December 2021. Mr. Sun is responsible for overseeing the overall management and business operation, board affairs, formulating strategies and operation plans and making major business decisions of the Group.

Mr. Sun has over 17 years' experience in the IDC solution industry in the PRC. Prior to founding our Group, from September 2006 to October 2007, Mr. Sun served as the sales manager of Wangsu Science & Technology Co., Ltd. (網宿科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300017) that principally engaged in providing content delivery network, cloud computing, cloud security and global IDC solution services, where he was mainly responsible for sales and marketing work of IDC solution services. From November 2007 to December 2009, Mr. Sun served as a deputy general manager in Guangdong Litong Network Technology Co., Ltd. (廣東力通網絡科技有限公司), a company principally engaged in providing IDC solution services where he was mainly responsible for overseeing the overall management and business operation. He acquired Wuxi Zhida Network Technology Co., Ltd. (無錫市智達網絡科技有限公司) in September 2012 before he founded Cloud Factory in December 2015.

Mr. Sun obtained his bachelor's degree in Business Administration from Huaihai Institute of Technology (淮海工學院) (currently known as Jiangsu Ocean University (江蘇海洋大學)) in July 2006 in the PRC.

Mr. Sun is currently holding directorship in several principal subsidiaries of the Company, including Jiangsu Cloud Factory Information Technology Co., Ltd. (江蘇雲工場信息技術有限公司) and Jiangsu Yiru Information Technology Co., Ltd. (江蘇意如信息科技有限公司).

Mr. Jiang Yanqiu (蔣燕秋) ("**Mr. Jiang**"), aged 35, joined our Group in May 2015 and was appointed as a Director in March 2023. Mr. Jiang is currently serving as an executive Director and a general manager of our Company. Mr. Jiang is responsible for overseeing the operation of the Group's businesses.

Prior to joining our Group, from October 2010 to June 2012, Mr. Jiang worked as a technical supervisor of Jiangsu Eastern Heavy Industries Co., Ltd. (江蘇東方重工有限公司), a shipbuilding company where he was primarily responsible for product testing and improvement. From April 2013 to May 2015, Mr. Jiang successively served as a sales manager of Beijing Sohu New Media Information Technology Co., Ltd. (北京搜狐新媒體資訊技術有限公司), a company mainly engaged in real estate internet advertising, e-commerce and value-added services, where he was mainly responsible for the provision of online advertising services in real estates and vehicle businesses in the regions of Wuxi, Suzhou and Changzhou.

Mr. Jiang obtained his bachelor's degree in mechanical design, manufacturing and automation from Southeast University Chengxian College (東南大學成賢學院) in the PRC in June 2010.

Directors and Senior Management

Mr. Ji Lijun (季黎俊) ("**Mr. Ji**"), aged 41, joined our Group in October 2013 and was appointed as a Director in March 2023. Mr. Ji is currently serving as an executive Director and a deputy general manager of our Company. Mr. Ji is responsible for overseeing the operation of the Group's businesses. Mr. Ji is the spouse of one of our senior management, Ms. Zhou Xin.

Prior to joining our Group, from July 2006 to November 2006, Mr. Ji served as a sales engineer of the sales department at Shanghai Tongzhiguang Construction Machinery Co., Ltd. (上海砼之光建築機械有限公司), a company principally engaged in the manufacturing and sales of concrete machinery and spare parts where he was mainly responsible for the sales of products and related solutions, marketing and new customers developments. From November 2006 to September 2009, he worked as a sales engineer of Shanghai Saidong Technologies Co., Ltd. (上海賽東科技有限公司), a company principally engaged in manufacturing and trading packaging machines where he was mainly responsible for the sales of products and related solutions, marketing and new customers developments. From February 2010 to May 2010, Mr. Ji served as a sales engineer of Jintan Jinwang Packaging Technology Co., Ltd. (金壇市金旺包裝科技有限公司) (currently known as Jiangsu Jinwang Intelligent SCI-TECH Co., Ltd. (江蘇金旺智能科技有限公司)), a company principally engaged in the research, development, manufacturing, sales and service of agrochemical preparation intelligent equipment. From June 2010 to December 2015, he joined Wuxi Zhida Network Technology Co., Ltd. (無錫智達網絡科技有限公司), a company mainly engaged in the provision of IDC solution services, where he successively served as the sales manager, the operation and maintenance superintendent (運維主管), the procurement supervisor (採購主管) and the vice general manager where he was mainly responsible for the sales, maintenance and procurement of products and related solutions and the overall management of company.

Mr. Ji obtained his bachelor's degree in mechanical design and manufacturing and automation from Huaihai Institute of Technology (淮海工學院) (currently known as Jiangsu Ocean University (江蘇海洋大學)) in the PRC in July 2006.

Mr. Zhu Wentao (朱文濤) ("**Mr. Zhu**"), aged 36, is currently serving as an executive Director, the deputy general manager of our Group and the head of our Lingjing Cloud business department. Mr. Zhu is responsible for the construction, operation and supervision of Lingjing Cloud, our edge computing service platform.

Mr. Zhu joined our Group in January 2022 and was appointed as a Director in January 2024, prior to which, Mr. Zhu served as a system development engineer in China National Software & Service Company Limited (中國軟件與技術服務股份有限公司), a company principally engaged in developing and providing leading-edge software services, from August 2010 to August 2011 and was mainly responsible for the development and maintenance of online business platforms. From August 2011 to May 2014, Mr. Zhu served as a deputy technical director in Beijing Testor Technology Co., Ltd. (北京泰策科技有限公司), a company principally engaged in the provision of industry solution services for communication network, smart emergency and Industrial Internet, and was mainly responsible for the construction and operation of the platforms for the recursive service, cache service and authoritative service relating to Domain Name System. From May 2014 to May 2015, Mr. Zhu served as a senior manager of the business development centre of China Internet Network Information Centre (中國互聯網絡信息中心) and was mainly responsible for the construction and operation of China's national top-level domain name ".CN", and the platforms for the public recursive service and authoritative service. From March 2019 to February 2021, Mr. Zhu served as the general manager in Hangzhou Upyun Technology Co., Ltd. (杭州又拍雲科技有限公司), a company principally engaged in the provision of cloud computing services, and was mainly responsible for the construction and operation of the cloud computing platform for Hangzhou Upyun Technology Co., Ltd..

Mr. Zhu graduated from Xi'an Jiaotong University (西安交通大學) in the PRC and obtained his bachelor's degree in computer science and technology in September 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Ip Mun Lam (葉滿林) ("**Mr. Ip**"), aged 41, was appointed as an independent non-executive Director in May 2024, with effect from the listing of the Company. Mr. Ip has over 17 years of experience in finance. Mr. Ip has served as a representative of Innovax Capital Limited ("Innovax Capital") since March 2015. He has been a responsible officer of Innovax Capital for Type 6 regulated activities (advising on corporate finance) under the SFO since February 2016 and Mr. Ip is one of the sponsor principals of Innovax Capital.

From July 2006 to May 2011, Mr. Ip served as an assistant manager at KPMG. From May 2011 to June 2013, Mr. Ip worked as an assistant manager and successively as a manager at China Everbright Capital Limited. From July 2013 to February 2015, Mr. Ip served as a corporate finance manager of the corporate finance department for Shenyin Wanguo Enterprises (H.K.) Ltd. (currently known as Shenwan Hongyuan Capital (H.K.) Limited).

Mr. Ip obtained his bachelor's degree in actuarial science from University of Hong Kong in December 2006.

Mr. Cui Qi (崔琦) ("**Mr. Cui**"), aged 40, was appointed as an independent non-executive Director in May 2024, with effect from the listing of the Company.

Mr. Cui has over 14 years of experience in the legal profession. From September 2009 to August 2010, Mr. Cui served as an accounting assistant at KPMG. From December 2010 to December 2011, he worked as a trainee solicitor at Jiangsu Golden Harvest Law Firm (江蘇金禾律師事務所). From September 2011 to December 2012, he was an assistant judge of Xiaguan District of Nanjing People's Court (南京市下關區人民法院). From December 2012 to October 2016, he worked as a deputy chief (副主任科員) at the Nanjing Gulou District MOFCOM. From November 2016 to December 2018, Mr. Cui served as the general legal counsel of Sanpower Group Co., Ltd (三胞集團有限公司), a company principally engaged in new healthcare and new consumption sectors, and then the general legal counsel of Simcere Pharmaceutical Group Limited (先聲藥業集團有限公司), a company principally engaged in innovative research and development of pharmaceuticals, from December 2018 to November 2020. From November 2020 to June 2021, Mr. Cui served as the assistant of the chairman and the general manager of the legal and compliance division of GCL (Group) Holding Co., Ltd. (協鑫(集團)控股有限公司), a company principally engaged in innovation and development with leading green, low-carbon and zero-carbon energy technologies. Since July 2021, Mr. Cui joined the Grandall Law Firm (Nanjing) (國浩律師(南京)事務所) and took up the position as a partner since September 2021. Mr. Cui currently serves as a voluntary expert in litigation service for the Third Circuit Court of the Supreme People's Court of the PRC (中華人民共和國最高人民法院第三巡迴法庭), a committee member of Xuanwu District, Nanjing Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議南京市玄武區委員會) and has been an arbitrator under the Nanjing Arbitration Commission, the Hefei Arbitration Commission, and the Wuxi Arbitration Commission since August 2020, October 2021 and November 2021 respectively.

Mr. Cui obtained his bachelor's degree in economics from Nanjing Forestry University (南京林業大學) in the PRC in June 2006 and his master's degree in law from Nanjing University (南京大學) in the PRC in March 2009.

Mr. Cui was admitted as a PRC practicing lawyer in October 2019. He obtained the qualification certificate of secretary to the board of directors issued by the Shanghai Stock Exchange as for the Science and Technology Innovation Board in June 2020 and for the Main Board in June 2020. In addition, Mr. Cui obtained the qualification certificate of independent director of a listed company issued by the Shanghai Stock Exchange in November 2019, the securities qualification certificate (證券從業資格) awarded by the Securities Association of China (中國證券業協會) in March 2011, the futures qualification certificate (期貨從業資格) awarded by the China Futures Association (中國期貨業協會) in March 2016 and was accredited as a Microsoft Certified System Engineer (MCSE) by Microsoft in December 2002 and a Cisco Certified Network Associate (CCNA) by Cisco in April 2006.

Directors and Senior Management

Ms. Zhao Hong (趙竑) ("**Ms. Zhao**"), aged 55, was appointed as an independent non-executive Director in May 2024, with effect from the listing of the Company.

Ms. Zhao has over 31 years of experience in corporate senior financial management. From July 1992 to May 1993, she served as a financial accountant of Shanghai AT&T Communication Equipment Limited (上海愛梯恩梯通信設備有限公司), then worked as a finance director at Shanghai Asian Sources Software Co., Ltd. (上海亞資軟件有限公司), a company principally engaged in software development and production and the provision of consulting services, from May 1993 to May 1995. From May 1995 to May 1998, Ms. Zhao worked as the senior finance director of Shanghai Quaker Oats Beverage Co., Ltd. (上海貴格飲料有限公司), a company principally engaged in the production and sales of beverages. From May 1998 to September 2015, she served as a senior financial manager of Chindex Medical Limited (美中互利醫療有限公司), a company principally engaged in the provision of leading-edge healthcare technologies and high quality products and services. In April 2016, Ms. Zhao joined Vestate Group Holdings Limited (國投集團控股有限公司), a company principally engaged in the manufacturing and retail of footwear, serving as an independent non-executive director until November 2020. In addition, she has served as the chief financial officer of Shanghai Yizhile Toys Sales Co., Ltd, a company principally engaged in the retail of toys, since September 2014 where she was mainly responsible for managing financial matters of the company.

Ms. Zhao obtained her bachelor's degree in economics from Shanghai University of Finance and Economics (上海財經大學) in July 1992 and a master's degree in business administration from the China Europe International Business School (中歐國際工商學院) in the PRC in June 2008. She obtained the qualification of accountant specialising in accounting (Corporate) conferred by the Ministry of Finance of the PRC in May 1996. Ms. Zhao was qualified as a certified public accountant in China in April 1998 and is currently a non-practicing member of the Chinese Institute of Certified Public Accountants. In addition, Ms. Zhao was granted the title of senior accountant by the Shanghai Municipal Human Resources and Social Security Bureau in November 2019.

SENIOR MANAGEMENT

Mr. Sun Tao (孫濤), aged 42, is the chairman of the Board and an executive Director of our Company. For details of his biography, please refer to the paragraph headed "Executive Directors" under this section.

Mr. Jiang Yanqiu (蔣燕秋), aged 35, is an executive Director and the general manager of our Company. For details of his biography, please refer to the paragraph headed "Executive Directors" under this section.

Mr. Ji Lijun (季黎俊), aged 41, is an executive Director and the deputy general manager of our Company. For details of his biography, please refer to the paragraph headed "Executive Directors" under this section.

Mr. Zhu Wentao (朱文濤), aged 36, is an executive Director, the deputy general manager of our Company and the head of our Lingjing Cloud business department. For details of his biography, please refer to the paragraph headed "Executive Directors" under this section.

Ms. Zhou Xin (周新) ("**Ms. Zhou**"), aged 37, has founded our Group in January 2016 and held the equity interest of Cloud Factory on behalf of Mr. Sun pursuant to an entrustment arrangement. Ms. Zhou is currently serving as the deputy general manager of our Group's commercial department. Ms. Zhou is responsible for the formulation of a business strategic and development plan, the management of our Group's business activities and the application of various licenses for the Group. Ms. Zhou is the spouse of our Director, Mr. Ji.

Prior to founding our Group, from January 2012 to December 2015, Ms. Zhou served as a customer service supervisor in Wuxi Zhida Network Technology Co., Ltd. (無錫市智達網絡科技有限公司) and was responsible for the management of the customers' after-sales service and the application and maintenance of various licenses for the company. From January 2011 to December 2012, Ms. Zhou served as a customer service officer of Yixing Yitong Automobile Sales Service Co., Ltd. (宜興市宜通汽車銷售服務有限公司), a company principally engaged in the sales of automobiles and relevant accessories, and was responsible for customers after-sales service. From July 2006 to December 2008, Ms. Zhou served as a customer service officer in Jintan Kangmei Shopping Centre (金壇康美購物中心), a company principally engaged in providing market facilities leasing and market management services, and was responsible for handling customers' enquiries.

Ms. Zhou graduated from Jintan Vocational and Technical School (金壇職業技術學校) in the PRC and obtained her post-secondary diploma in marketing in July 2006.

JOINT COMPANY SECRETARIES

Ms. LAM Chi Ching Cecilia (林芷晴) ("**Ms. Lam**"), is the joint company secretary of the Company. Ms. Lam is a solicitor qualified to practice in Hong Kong and is currently an associate of Zhong Lun Law Firm LLP, specialising in corporate finance work including initial public offerings, mergers and acquisitions and post-listing compliance matters. Ms. Lam received her LLB degree from the University of Birmingham, United Kingdom in July 2017. Ms. Lam graduated from the Chinese University of Hong Kong with a Master of Laws in International Economic Law in November 2019 and Postgraduate Certificate in Laws in August 2020, respectively.

Mr. Ji Lijun, is the joint company secretary of the Company. For details of his biography, please refer to the paragraph headed "Executive Directors" under this section.

Directors' Report

The Board is pleased to present this annual report of Directors together with the audited consolidated financial statements of the Group for the Reporting Period.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 10 December 2021 as an exempted company with limited liability under the Companies Act, and the Shares were listed on the Main Board of the Stock Exchange on 14 June 2024.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of IDC Solution Services and Edge Computing Services. IDC Solution Services and Edge Computing Services are important parts of the cloud supply chain. Our operation commences upon clients' enquires and request our services. We source data centre resources, mainly bandwidth from state-owned telecommunication carriers or other small-and-medium data centre owners and operators to provide flexible, tailor-made, geographically extensive, localised, enhanced and competitive services to our clients without owning data centre establishments. An analysis of the Group's performance for the Reporting Period by business segments is set out in note 5 to the consolidated financial statements.

RESULTS

The results of the Group for the year ended 31 December 2024 are set out in the consolidated financial statements of the Group on pages 107 to 112 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Reporting Period (year ended 31 December 2023: Nil).

BUSINESS REVIEW

Overview and Performance for the Reporting Period

A fair review of the Group's business, an analysis of the use of financial key indicators by the Group, a description of the principal risks and uncertainties facing by the Group, and indication of likely future development in the Group's business, are set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" of this annual report. These discussions form part of this annual report.

Environmental Policies and Performance

The Group attaches great importance to environmental protection and resource conservation, and continuously pays attention to the impact of its business operations on the environment. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. The Group also strictly follows the relevant environment protection laws and regulations of the PRC. During the Reporting Period, the Company did not find any environmental-related violations. The Group reviews its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses and enhancing environmental sustainability.

The Group recognises that integrating ESG concepts into the Group's day-to-day operations and management is crucial to the long-term development of the enterprise. We understand the expectations and requirements of all relevant parties on the Company through communication and interaction with each stakeholder, and feedback such requirements to our corporate management.

The Group has always practiced the principle of anti-discrimination, advocated the values of mutual help and mutual growth, and facilitated the sustainable development of our employees. As a technology enterprise with a warm heart, we have a sense of responsibility and actively fulfill our corporate social responsibility. In the course of our daily operation, we have internally launched a number of activities and initiatives to protect the occupational health and safety of our employees, and we have externally carried out community donations, first-aid training, ecological protection, poverty alleviation and agricultural assistance and other public welfare activities.

For details of the Group's environmental policies and performance, the compliance with the relevant laws and regulations and the relations with its employees, suppliers and customers, please refer to the "Environmental, Social and Governance Report" which will be published on the same day of publication as this annual report.

Relationships with Stakeholders

The Company recognises that employees are its valuable assets. Thus, the Group provides competitive remuneration packages to attract and motivate its employees. The Group regularly reviews the remuneration packages of its employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with its business partners to achieve its long-term goals. Accordingly, the Directors or senior management have kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. During the Reporting Period, there was no material and significant dispute between the Group and its business partners.

Compliance with Relevant Laws and Regulations

During the Reporting Period, as far as the Board is aware, the Group has complied with the relevant laws and regulations that had a significant impact on the business and operations on the Group.

Principal Risks and Uncertainties

The Group's business involves certain risks as set out in the section headed "Risk Factors" in the Prospectus. The following list is a summary of certain principal risks and uncertainties that the Group faces, some of which are beyond its control.

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

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

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

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

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

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

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

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

During the Reporting Period, the transaction amount with the Group's top five customers accounted for 71.2% (year ended 31 December 2023: 67.3%) of the Group's total revenue, while the transaction amount with the Group's single largest customer accounted for 22.2% (year ended 31 December 2023: 20.9%) of the Group's total revenue.

Major Suppliers

During the Reporting Period, the transaction amount with the Group's top five suppliers accounted for 55.4% (year ended 31 December 2023: 62.7%) of the Group's total purchases, while the transaction amount with the Group's single largest supplier accounted for 20.2% (year ended 31 December 2023: 29.2%) of the Group's total purchases.

During the Reporting Period, none of the Directors, their close associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the total number of issued Shares) had any interest in any of the Group's five largest customers and suppliers.

During the Reporting Period, the Company maintained good relationships with its customers and suppliers.

RELATIONSHIPS WITH CUSTOMERS, SUPPLIERS AND EMPLOYEES

Customers

The Group has built strong, long-standing relationships with its major customers and established a strong customer base. The Group is committed to protecting the interests of its customers and end users and improving their experience. Good service is one of the key competencies of the Group and it always strives to reduce complaints.

During the Reporting Period, the Group attended industry conferences to solicit new potential customers and maintain relationships with existing customers. To further enhance the business relationship with its customers, its operations and sales teams also visit its customers on a regular basis to exchange views and collect feedback with a view to providing better services.

Suppliers

The Group has established stable business relationships with its suppliers which is essential to the smooth operation of the Group's business, as the Directors consider that timely delivery of services and provision of assistance can enable the Group to meet the schedules of its clients. The Group has also maintained a list of approved suppliers which is periodically reviewed and updated based on the internal assessment of their performance, to ensure that all works performed by the suppliers satisfy the requirements of the relevant contract.

Employees

The Group maintains a cooperative and good relationship with its management and employees, and provides competitive remuneration, staff welfare and benefits to them. In general, the Group reviews and determines the remuneration packages of its employees on a periodical basis by reference to, including but not limited to, the market level of salaries paid by comparable companies, the respective responsibilities of its employees and the performance of the employees and the Group.

During the Reporting Period, there was no labour dispute or strike. The Board is of the view that the Group's current relationship with its employees is satisfactory.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Company during the Reporting Period are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the Reporting Period are set out in note 26 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in the reserves of the Group during the Reporting Period are set out in note 27 to the consolidated financial statements. During the Reporting Period, the Company had retained nil (2023: nil) profits as reserves available for distribution to the Shareholders.

BANK BORROWINGS

Particulars of bank borrowings of the Group as of 31 December 2024 are set out in note 25 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 170 of this annual report.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are as follows:

Executive Directors

Sun Tao (孫濤) *(Chairman and Chief Executive Officer)*
Jiang Yanqiu (蔣燕秋)
Ji Lijun (季黎俊)
Zhu Wentao (朱文濤)

Independent Non-executive Directors

Ip Mun Lam (葉滿林)
Cui Qi (崔琦)
Zhao Hong (趙竑)

Pursuant to article 108(a) of the Articles, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Company at the general meeting at which a Director retires may fill the vacated office.

Pursuant to article 112 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an additional Director but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Members in general meeting. Any Director appointed by the Board to fill a casual vacancy or as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election. Any Director appointed under this Article shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

Accordingly, Mr. Sun Tao, Mr. Jiang Yanqiu, Mr. Ji Lijun, Mr. Zhu Wentao, Mr. Ip Mun Lam, Mr. Cui Qi and Ms. Zhao Hong will retire and, being eligible, have offered themselves for re-election as Directors at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Company are set out on pages 15 to 19 of this annual report.

CHANGES IN DIRECTORS' BIOGRAPHICAL DETAILS UNDER RULE 13.51B(1) OF THE LISTING RULES

There was no change of the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2024 interim report up to the date of this annual report.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors are independent from the date of their appointments and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years or until the third annual general meeting of the Company upon listing, whichever the earlier. The service contract shall continue until terminated by either party.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years or until the third annual general meeting of the Company upon listing, whichever the earlier. The letter of appointment shall continue until terminated by either party.

None of the Directors has entered into, or has proposed to enter into, a service contract with the Company which is not determinable within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, or any of its subsidiaries or fellow subsidiaries was a party during the Reporting Period.

MANAGEMENT CONTRACTS

No contracts, other than the employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

REMUNERATION POLICY

According to the Group's remuneration policy, in evaluating the amount of remuneration payable to the Directors and senior management, the factors to be considered by the Remuneration Committee include the salaries paid by similar companies, tenure, commitment, responsibilities and individual performance of Directors and senior management (as the case may be), etc.

The remuneration received by the Directors and senior management include salaries, bonuses, contributions to pension schemes, share-based incentives, housing and other allowances, and benefits in kind in compliance with applicable laws, rules and regulations.

Details of the remuneration of the Directors, senior management and the five highest paid individuals during the Reporting Period are set out in notes 8 and 9 to the consolidated financial statements.

No amount was paid to any Director or any of the five highest paid individual disclosed in notes 8 and 9 to the consolidated financial statements as an inducement to join or upon joining the Company or as a compensation for loss of office. In addition, there was no arrangement under which a Director waived or agreed to waive any remuneration.

SHARE AWARD SCHEME

Post-IPO RSU Scheme

On 14 May 2024 (the "Adoption Date"), the Board adopted and approved the Post-IPO RSU Scheme to grant restricted Award Shares to (i) directors and employees of our Company or any of its subsidiaries; (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of our Company and (iii) persons (or its directors and/or employees if such person providing services is an entity) who provide services to our Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of our Group (excluding placing agents, financial advisers, professional service providers such as auditors and valuers) ("**Service Providers**"), as selected participants ("**Selected Participants**")

The purposes of the Post-IPO RSU Scheme are: (i) to provide the Selected Participants with an opportunity to acquire a proprietary interest in the Company; (ii) to encourage and retain such individuals to work with our Group; (iii) to provide additional incentive for them to achieve performance goals; (iv) to attract suitable personnel for further development of our Group; and (v) to motivate the selected participants to maximise the value of our Company for the benefits of both the selected participants and our Company, with a view to achieving the objectives of increasing the value of our Company and aligning the interests of the selected participants directly with the Shareholders through ownership of Shares.

All Award Shares are existing Shares. The total number of the Award Shares underlying all grants made pursuant to the Post-IPO RSU Scheme shall not exceed 10% of the share in issue of the company immediately after the listing of the Company (i.e. 46,000,000 Shares). As at 14 June 2024 (the date when the Post-IPO RSU Scheme became effective) and 31 December 2024, the total number of Awards Shares under the Post-IPO RSU Scheme were 46,000,000 Shares and 46,000,000 Shares, respectively. The number of Award Shares available for grant under the Post-IPO RSU Scheme were 46,000,000 Shares and 46,000,000 Shares as at 14 June 2024 (the date when the Post-IPO RSU Scheme became effective) and 31 December 2024, respectively.

During the Scheme Period (as defined below), the maximum entitlement of each Selected Participant at any one time or in aggregate may not exceed 1% of the issued share capital of the Company immediately after the listing of the Company (i.e. 4,600,000 Shares). Upon receipt of the vesting notice, the grantee is required to return to the Company a reply slip duly executed by him/her at least five (5) Business Days before the date of vesting. If the Board or the Administration Committee specifies in the vesting notice that actual Award Shares will be transferred to the nominee account upon vesting, the grantee shall complete the payment of the purchase price (if any) within the specified period set out in the vesting notice. The Post-IPO RSU Scheme shall be valid and effective for a period of ten (10) years commencing form the Listing Date (the "Scheme Period"), after which no further Award Shares shall be granted or accepted, but the provisions of the Post-IPO RSU Scheme shall remain in full force and effect in order to give effect to the vesting and exercise of Award Shares granted and accepted prior to the expiration of the Scheme Period. The remaining effective period for the Post-IPO RSU Scheme was approximately nine (9) years as at the date of this annual report.

For more details of the Post-IPO RSU Scheme, please refer to the paragraph headed "Statutory and General Information — D. Post-IPO RSU Scheme" in Appendix IV to the Prospectus.

No Award Shares has been granted, exercised, cancelled, lapsed or remained outstanding under the Post-IPO RSU Scheme during the Reporting Period.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2024, the interests of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, as notified to the 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 was taken or deemed to have taken under such provisions of the SFO), as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests/short positions in the Shares of our Company

Name of Director or Chief Executive	Nature of interest	Number of Shares interested *(Note 1)*	Approximate percentage of shareholding interest *(Note 2)*
Mr. Sun	Interest of controlled Corporation	345,000,000 (L)	75%

Notes:

1. The letter "L" stands for long position.

2. The number of issued Shares as of the date of this annual report was 460,000,000.

(ii) Interest in associated corporation

Name of Director or Chief Executive	Nature of interest	Name of associated corporation *(Note 1)*	Approximate percentage of shareholding interest
Mr. Sun	Beneficial owner	Ru Yi IT	100%

Note:

1. Ru Yi IT is the holding company of our Company and therefore "associated corporations" of the Company within the meaning of Part XV of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITION IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As of the date of this annual report, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name of substantial shareholder	Nature of interest	Number of Shares interested *(Note 1)*	Approximate percentage of shareholding interest *(Note 2)*
Ru Yi IT *(Note 3)*	Beneficial owner	345,000,000 (L)	75%
Mr. Sun *(Note 3)*	Interest of corporation controlled	345,000,000 (L)	75%

Notes:

1. The letter "L" stands for long position.

2. The number of issued Shares as of the date of this annual report was 460,000,000.

3. Ru Yi IT is wholly owned by Mr. Sun, as such, Mr. Sun is deemed to be interested in the Shares held by Ru Yi IT for the purpose of Part XV of the SFO.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, no equity-linked agreement was entered into or renewed by the Company during the Reporting Period or subsisting as at 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

For the Reporting Period, there were no provisions relating to pre-emptive rights, which required the Company to offer new Shares on a pro-rata basis to existing Shareholders under the Articles of Association or the laws of the Cayman Islands.

DIRECTORS' INTEREST IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective associates had any interests in business, which compete or are likely to compete either directly or indirectly, with the business of the Group.

TAX RELIEF AND EXEMPTION FOR HOLDERS OF LISTED SECURITIES

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on the Listing Date with a total of 115,000,000 ordinary Shares in the share capital of the Company with nominal value of US$0.00001 each being offered under the Global Offering. Such Shares under the Global Offering consisted of 85,000,000 Shares issued by the Company and 30,000,000 Shares offered by the selling shareholder based on the share price of HK$4.6 per Share. The aggregate nominal value of the said offer Shares is US$1,150. The net proceeds from the Global Offering, after deducting the underwriting fees, commissions and estimated expenses paid and payable by the Company in connection with the Global Offering, were approximately HK$336.8 million. The net price per offer Share is approximately HK$3.96 (excluding the Shares offered by the selling shareholder). To the best knowledge, information and belief of the Company, the participants of the Global Offering include, among others, institutional investors and retail investors.

The intended use of the net proceeds were set out in the Prospectus. As of 31 December 2024, such net proceeds from the Global Offering were utilized as follows in accordance with the intended use:

	Approximate allocation of the Net Proceeds	Approximate percentage of the total Net Proceeds	Utilised amounts as at 31 December 2024	Unutilised amounts as at 31 December 2024	Estimated completion of utilisation
	HK$'000	%	HK$'000	HK$'000	
Existing business improvement and operation development	160,654	47.7	32,231	128,423	By 31 December 2026
Comprehensive implementation and upgrade of our Edge Computing Services	62,308	18.5	41,527	20,781	By 31 December 2026
Recruitment of talents for IDC Solution Services and Edge Computing Services operations	43,110	12.8	7,471	35,639	By 31 December 2026
Cooperation with universities and research institutes for research and development	37,048	11.0	10,631	26,417	By 31 December 2026
Working capital and general corporate purposes	33,680	10.0	10,836	22,844	By 31 December 2026
Total	336,800	100.0	102,696	234,104	

Reference is made to the clarification announcement of the Company dated 25 October 2024 (the "**Clarification Announcement**"). As set out in the Clarification Announcement, due to the complication in securing a bank loan under the market condition at the material time, the Group utilised part of the net proceeds to settle the costs and prepayments of equipment and internet data centre resources, such as bandwidth and cabinet resources which were necessary for the daily operation of the Group's IDC Solution Services and Edge Computing Services. After the Group had successfully secured the bank loan, the net proceeds had been fully recovered and the Company has ceased to utilise the net proceeds for the purposes mentioned above. The Company intends to utilise the net proceeds for the same purposes as set out in the Prospectus. For further details, please refer to the Clarification Announcement.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2024, save as disclosed in this annual report, no related party transaction disclosed in note 30 to the consolidated financial statements falls under the definition of "connected transaction" or "continuing connected transaction" in Chapter 14A of the Listing Rules for which disclosure is required.

The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

The following transactions of the Group constituted continuing connected transactions for the Group for the year ended 31 December 2024.

A. CONTRACTUAL ARRANGEMENTS

Background for the Contractual Arrangements

The provision of IDC Solution Services and Edge Computing Services are subject to foreign investment restrictions under the current PRC laws and regulations. The provision of IDC Solution Services and Edge Computing Services falls within the scope of value-added telecommunication services. The Group believes that to maintain the business operation and the effectiveness of ICP Licence held by the Consolidated Affiliated Entities, the Consolidated Affiliated Entities must be controlled by the Group through the Contractual Arrangements. The Contractual Arrangements are therefore narrowly tailored and are used to merely enable the Group to conduct businesses in industries that are subject to foreign investment restriction.

Due to regulatory restrictions on foreign ownership in the PRC, the Group conducts its business operations indirectly in the PRC through the Consolidated Affiliated Entities while complying with applicable PRC laws and regulations. For details of the Contractual Arrangements, please refer to the paragraph headed "Summary of the Contractual Arrangements". Through the Contractual Arrangements, the Company exercise effective control over the Consolidated Affiliated Entities. The Contractual Arrangements enable the Company to (i) receive the economic benefits generated by the Consolidated Affiliated Entities; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an irrevocable and exclusive right to require (1) each of the Registered Shareholders to transfer any or all their equity interests in Cloud Factory, (2) Cloud Factory to transfer any or all of the assets it held, (3) Cloud Factory to transfer any or all their equity interests in any of its subsidiaries and/or (4) any of the subsidiaries of Cloud Factory to transfer any or all of the assets it held, to Wuxi Lingjingyun and/or a third party designated by Wuxi Lingjingyun, at any time and from time to time, at a consideration at RMB10 or at the lowest purchase price that is permitted by the PRC laws.

The revenue contribution of all of the Consolidated Affiliated Entities to the Group amounted to approximately 100.0% of the total revenue of the Group for the year ended 31 December 2024. As at 31 December 2024, the total assets of the Consolidated Affiliated Entities in aggregate represent approximately 84.9% of the total assets of the Group.

Risks relating to the Contractual Arrangements and Actions Taken to Mitigate the Risks

The Group believes the following risks are associated with the Contractual Arrangements. Further details of these risks are set out on pages 70 to 75 of the Prospectus.

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

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

Directors' Report

- The shareholders of the Consolidated Affiliated Entities may have actual or potential conflicts of interest with us, which may materially and adversely affect our business, results of operations and financial condition.
- Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.
- We may lose the ability to use and enjoy assets held by our Consolidated Affiliated Entities that are material to our business operations if our Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and the Implementation Rules and how they may impact the viability of our current corporate structure, corporate governance and business operations.
- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and they may determine that we or the Consolidated Affiliated Entities owe additional taxes, which could materially and adversely affect our business, results of operations and financial condition.
- 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.
- Our Group does not have any insurance which covers the risks relating to the Contractual Arrangements and the transactions contemplated thereunder.
- Wuxi Lingjingyun bears economic risks as the primary beneficiary of the Consolidated Affiliated Entities.
- There may be a potential impact to our Company if our contractual arrangements with the Consolidated Affiliated Entity, its subsidiaries and shareholders are not treated as domestic investment.

The Company's management works closely with its external legal counsels and advisers to monitor the regulatory environment and developments in PRC laws and regulations to mitigate the risks associated with the Contractual Arrangements.

The Group has adopted measures to ensure the implementation of the Contractual Arrangements for the effective operation of the Group's businesses and its compliance with the Contractual Arrangements, including, among others:

(i) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports; and

(iv) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board in reviewing the implementation of the Contractual Arrangements, review the legal compliance of Wuxi Lingjingyun and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions for the Company pursuant to Chapter 14A of the Listing Rules. The Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from (i) strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules subject to certain conditions. For details, please refer to the section "Connected Transactions" in the Prospectus.

PRC Laws and Regulations

Pursuant to the Foreign Investment Negative List, provision of value-added telecommunication services falls within the "restricted business for foreign investors restricted business" category. As such, the shareholding percentage of a foreign investor in companies engaged in value-added telecommunication services shall not exceed 50%.

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

For further details, please refer to the section "Regulatory Overview" in the Prospectus.

Qualification Requirements

According to the Administration of Foreign-funded Telecommunication Enterprises (外商投資電信企業管理規定) (amended in 2022 and became effective on 1 May 2022) (the "FITE Regulations"), the Qualification Requirements previously stipulated that a foreign investor who invests in a VATS in the PRC must possess prior experience in operating VATS and a proven track record of business operations has been cancelled and no longer be valid. Nonetheless, while a foreign investor is allowed to invest in an entity holding ICP Licence with less than 50% equity interest, it remains uncertain whether an entity held by foreign shareholders is allowed to hold an ICP Licence.

Summary of the Contractual Arrangements

During the Reporting Period, the Group's operating subsidiary, Cloud Factory, which principally engages in the provision of value-added telecommunication services which falls within the "restricted business for foreign investors restricted business" category under the Foreign Investment Negative List. As such, a series of Contractual Arrangements were entered into among Wuxi Lingjingyun, Cloud Factory and its subsidiaries and the Registered Shareholders on 28 March 2023 and 26 September 2023, of which the terms and conditions are substantially the same as the existing Contractual Arrangements.

Directors' Report

The Contractual Arrangements which were in place during the Reporting Period were as follows:

- Exclusive Business Cooperation Agreements. Under the exclusive business cooperation agreements (the "Exclusive Business Cooperation Agreements") dated 28 March 2023 and 26 September 2023 entered into among Wuxi Lingjingyun, Cloud Factory and its subsidiaries and the Registered Shareholders, in exchange for a monthly service fee, Cloud Factory and its subsidiaries agreed to engage Wuxi Lingjingyun as their exclusive service provider of technical support, consultation and other services

- Exclusive Option Agreements. Under the exclusive option agreements (the "Exclusive Option Agreements") dated 28 March 2023 and 26 September 2023 among Wuxi Lingjingyun, Cloud Factory and its subsidiaries and the Registered Shareholders, Cloud Factory and its subsidiaries and the Registered Shareholders agreed to grant Wuxi Lingjingyun an irrevocable and exclusive right to require (i) each of the Registered Shareholders to transfer any or all their equity interests in Cloud Factory; (ii) Cloud Factory to transfer any or all of the assets it held; (iii) Cloud Factory to transfer any or all their equity interests in any of its subsidiaries; and/or (iv) any of the subsidiaries of Cloud Factory to transfer any or all of the assets it held, to Wuxi Lingjingyun and/or a third party designated by Wuxi Lingjingyun, at any time and from time to time, at a consideration at RMB10 or at the lowest purchase price that is permitted by the PRC laws.

- Equity Pledge Agreements. Under the equity pledge agreements (the "Equity Pledge Agreements") dated 28 March 2023 and 26 September 2023 entered into among Wuxi Lingjingyun, Cloud Factory and its subsidiaries, Jiangsu Hanju and Wuxi Bangtai, being two of the Registered Shareholders, Cloud Factory, Jiangsu Hanju and Wuxi Bangtai agreed to pledge all their respective equity interests in Cloud Factory and its subsidiaries that they own, including any dividend or other benefits arising therefrom, to Wuxi Lingjingyun as a charge to guarantee the performance of contractual obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements and the Powers of Attorney (as defined below).

- Powers of Attorney. Cloud Factory, Wuxi Lingjingyu and Wuxi Bangtai and Jiangsu Hanju, respectively, have executed the powers of attorney (the "Powers of Attorney") on 28 March 2023 and 26 September 2023. Under the Powers of Attorney, Cloud Factory, Wuxi Bangtai and Jiangsu Hanju, respectively, covenanted that, they irrevocably appoint Wuxi Lingjingyun and any person designated by Wuxi Lingjingyun to manage their equity interest in Cloud Factory and/or its subsidiaries and exercise all shareholder's rights in Cloud Factory and/or its subsidiaries.

- Undertakings by Mr. Sun. Mr. Sun has confirmed to the effect that (i) his spouse (where applicable) does not own and does not have the right to claim any interests in the equity interest of Cloud Factory (together with any other interests therein); (ii) where applicable, in the event of his death, incapacity, bankruptcy, divorce, or any other event which causes his inability to exercise his rights as a shareholder of Cloud Factory, his successors including his spouse, will not, under any circumstance and in any way, take any action, when such action may affect or hinder himself in performing his obligations under the Exclusive Business Cooperation Agreements, the Exclusive Option Agreements, the Equity Pledge Agreements, the Powers of Attorney; (iii) he will not directly or indirectly participate in, engage in, hold interest of or profit from any competing business or potentially competing business by utilising any information obtained in the operation of Cloud Factory and its subsidiaries; (iv) in case of potential or actual conflict of interest with Cloud Factory, Wuxi Lingjingyun or their associated companies, he will not cause any adverse impact on Cloud Factory, Wuxi Lingjingyun and their associated companies and will use his best endeavour to eliminate such conflicts in time; and (v) in case he assume directorship or senior management roles of Wuxi Lingjingyun and its associated companies, he shall assign all rights and obligations under the Powers of Attorney to Wuxi Lingjingyun or other directors or senior management members designated by Wuxi Lingjingyun.

For details of the major terms of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

Save as disclosed above, during the Reporting Period and up to the date of this annual report, there were no other new Contractual Arrangements entered into, renewed or reproduced. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted for the year ended 31 December 2024.

For the year ended 31 December 2024, none of the Contractual Arrangements had been terminated as none of the restrictions that led to the adoption of the contracts under the Contractual Arrangements has been removed.

Confirmation of Independent Non-executive Directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that, during the Reporting Period:

(i) the transactions carried out during the year have been entered into in accordance with the relevant provisions of the Contractual Arrangements to the effect that the revenue generated by the Consolidated Affiliated Entities has been substantially retained by Wuxi Lingjingyun;

(ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

(iii) no new contracts were entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the year other than the ones disclosed above;

(iv) the Contractual Arrangements have been entered into in the ordinary and usual course of business of the Group;

(v) the Contractual Arrangements have been entered into on normal commercial terms or better; and

(vi) the Contractual Arrangements have been entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmation of the Company's Independent Auditor

Ernst & Young, the independent auditor of the Company, has carried out procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants on the transactions carried out pursuant to the Contractual Arrangements and has confirmed in a letter to the Board, with respect to Contractual Arrangements and the transactions contemplated therein:

(i) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;

(ii) nothing has come to their attention that causes them to believe that the transactions have not been entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(iii) nothing has come to their attention that causes them to believe that dividends or other distributions have been made by our Consolidated Affiliated Entities to the holders of the equity interests of the Consolidated Affiliated Entities which are not otherwise subsequently assigned or transferred to our Group.

Details of related party transactions in the normal course of business are set out in note 30 to the consolidated financial statements. During the Reporting Period, save as disclosed in this annual report, there were no other connected transactions or continuing connected transactions which are required to be disclosed by the Company in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in the section headed "CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS" in this annual report and note 30 to the consolidated financial statements, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries and no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling Shareholders or any of its subsidiaries had been entered into.

DONATIONS

The Group's charitable and other donations totalled RMB87,500 during the Report Period.

MATERIAL LEGAL PROCEEDINGS AND COMPLIANCE

During the Reporting Period and up to the date of this annual report, to the knowledge of Directors, the Company has complied with the applicable laws and regulations in all material aspect, and there are no material legal proceedings which are pending or threatened against the Company.

PERMITTED INDEMNITY PROVISIONS

Pursuant to the Articles of Association, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or legal liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. During the Reporting Period, there was appropriate directors' and senior officers' liability insurance coverage for the Directors and senior officers of the Group.

CORPORATE GOVERNANCE

For details, please refer to the Corporate Governance Report on pages 38 to 52 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the total issued Shares was at all times held by the public during the Reporting Period and up to the date of this annual report. The Company has maintained a sufficient public float that is in compliance with Rule 8.08 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee discussed with the senior management of the Company and the Auditor, and reviewed the audited consolidated financial statements of the Group for the Reporting Period together with the applicable accounting principles, standards and practices adopted by the Group. The Audit Committee has agreed with the senior management of the Company on the annual report for the Reporting Period.

AUDITOR

Ernst & Young is appointed as the auditor during the Reporting Period and Ernst & Young has audited the accompanying financial statements which were prepared in accordance with HKFRS.

Ernst & Young is subject to retirement and, being eligible, offers itself for re-appointment at the AGM. A resolution for re-appointment of Ernst & Young as the Auditor will be proposed at the AGM.

There has been no change in auditor since the Listing Date.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this annual report, there were no other significant events that might affect the Group after the Reporting Period and up to the Latest Practicable Date.

By order of the Board
Cloud Factory Technology Holdings Limited
Sun Tao
Chairman

Hong Kong, 23 April 2025

Corporate Governance Report

The Board is pleased to present this corporate governance report as set out in this annual report for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company strives to maintain high standards of corporate governance in order to safeguard the interests of its Shareholders and enhance the corporate value and accountability. In addition, the Group is also committed to continuously improving its corporate governance practices.

During the Reporting Period, the Company has complied with all the applicable code provisions under the CG Code with the exception for the deviation from code provision C.2.1 of the CG Code.

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and CEO should be separated and should not be performed by the same individual. Currently, Mr. Sun is the chairman and CEO of the Company, which deviated from the code provision C.2.1 of the CG Code. The Board believes that it is to the benefit of the business prospect and operational efficiency of the Group to vest the roles of chairman and CEO in the same person due to its unique role, Mr. Sun's experience in the industry, personal profile and roles in the Group. This dual role provides strong and consistent market leadership and is crucial to efficient business planning and decision-making of the Company. As all major decisions of the Group are made in consultation with members of the Board and the relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is of the view that adequate safeguards are in place to ensure sufficient balance of powers within the Board.

In order to maintain good corporate governance and to fully comply with code provision C.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman of the Board and CEO separately.

CORPORATE GOVERNANCE FUNCTIONS

The Board is collectively responsible for performing the corporate governance functions set out in code provision A.2.1 of Part 2 of the CG Code, including at least the following:

- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the Company's code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

THE BOARD OF DIRECTORS

Responsibilities

The Board is responsible for leading and controlling the Company and overseeing the Group's business, strategy making and performance, and is collectively responsible for facilitating the success of the Company by directing and supervising its affairs.

The Board directly, and indirectly through its committees, leads and provides direction to the management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that internal control is sound and risk management systems are in place. The Board has delegated responsibilities to the Board committees, which have been set out in their respective terms of reference.

Delegation by the Board

The Board reserves its right to decide on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. The senior management has to obtain the Board approval prior to entering into any significant transaction.

BOARD COMPOSITION

As at the date of this annual report, the Board consists of seven Directors, including four executive Directors, and three independent non-executive Directors. The list of the Board members and their positions is set out below. All Directors ensure that they are able to devote sufficient time and attention to the affairs of the Company.

Executive Directors

Sun Tao (孫濤) *(Chairman and Chief Executive Officer)*
Jiang Yanqiu (蔣燕秋)
Ji Lijun (季黎俊)
Zhu Wentao (朱文濤)

Independent Non-executive Directors

Ip Mun Lam (葉滿林)
Cui Qi (崔琦)
Zhao Hong (趙竑)

The biographical details of each Director are set out on pages 15 to 18 of this annual report.

We are also committed to promoting diversity of the management (including but not limited to the senior management) of the Company to enhance the effectiveness of our corporate governance as a whole. All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have always acted in the interests of the Company and the Shareholders.

None of the Directors has any relationship (including financial, business, family members or other material/relevant relationship) with any other Directors or chief executives (particular the chairman and the CEO) of the Company.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period and up to the date of this annual report, the Board has complied with the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of at least three independent non-executive Directors with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise at all time.

The Company has also complied with the requirement of Rule 3.10A of the Listing Rules relating to appointing the independent non-executive Directors as equivalent to one-third members of the Board.

Each of the independent non-executive Directors has confirmed its independence under Rule 3.13 of the Listing Rules during the Reporting Period. Therefore, the Company regarded them as independent parties.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Code provision B.2.2 of Part 2 of the CG Code states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are contained in the Articles of Association. Each of the executive Directors, has signed service contracts with the Company. Each of the executive Directors has been appointed for a term of three years or until the third annual general meeting of the Company upon listing, whichever the earlier, but will be subject to retirement by rotation and eligible for re-election at least once every three years at the annual general meeting of the Company pursuant to the Articles. Upon the consent of the parties and subject to the Listing Rules, the service contract can be renewed until it is terminated by either party in accordance with its terms.

Each of the independent non-executive Directors has signed letters of appointment with the Company. The terms and conditions of respective letters of appointment are similar in all material aspects. Each of the independent non-executive Directors has been appointed for a term of three years or until the third annual general meeting of the Company upon listing, whichever the earlier, but will be subject to retirement by rotation and eligible for re-election at least once every three years at the annual general meeting of the Company pursuant to the Articles. Subject to the recommendation of the Audit Committee, the letters of appointment can be renewed until it is terminated by either party in accordance with its terms.

According to Article 112 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board but so that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Members in general meeting. Any Director so appointed shall hold office only until the next first annual general meeting of the Company and shall then be eligible for re-election at that meeting.

According to Article 108(a) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement at an annual general meeting by rotation at least once every three years. A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Company at the general meeting at which a Director retires may fill the vacated office.

BOARD MEETING AND GENERAL MEETING

During the Reporting Period, the attendance records of each Directors at Board and committees meetings are set out as follows:

Name of Directors	Regular Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	Nomination Committee Meeting	General Meeting
Executive Directors					
Mr. Sun Tao	3	N/A	N/A	1	—
Mr. Jiang Yanqiu	3	N/A	N/A	N/A	—
Mr. Ji Lijun	3	N/A	1	N/A	—
Mr. Zhu Wentao	3	N/A	N/A	N/A	—
Independent non-executive Directors					
Mr. Ip Mun Lam	3	2	1	N/A	—
Mr. Cui Qi	3	2	1	1	—
Ms. Zhao Hong	3	2	N/A	1	—

During the Reporting Period, the chairman of the Board held a meeting with the independent non-executive Directors without the presence of executive Directors in compliance with code provision C.2.7 of the CG Code.

Due to the fact that the Company was listed on 14 June 2024, no general meeting were held during the Reporting Period.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director will be provided with necessary induction training and information to ensure that he/she has a proper understanding of the Company's operation and business as well as his/her responsibilities under relevant statues, laws, rules and regulations in accordance with code provision C.1.1 of the CG Code. The Company will also arrange regular seminars and directors' training to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. In order to enhance the communication with the Directors and to enable them to deepen their understanding of the Company's business, the Company has regularly invited the Directors to visit the Company and hear about the strategic approaches and business development of the Company. Each of the Directors has confirmed that he/she has understood his/her obligations as a Director during the Reporting Period.

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company have from time to time updated and provided written training materials relating to the roles, functions and duties of Directors.

All Directors have complied with code provision C.1.4 of the CG Code in relation to the training of Directors. During the Reporting Period, the Company has provided all Directors with training, including Listing Rules and corporate governance matters, and has provided management with internal training in relation to the Company.

A summary of training received by the Directors for the Reporting Period is summarised as follows:

Name of Directors	Attending or participating in relevant seminars/ Reading relevant materials
Executive Directors:	
Mr. Sun Tao	Yes
Mr. Jiang Yanqiu	Yes
Mr. Ji Lijun	Yes
Mr. Zhu Wentao	Yes
Independent Non-executive Directors:	
Mr. Ip Mun Lam	Yes
Mr. Cui Qi	Yes
Ms. Zhao Hong	Yes

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for Directors' in securities transactions. After making specific enquiry of all Directors, all Directors have confirmed that they have strictly complied with the Model Code for the Reporting Period.

JOINT COMPANY SECRETARIES

Mr. Ji is the joint company secretary of the Company and is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

Ms. Lam Chi Ching Cecilia ("Ms. Lam") has been appointed as the joint company secretary on 26 May 2023. In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company engages Ms. Lam, a solicitor practicing in Hong Kong, to assist Mr. Ji to discharge his duties as joint company secretary of the Company. Mr. Ji is the primary contact person of the Company.

For the Reporting Period, each of Mr. Ji and Ms. Lam has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Ms. Zhao Hong (Chairperson), Mr. Ip Mun Lam and Mr. Cui Qi (with Mr. Ip Mun Lam possessing the appropriate professional qualifications and accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules).

The main duties of the Audit Committee include, without limitation, the followings:

(a) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Audit Committee should discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to develop and implement policy on engaging an external auditor to supply non-audit services. For this purpose, "external auditor" includes any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally;

(d) to report to the Board, identifying and making recommendations on any matters where action or improvement is needed;

(e) to monitor integrity of the Company's financial statements and annual reports, ESG Reports, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Audit Committee should focus particularly on:

    (i) any changes in accounting policies and practices;

    (ii) major judgmental areas;

    (iii) significant adjustments resulting from audit;

    (iv) the going concern assumptions and any qualifications;

    (v) compliance with accounting standards;

    (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting; and

    (vii) compliance with the Listing Rules in relation to ESG disclosure requirements;

(f) regarding (e) above:

    (i) members of the Audit Committee should liaise with the Board and senior management and the Audit Committee must meet, at least twice a year, with the Company's external auditor; and

    (ii) the Audit Committee should consider any significant or unusual items that are, or may need to be, reflected in the report and accounts, it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or auditors;

(g) to review the Company's financial controls, and unless expressly addressed by a separate risk committee of the Board, or by the Board itself, to review the Company's risk management and internal control systems;

Corporate Governance Report

(h) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting functions;

(i) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;

(j) where an internal audit function exists, to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company, and to review and monitor its effectiveness;

(k) to evaluate and determine ESG-related risks and opportunities at least once annually, and ensuring that appropriate and effective ESG risk management and internal control systems are in place;

(l) to review the Group's ESG performance against ESG-related goals and targets;

(m) to report the ESG findings and recommendations to the Board;

(n) to review ESG management approach, strategy, priorities and objectives;

(o) to review the Group's financial, accounting and ESG policies and practices;

(p) to review the external auditor's management letter, any material queries raised by the auditors to management about accounting records, financial accounts or systems of control and management's response;

(q) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;

(r) to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee shall ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

(s) to act as the key representative body for overseeing the Company's relations with the external auditor;

(t) to establish a whistleblowing policy and system for employees and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matter related to the Company;

(u) to report to the Board on the matters included under the heading "Audit Committee" in Appendix C1 and the matters set out herein; and

(v) to consider any other topics as defined by the Board from time to time.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

As our Company was listed on the Stock Exchange on 14 June 2024, two Audit Committee meetings were held after the Listing date and up to the end of the Reporting Period for reviewing (1) interim results and interim report for the six months ended 30 June 2023 and (2) external auditors' plans. Our Audit Committee has also reviewed the continuing connected transactions of our Group, the significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, the appointment of external auditor and engagement of non-audit services and relevant scope of works, and the arrangements for employees to raise concerns about possible improprieties.

During the Reporting Period, there was no disagreement between the Board and the Audit Committee regarding the re-appointment of the external auditor of the Company.

Remuneration Committee

The Remuneration Committee consists of three members, including two independent non-executive Directors and one executive Director, namely Mr. Cui Qi (chairman), Mr. Ip Mun Lam and Mr. Ji Lijun.

The main duties of the Remuneration Committee are as follows:

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) either:

    (i) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; or

    (ii) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management.

    This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of the non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of their associates is involved in deciding that Director's own remuneration; and

(i) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee has convened one meeting and performed the following major tasks:

- Reviewed the remuneration policy and remuneration packages of the Directors and the senior management of the Company with reference to their performances and the corporate goals and objectives resolved by the Board.
- Conducted regular reviews on the level of remuneration with reference to companies with comparable business or scale.
- Consult with the Chairman of the Board about the performance of senior executives.

Nomination Committee

The Nomination Committee consists of three members, including one executive Director and two independent non-executive Directors, namely Mr. Sun Tao (Chairman), Mr. Cui Qi and Ms. Zhao Hong .

The main duties of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
2. to review the nomination policy and procedures for directorship during the year;
3. to identify and advise the Board on the selection and nomination of individuals suitably qualified to become Directors;
4. to assess the independence of the independent non-executive Directors; and
5. to make recommendations to the Board relating to the appointment or re-appointment of Directors.

The Nomination Committee assesses the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Nomination Committee has convened one meeting and performed the following major tasks:

- Reviewed the structure, size and composition of the Board and its committees to ensure that they have a balance of expertise, skills and experience appropriate to the requirements for the business of the Group.
- Assessed the independence of all the independent non-executive Directors.
- Reviewed the board diversity policy and the policy for the nomination of directors during the Reporting Period.

Nomination Policy

The Board has adopted a nomination policy (the "Nomination Policy") for nomination of Directors and the summary is as follows: the Company values its selection process of the Board members with high transparency. The Nomination Policy aims to ensure that the Board keeps balance on the skill sets, experience, expertise and diversity of perspectives enhances decision-making capability and the overall effectiveness of the Board. The Nomination Committee has been appointed to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships. The Board is ultimately responsible for (i) the selection and appointment of new Directors, and (ii) the relevant matters in relation to retirement by rotation and re-election at annual general meetings pursuant to the Articles of Association.

Board Diversity Policy

The Board has adopted a board diversity policy (the "Board Diversity Policy") in order to achieve diversity of the Board and to maintain high standard of corporate governance. The Company is convinced that the diversity of the Board is beneficial to improve the quality of its performance. When setting up composition of the Board, the Company considers the diversity of the Board from various measurable aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Our Directors have a balanced mix of experiences, including but not limited to information and technology, business management, legal, finance and accounting and risk management. All appointments to the Board are based on the principle of meritocracy, while considering diversity, including gender diversity. The ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Board members have a wide range of age, ranging from 35 years old to 55 years old. With respect to the succession of Directors, the Nomination Committee will also assist in identifying potential female Board members as and when necessary. The Board will continue to increase the proportion of female members in the future if suitable candidates are available.

Details of the current members of the Board are set out as follows:

Gender			**Male**	**Female**
			6	1
Age Group	**35–40**	**41–45**	**46–50**	**51–55**
	3	3	0	1
Length of service		**1 year or below**	**2 to 4 years**	**Over 4 years**
		3	1	3

In 2024, the Group had 115 full-time employees, of which 63 were male and 52 were female. The gender ratio of all employees (including senior management) is approximately 54.8% (male) and approximately 45.2% (female), respectively.

The Board is currently of the opinion that it generally meets the diversity requirements under the Listing Rules. Currently, one out of seven Directors is female, bringing the female representation to 14.3% of the Board and the one of the two joint company secretaries of the Company is female, bringing the female representation to 50.0%. Yet, the Board will continue to take opportunities to promote gender diversity at all levels of the Company and increase the proportion of female members over time as and when suitable candidates are identified. We will also continue to apply the principle of appointments based on merits with reference to our diversity policy as a whole.

The Board strives to ensure that it has the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategies in order for the Board to be effective. The diversity policy is subject to annual review by the Nomination Committee. The Company will continue to monitor and evaluate the Board Diversity Policy from time to time to ensure its continuous effectiveness.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") in accordance with the CG Code, which outlines the factors that should be taken into account in determining any dividend for distribution to the Shareholders. According to the Dividend Policy, in considering the declaration and payment of dividends, the Board shall take into account the following factors of the Group:

- general financial conditions;
- liquidity, capital and debt level;
- cash flow situation;
- future cash requirements and availability for business operations, business strategies and future development needs;
- any statutory and regulatory restrictions;
- any restrictions on payment of dividends that may be imposed by the Group's lenders;
- general market conditions; and
- any other factors that the Board considers appropriate.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of the Cayman Islands and the Articles of Association. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors understand and acknowledge their responsibility for preparing the consolidated financial statements of the Company for the Reporting Period which give a true and fair view of the Group's conditions, results and cash flows.

The management has provided to the Board such explanation and information as necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company provides all members of the Board with monthly updates on the Company's performance, positions and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern. The statement by the auditor regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the section headed "Independent Auditor's Report" of this annual report.

DIRECTORS' AND SENIOR MANAGEMENT'S LIABILITY INSURANCE

The Company has insurance coverage for all Directors and members of senior management to minimise the risks they may incur in the normal course of performing their duties. The Board reviews the relevant insurance coverage annually.

REMUNERATION OF SENIOR MANAGEMENT

Our senior management receive remuneration in the form of salaries, bonuses, contributions to pension schemes, long-term incentives (including share-based incentives), housing allowances and other allowances and benefits in kind subject to applicable laws, rules and regulations.

Pursuant to Code Provision E.1.5 of the CG Code, the remuneration of senior management of the Company (whose biographies are set out in the section headed "Directors and Senior Management" of this annual report) for the Reporting Period falls under the following bands:

Band of remuneration	**Number of individuals**
Nil to RMB1,000,000	1
RMB1,000,001 to RMB2,000,000	3
RMB2,000,001 to RMB3,000,000	—
RMB3,000,001 to RMB4,000,000	1

REMUNERATION OF AUDITOR

For the Reporting Period, the remuneration in respect of the audit and non-audit services rendered by the auditor of the Company, Ernest & Young, are as follows:

Classification of Services	**Amount** (RMB'000)
Audit and audit-related services	3,350
Non-audit services	150
Total	3,500

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is the responsibility of the Board for maintaining sound, efficient and adequate risk management, internal control systems and internal audit function to safeguard Shareholders' investments and the Company's assets. The Company has established an internal audit function and has internal risk management policy in place to guide and standardise risk management and internal audit systems. Our internal audit function conducts internal audit on different department and functions within our Group on an ongoing basis to assess the effectiveness and identify weaknesses in the existing internal control, legal and regulatory compliance and risk management systems of our Group. The Board reviews such systems on an annual basis.

The Audit Committee assists the Board in leading the management and monitoring and overseeing the risk management and internal control systems through the internal audit department, and reporting and making recommendations to the Board where appropriate. The Board, supported by the Audit Committee and management, reviewed the management reports and the internal audit reports. The management shall be responsible for implementing the Board's risk management and internal control policies and procedures, designing, implementing and monitoring the risk management and internal control systems, and confirming the effectiveness of such systems to the Board. During the Reporting Period, the Board has obtained the written confirmation on the effectiveness of the issuer's risk management and internal control systems from the management.

Good risk management and internal control systems are designed to manage, not eliminate, risks that may prevent the Company from achieving its business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss. To this end, appropriate policies and procedures have been established and implemented to ensure that key risks that could affect the Company's performance are properly identified and managed, that the Company's assets are not used or disposed of without permission, that financial and accounting information is accurately recorded and maintained in accordance with relevant accounting standards and regulatory reporting requirements, and that all operations comply with relevant rules and regulations.

During the Reporting Period, the management and the Board conducted an annual review on the effectiveness of the risk management and internal control systems of the Company, and they were of the view that the financial reporting system, the risk management and internal control systems were adequate and effective and that the Company had complied with the code provisions relating to risk management and internal control of the CG code during the Reporting Period.

WHISTLEBLOWING POLICY

The whistleblowing policy has been put in place for all employees and those who have business dealings with the Group (including customers and suppliers) to deal with concerns related to fraudulent or unethical acts or non-compliances with laws and the Group's policies that have or could have significant adverse financial, legal or reputational impacts on the Group. They may raise concerns about the possible improprieties in any matters related to the Group, in person or in writing to the legal department of the Company who shall report to the chairman of the Audit Committee in confidence and anonymity. The chairman of the Audit Committee shall then determine the course of action to pursue, with power to delegate, with respect to the report.

ANTI-CORRUPTION POLICY

The Group has formulated its own anti-corruption policy to ensure the Directors and employees within the Group comply with the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Criminal Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Anti-Money Laundering Law of the PRC, where applicable. The policy sets out the integrity and conduct requirements and policies or controls in place which applies to all Directors and employees of the Group at all levels, and external parties doing business with the Group and those acting in an agency or fiduciary capacity on behalf of the Group (e.g., agents, consultants and contractors). The policy is reviewed from time to time to ensure that it remains appropriate.

INSIDE INFORMATION

With respect to procedures and internal controls for the handling and dissemination of inside information, the Company has developed a policy on disclosure of inside information which provides guidelines and procedures to the Directors, senior management and employees of the Company in evaluating and handling confidential information and monitoring information disclosure. Internal control measures have been implemented to ensure that the procedures for the handling and disclosure of inside information are in compliance with the continuous disclosure obligations under the Listing Rules and the disclosure of inside information requirements under the SFO.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures and Rights for Shareholders to Convene an Extraordinary General Meeting and Putting Forward Proposals/Resolutions

Pursuant to Article 64 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Members holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per Share basis in the share capital of the Company and the foregoing Members shall be able to add resolutions to the meeting agenda. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The Shareholders who wish to put forward proposals and/or resolutions may requisition an extraordinary general meeting and include a proposal and/or resolution at such meeting pursuant to Article 64 of the Articles of Association.

Shareholders may send the requisition letter to the Company's headquarter and principal place of business for the attention of the company secretary of the Company in the PRC at 2-601, Tian An Intelligence Park, 228 Linghu Avenue, Xinwu District, Wuxi, Jiangsu, PRC.

Procedures for Shareholders to Send Enquiries to The Board

Shareholders may send their enquiries in writing with contact details (including registered name, address, telephone number and email address) to the Company's headquarter and principal place of business in the PRC for the attention of the company secretary of the Company at 2-601, Tian An Intelligence Park, 228 Linghu Avenue, Xinwu District, Wuxi, Jiangsu, PRC.

The Company welcomes the views of and enquiries from the Shareholders. Enquiries will be dealt with in an informative and timely manner.

SHAREHOLDERS’ COMMUNICATION POLICY AND INVESTOR RELATIONS

\The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group’s business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions. The Company establishes securities relation department (Note to Printer: 證券事務部) which is responsible for managing investor relations. Shareholders may raise questions, request for publicly available information and provide comments and suggestions to the directors and management of the Company. Such questions, requests, comments and suggestions can be addressed to the Company by post to 2-601, Tian An Intelligence Park, 228 Linghu Avenue, Xinwu District, Wuxi, Jiangsu, China. The Company maintains proactive communications with Shareholders, investors and other capital market participants, which enable Shareholders and investors to fully understand the Company’s operation and development, by various means such as participating in domestic and foreign investor exchanges, performance conferences and investment analysts meetings.

The annual general meetings of the Company provide opportunity for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board committees will attend the annual general meetings to answer the Shareholders’ questions. The auditor will also attend the annual general meetings to answer questions about the conduct of the audit, the preparation and content of the auditor’s report, the accounting policies and auditor’s independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a shareholders’ communication policy (the “Shareholders’ Communication Policy”) and maintains a website at https://www.cloudcsp.com where the up-to-date information on the Company’s business operations and developments, financial information, corporate governance practices and other information are available for public access.

During the Reporting Period, the Company has reviewed the Shareholders’ Communication Policy. After evaluating and considering the actual communication circumstance between the Company and the Shareholders during the year, the Company is satisfied with its current implementation and effectiveness.

AMENDMENT TO CONSTITUTIONAL DOCUMENTS

The Articles was adopted on 14 May 2024 and were effective on the Listing Date, which is available on the websites of the Company and the Stock Exchange. For the Reporting Period, there was no change in the Articles.

Environmental, Social, and Governance

ABOUT THE REPORT

Overview

The report is the first Environmental, Social, and Governance Report (the "**ESG Report**") issued by Cloud Factory Technology Holdings Limited. It is targeted at all stakeholders of the Company and focuses on disclosing the Company's management, practices, and performance in the economic, environmental, social, and governance aspects.

Reporting Period

The reporting period covered by the Report spans from 1 January 2024 to 31 December 2024 (i.e., the Reporting Period). Where appropriate, some of the content relates back to prior years or contains forward-looking descriptions.

Reporting Scope and Boundary

The Report covers Cloud Factory Technology Holdings Limited and its subsidiaries (the "**Cloud Factory Technology**", "**the Group**", or "**we**").

Basis for Preparation

The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Code as set out in Appendix C2 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Report is structured according to the steps of identifying and ranking important stakeholders, determining key ESG-related issues, defining the scope of the ESG Report, collecting relevant materials and data, compiling the Report based on the information, and reviewing the materials presented in the Report, to ensure the completeness, materiality, authenticity, and balance of the contents of the Report.

Data Sources and Reliability Statement

The information and data disclosed in the Report are derived from the statistical reports and formal documents of the Group, and have been reviewed and approved by the Board before release. Cloud Factory Technology guarantees that there is no misstatement, misleading representation, or material omissions contained in the Report and takes responsibility for the authenticity, accuracy and completeness of the contents of the Report.

Process of Preparation

The Report has been compiled through various procedures include, among others, forming a working group, collecting data, conducting interviews with the stakeholders, conducting surveys with the stakeholders, determining the framework, compiling the report, designing the report, and conducting reviews by relevant departments and senior management.

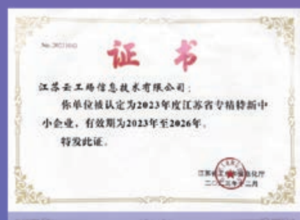
Acknowledgment and Approval

Subject to the acknowledgement of the Management, the Report has been approved by the Board on 26 March 2025.

Environmental, Social, and Governance

Awards and Honors

High-tech Enterprise Certification



Small and Medium-sized Enterprise in Jiangsu Province that is Specialized, Innovative, Sophisticated, and Niche

Private Technology Enterprise in Jiangsu Province

Enterprise Technology Centre Certified by Wuxi City in 2024

Phnom Penh Award · Technological Innovation Enterprise in 2024

Phnom Penh Award · 2024 Pioneer Enterprise in Technological Innovation

2024 Top 20 Chinese Edge Computing Enterprises List

Wuxi High-tech Zone (Xinwu District) Private Enterprise Digital and Intelligent Empowerment Award

Certification of High-tech Products (Services) in 2024 · Internet Data Center (IDC) Technical Services

Data Intellectual Property Registration Certificate · Training Data for Lingjing Cloud AI Road Inspection Recognition Algorithm Model

Huawei Kunpeng Technology Certification

Ascend Compatible Certification

SUSTAINABLE DEVELOPMENT GOVERNANCE

Cloud Factory Technology actively pursues the concept of sustainable development. On the basis of ensuring the stable operation of the Group, it continuously promotes environmental, social, and governance (ESG) management, listens to suggestions and expectations from all parties regarding the Group's ESG aspects, and solidly promotes the organic integration of sustainable concepts with the Group's development and operation, achieving high-quality sustainable development.

Board Statement

As the highest responsible and decision-making body for ESG matters, the Board bears the overall responsibility for the Group's ESG strategy and reporting work, directly supervises the implementation of ESG-related matters within the Group, and ensures the stable operation of our risk control and internal control systems. The Board authorises various management levels to carry out management, ensuring effective implementation of ESG work through cross-departmental cooperation and top-down linkage. To promptly and effectively respond to the potential impact of ESG risks on the Group, we regularly conduct assessments on important ESG issues based on the external socio-economic environment and the Group's development strategy, taking into account our own characteristics, and submit the results to the Board for review. The Board is responsible for discussing and determining important issues related to the Group's ESG risks and opportunities, incorporating the identified issues into the overall development strategy, and continuously monitoring the level of issue management and performance. The Group continuously pays attention to the participation mechanism of the Board in ESG work, formulates targets in key ESG areas such as climate change response, energy consumption management, water resource consumption management, and pollutant emissions, to facilitate the integration of ESG management performance with daily business objectives.

ESG Governance Structure

Cloud Factory Technology actively promotes ESG-related work with a serious and pragmatic attitude, adhering to the path of sustainable development. Cloud Factory Technology has formulated the ESG System, laying a solid foundation for comprehensively carrying out sustainable development work. We have established an ESG governance structure featuring direct supervision by the Board, overall leadership by the management, tacit cooperation among departments at all levels, and flexible linkage between the top and the bottom, ensuring strict and effective implementation of ESG work from top to bottom. When necessary, we will entrust a third party to assess ESG-related risks, propose scientific and effective response plans, further promote the implementation of the Company's sustainable development goals, and enhance the level of ESG governance.

Environmental, Social, and Governance

the Board	▶ Review and discuss the content of the environmental, social, and governance report at the Board meeting to ensure that it meets the Board's requirements and the standards set out in Appendix C2 of the Listing Rules; ▶ Monitor and review the compliance of the Company with relevant environmental, social, and governance laws and regulations; ▶ Regularly monitor the communication channels between the Company and different stakeholders to ensure transparent and smooth communication; ▶ Pay attention to emerging market trends that may affect the Company's ESG-related matters, and analyse and review the Company's ESG performance based on relevant objectives; ▶ Directly communicate and collaborate with relevant regulatory departments to facilitate the smooth implementation of ESG strategies.
the Management	▶ Assist the Board in monitoring and managing the Company's ESG related topics, ESG risks, referencing industry best practices, and evaluating the implementation of relevant internal measures; ▶ Regularly report to the Board and maintain communication with stakeholders; ▶ Develop specific ESG key performance indicators, continuously track their implementation, make adjustments and optimisations when necessary, and regularly report progress to the Board; ▶ Develop emergency response plans to cope with the ever-changing operational environment, and regularly review the feasibility of the plans as well as changes in relevant laws and regulations, promptly adjusting response strategies accordingly.

Figure: ESG Governance Structure and Responsibilities of Cloud Factory Technology

Meanwhile, in order to further enhance the awareness and professional competence of the Group's leadership in ESG, we actively participate in ESG management training to learn and master relevant methodologies for ESG management. On 13 December 2024, Mr. Ji Lijun, executive director, deputy general manager, and joint company secretary, represented Cloud Factory Technology to participate in the online training activity on Corporate Governance Code and the Latest Climate Information Disclosure Requirements in 2025. He delved into the key amendments outlined in the newly revised Corporate Governance Code information document of the Hong Kong Stock Exchange, helping the Group keep up with the latest developments and requirements in the ESG field and providing theoretical support for the Group to continue deepening its ESG management efforts.

Stakeholder Communication

Cloud Factory Technology is well aware of the significant impact of stakeholder communication on the achievement of sustainable development for enterprises. In accordance with the internal system requirements outlined in the Compilation of Internal Control Management Systems, we have established a normalised and diversified external communication mechanism. We humbly listen to the opinions, expectations, and demands of stakeholders, actively respond to their major concerns, safeguard their rights to know and participate, and jointly achieve sustainable development.

Table: Stakeholders' Attention to ESG Topics and Communication Channels

Stakeholders	Topics of Concern	Communication Channels
Government and regulatory agencies	• Law-abiding and compliant operation • Generate economic benefits • Environmental protection • Information security and data privacy	• Government consultation • License application • Information disclosure • Supervision and inspection
Investors/Financial institutions	• Protecting shareholders' rights and interests • Corporate governance • Disclose relevant information in a timely and accurate manner • Law-abiding and compliant operation	• General meeting • Press releases and announcements • Company website • Telephone and email communications
Non-governmental organisations	• Local development investment • Undertake environmental and social responsibility	• Industry summit • Information disclosure
Customers	• Product quality and service • Business ethics • Information security and data privacy	• Customer service hotline • Satisfaction survey • Complaint mechanism • On-the-spot investigation • Information disclosure
Communities	• Promote employment • Community participation and contribution • Undertake environmental and social responsibility	• Questionnaire • Public benefit activities • Community meeting
Employees	• Remuneration and benefits • Career development and opportunities • Occupational Health and Safety • Protection of human rights	• Internal communication meeting • Corporate whistleblower system • Employee training • Employee symposium • Employee satisfaction survey
Supplier and its partners	• Sustainable supply chain • Business ethics • Intellectual property protection • Information security and data privacy	• Industry summit • Procurement activities

ESG Materiality

Based on the compliance requirements of the Stock Exchange, the mainstream ESG rating system in the capital market, best practices in the industry, and taking into account the expectations and demands of various stakeholders, Cloud Factory Technology identifies and assesses significant ESG topics that have a major impact on itself and are of key concern to stakeholders. It ranks the importance of these issues, forms an ESG materiality matrix, and responds specifically to the key concerns of various stakeholders in the Report.

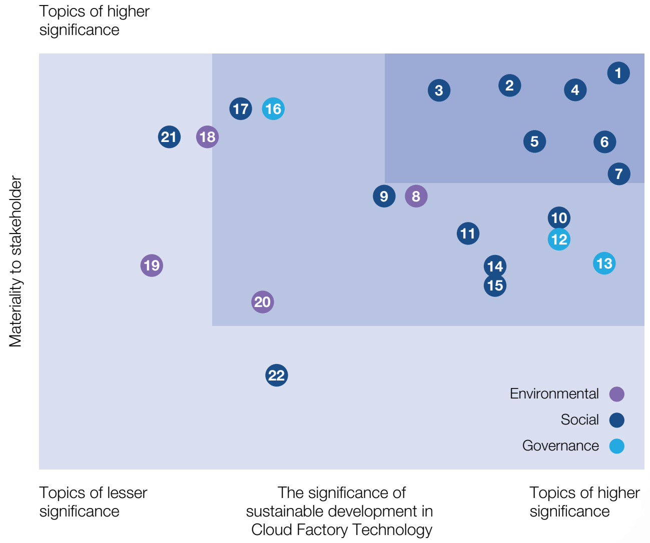


Figure: Materiality Matrix of Cloud Factory Technology

Table: Materiality of Cloud Factory Technology

Significance		Materiality	Category
Highly significant topics	1	High-quality products and services	Social
	2	Employee rights and interests	Social
	3	Information security and data privacy	Social
	4	Responsible marketing	Social
	5	Intellectual property protection	Social
	6	Customer service and satisfaction	Social
	7	Technological innovation	Social
	8	Build a green data centre	Environmental
	9	Green industrial chain	Social
	10	Industry cooperation	Social
	11	Diversity, equality, and inclusivity	Social
	12	Internal control and risk management	Governance
	13	Corporate governance	Governance
	14	Employee welfare	Social
	15	Employee training and development	Social
General significant topics	16	Business ethics	Governance
	17	Occupational health and safety	Social
	18	Green office	Environmental
	19	Energy management	Environmental
	20	Climate change	Environmental
	21	Employee care	Social
	22	Community public welfare	Social

OPERATION COMPLIANCE

Standardised corporate governance serves as the cornerstone for Cloud Factory Technology to maintain stability and achieve long-term success, and it is also an inevitable requirement for ensuring the sustainable development of the Group. Cloud Factory Technology continuously improves its governance mechanisms, establishes a robust and compliant governance system, enhances its risk prevention and control capabilities, adheres to business ethics, and strives to establish a transparent, fair, and stable corporate image. We are committed to creating long-term value for our customers, shareholders, employees, suppliers, and even society at large.

CORPORATE GOVERNANCE

Cloud Factory Technology strictly adheres to the Company Law of the People's Republic of China, Securities Law of the People's Republic of China, and other relevant laws and regulations in formulating its internal rules and regulations, including the Articles of Association. We continuously optimise the Group's governance structure, actively enhance governance efficiency, maintain good communication with investors, and lay a solid foundation for the standardised development of the Group.

Governance Structure

As the highest governance body, the Board is responsible for overseeing the overall operation and development strategy of the Company, formulating business strategies and investment plans, supervising and guiding the management team, and fulfilling governance responsibilities in accordance with legal and regulatory requirements. The Board comprises three professional committees: the Audit Committee, the Nomination Committee, and the Remuneration Committee. Based on their professional functions, each committee supervises relevant operations and management work of the Group to ensure efficient operation and scientific decision-making by the Board. As at the end of the Reporting Period, we held a total of 3 Board meetings, 2 Audit Committee meetings, 1 Nomination Committee meeting, and 1 Remuneration Committee meeting, with a 100% attendance rate of Board members.

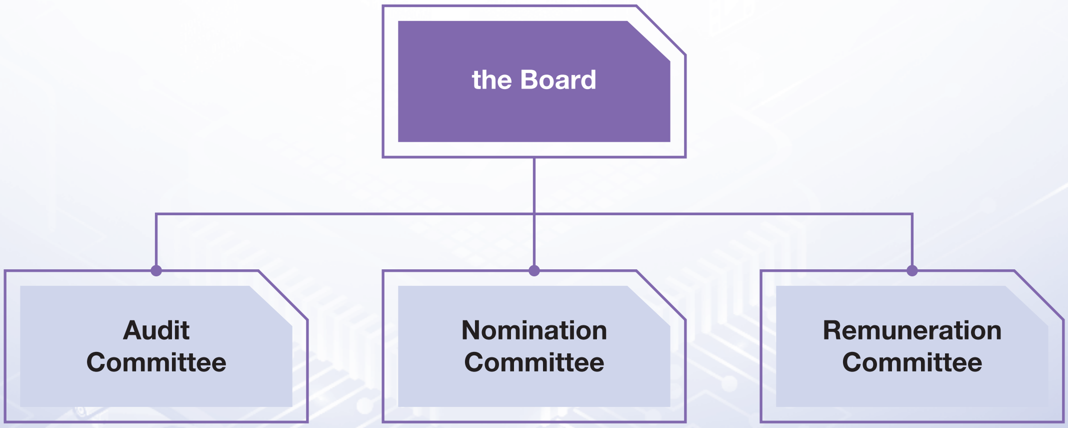


Figure: Cloud Factory Technology Governance Structure

Cloud Factory Technology views boardroom diversity as a crucial factor in achieving sustainable development for the Group, and is committed to building a diverse and professional board. When selecting board members, we adhere to the principle of diversity, comprehensively considering various factors such as candidates' professional experience, cultural and educational backgrounds, vocational skills, gender, age, and service tenure, to ensure the comprehensiveness and scientific nature of board decisions. As at the end of the Reporting Period, the Board of Cloud Factory Technology consisted of seven directors, including three independent directors and one female director.

Table: Information of Directors of Cloud Factory Technology

Full name	Gender	Position	Audit Committee	Nominating Committee	Remuneration Committee
Sun Tao	Male	Chairman and Executive Director		√	
Jiang Yanqiu	Male	Executive Director and General Manager			
Ji Lijun	Male	Executive Director and Deputy General Manager			√
Zhu Wentao	Male	Executive Director, Deputy General Manager, and Director of the Lingjing Cloud Business Department			
Ip Mun Lam	Male	Independent Non-executive Director	√		√
Cui Qi	Male	Independent Non-executive Director	√	√	√
Zhao Hong	Female	Independent Non-executive Director	√	√	

Investor Communication

The comprehensive and sustainable development of the Group is inseparable from maintaining good communication relationships with investors. In accordance with relevant laws and regulations, Cloud Factory Technology continuously strengthens interaction and communication with investors through diversified communication channels. We regularly disclose company operational information and make the investor hotline publicly available on our official website to ensure that investors can obtain timely and accurate information about the Company's operations. At the same time, we promptly respond to issues of concern to investors, create long-term returns for them, and stabilise investor relationships. In 2024, the Group issued a total of 10 announcements and received more than 30 visits from investors and conference calls from domestic and overseas investors.

Investor Relations Contact of Cloud Factory Technology
Address: 2-601, Tian An Intelligence Park, 228 Linghu Avenue, Xinwu District, Wuxi City, Jiangsu Province, People's Republic of China
Tel: 18852992680
Email: gongjiabei@cloudcsp.com

INTERNAL CONTROL AND RISK MANAGEMENT

Cloud Factory Technology adheres to a compliance work mechanism that combines institutional norms with risk control implementation, continuously optimises the risk management and control system, and forms a mature internal control mechanism to effectively prevent risks, enhance the market competitiveness of the Group, and achieve long-term stable development of the Group.

Risk Management and Control System

We attach great importance to Group risk management and strictly adhere to relevant laws and regulations such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Companies Ordinance of Hong Kong, and the Stock Exchange of Hong Kong Limited Listing Rules for Securities. We have established internal systems and regulations such as the Risk Management System and the Internal Control Punishment System and Punishment Implementation Standards for Cloud Factory Technology Holdings, providing institutional guarantees for the continuous implementation of Group risk management and control. We have set up a Risk Management Committee, with the Chairman of the Group serving as the chairman of the committee, general manager, deputy general manager, and heads of various departments as members. We have clarified their relevant responsibilities and implemented risk management and control responsibilities. At the same time, we have established "Three Lines of Defense" for risk management based on the actual situation of the Group, and have detailed provisions and explanations for the responsibilities of relevant departments. We have integrated various requirements for risk work into various management and business processes of the Group to ensure the effectiveness of risk prevention and control.

First line of defense: Legal Department

- Responsible for formulating and reviewing documents related to the risk management of the Group;
- Supervise all departments to carry out their work in accordance with laws, regulations, and internal systems;
- Conduct regular risk assessments for major projects.

Second line of defense: Risk Management Committee

- In accordance with the overall strategic planning of the Group, review and update the Group's risk strategy, risk management system, and internal control processes, while supervising and evaluating their implementation and effectiveness, and proposing improvement suggestions to the Group's leadership;
- Evaluate and review the Group's major risk control plans in terms of strategy, finance, market, operation, and law, examine special analysis reports on major risk events, and propose improvement measures and suggestions;
- Review the organisational structure of risk management and its responsibility allocation plan, supervise and evaluate the establishment, organisational model, operational processes, and effectiveness of the risk management committee, and propose improvement suggestions;
- Oversee the progress of risk management work and coordinate the necessary human, financial, and material resources required for risk management.

Third line of defense: the Board

- Promote the construction of the Group's risk management system and supervise the effective implementation of risk control measures.

Figure: Composition and Responsibilities of the "Three Lines of Defense" at Cloud Factory Technology

Risk Identification and Prevention

We deeply recognise the importance of effective risk management to the high-quality and sustainable development of the Group. Cloud Factory Technology actively engages in risk identification and response, taking into account national policies, changes in the market environment, its own operational conditions, and the concerns of various stakeholders. Through multidimensional analysis, we identify risks from four dimensions: technology, market, operation, and regulation, and develop response plans for major risks. We continuously track the effectiveness of major risk control, quantitatively analyse the changing trends of major risks, and ensure that risks are known, controllable, and tolerable.

Technical Aspect
- The IT team regularly inspects the operation of the Group's systems and monitors system performance and vulnerabilities in real time;

Market Aspect
- Entrust research institutions to collect the latest industry trends, competitor intelligence, and other relevant information, and identify and summarise the current shortcomings of the Group;

Operational Aspect
- Identify pain points in business processes through user feedback, data analysis, and other methods;

Legal Aspect
- The legal department continuously tracks changes in relevant laws and regulations to ensure comprehensive compliance in business operations;

Inspection
- The risk information confirmed through the aforementioned process is cross-validated through internal discussions among relevant management personnel of the Group and consultations with experts.

Figure: Risk Identification Process of Cloud Factory Technology

During the Reporting Period, the risks identified through our risk identification efforts and the corresponding countermeasures are as follows:

Risks	Response
Technical risks: there is a high risk of information and data leakage, system downtime, frequent network attacks, and system compatibility issues that may arise from the application of new technologies.	Encrypt user data and information, back up the Company's business-critical systems, and establish a system emergency recovery mechanism; set up firewalls, conduct intrusion detection, and assess the compatibility of new technologies with the system in advance.
Market risks: due to fierce market competition and fluctuating user demands, products are prone to lagging behind, leading to rapid user loss; traffic costs soar, making it increasingly difficult to attract new users.	Strengthen the brand building of the Group, optimise the quality of products and services, deeply explore the segmented market, and achieve precise delivery; establish a traffic price warning mechanism, and flexibly adjust the promotional strategy.
Operational risks: the cumbersome product operation process leads to low conversion rates and poor user experience; supply chain disruptions affect service delivery outcomes, and internal collaboration within the Group is inefficient.	Optimise system operation processes, simplify product interaction operations, establish a supplier introduction mechanism, and utilise project management tools to enhance internal collaboration efficiency.
Regulatory risks: with increasingly stringent laws and regulations on privacy protection and data security, the overall business of the Group faces greater pressure from compliance reviews, making it prone to legal disputes.	Integrate laws and regulations into the business review process, and the legal department regularly organises training on laws and regulations to enhance the compliance awareness of all employees; promptly and rapidly adjust business strategies in response to changes in external policies.

Figure: Risks and Countermeasures of Cloud Factory Technology

Furthermore, we actively undertake project risk control measures. For multiple projects across various business departments of the Group, we conduct thorough background checks on front-end business, legal, and risk aspects, rigorously review back-to-back clauses in mid-term contracts, and follow up on back-end payment collection and litigation handling. This helps the Group mitigate potential risks, minimise risk losses, and maximise business benefits.

We place a high emphasis on fostering compliance awareness among all employees, aiming to enhance the risk management capabilities of those in key positions and elevate their risk management awareness. During the Reporting Period, we conducted a total of four training sessions on legal and compliance-related systems, achieving a 100% training coverage rate.

Case: Democratic Publicity Training on "Internal Control Punishment System and Punishment Implementation Standards of Cloud Factory Technology Holdings"

On 8 November 2024, Cloud Factory Technology held a democratic publicity training activity for the "Internal Control Punishment System and Punishment Implementation Standards of Cloud Factory Technology Holdings". The training was conducted in a combination of online and offline formats. During the training, we provided an in-depth interpretation of the system content for all employees and answered common questions, helping employees of the Group establish and strengthen their compliance awareness and achieve sustainable and stable operation of the Group.

Figure: Training venue

BUSINESS ETHNICS

Cloud Factory Technology consistently upholds the spirit of integrity and impartiality, firm adherence to the principles of business ethics, strict regulation of the conduct of all employees within the Group, resolute opposition to commercial corruption, in order to foster an honest, transparent, fair, and healthy business environment.

Business Ethnics

Cloud Factory Technology strictly adheres to national and local policies, laws, and regulations, including but not limited to the Anti-Monopoly Law of the People's Republic of China, the Anti-Money Laundering Law of the People's Republic of China, and the Anti-Unfair Competition Law of the People's Republic of China. Internally, Cloud Factory Technology has formulated regulatory documents such as the Anti-Corruption and Anti-Bribery Agreement, adopting a "zero-tolerance" stance toward unethical business practices, including corruption, bribery, monopolistic behavior, unfair competition, and money laundering. We have established a comprehensive business ethics management system which clarifies the responsibilities of relevant departments and outlines detailed procedures for addressing violations and imposing penalties and timely responding to corrupt practices, for the reinforcement of the Company's commitment to ethical business conduct and a transparent and honest business environment. As at the end of the Reporting Period, Cloud Factory Technology has not been involved in any concluded litigation cases related to corruption, bribery, or unfair competition.

Environmental, Social, and Governance

Legal Department

- Conduct investigations into and make determinations on employees' violations of regulations
- Finalisation of the time, venue, and agenda of the Disciplinary Panel meeting, notify all members of the Disciplinary Panel three working days in advance while submitting relevant materials for the disciplinary meeting

Disciplinary Team

- The head of the Disciplinary Team convenes and chairs meetings of the Disciplinary Panel, during which thorough discussions are conducted on matters relating to employee misconduct, disciplinary recommendations formulated and put to a vote, with the voting result determined by the principle of majority rule

Human Resources Department

- Handle employee violations
- Within three working days, a Disciplinary Action Notification shall be issued to the Disciplinary Panel in accordance with the Disciplinary Action Enforcement Standards for Violations by Cloud Factory Technology Holdings. In the event that the disciplined employees dispute the disciplinary action outcome, they may submit an appeal via the integrity email address of the Legal department within ten working days of receiving the Disciplinary Action Notification. The outcome of the appeal shall be communicated within seven working days

Figure: Business Ethics Management Framework and Responsibilities of Cloud Factory Technology

Cloud Factory Technology has established open, transparent, and unimpeded whistleblowing channels to encourage employees and various stakeholders to actively report any acts in violation of business ethics. Specifically, we have set up an integrity and compliance email address (legeldepartment@cloudcsp.com), requiring employees to make civilised suggestions based on actual circumstances and prohibiting malicious complaints. Employees of the Group can use this email address to make behavioral complaints, report personnel issues, and offer suggestions. Upon receiving relevant emails, the Legal department will conduct compliance investigations based on the specific circumstances reflected in the emails and promptly arrange interviews. After the investigation is concluded, the Legal department will promptly feedback the results to the sender. If the sender has objections to the handling results, they may file an appeal within the specified timeframe, and the appeal results will be fed back again within the prescribed time limit. Meanwhile, we have clearly defined the whistleblower protection system and the whistleblower reward mechanism in the Anti-Corruption and Anti-Bribery Agreement which stipulates that whistleblower information and the content of the reports shall not be disclosed or leaked in any manner, and any act of retaliation against whistleblowers will be held accountable, adhering to the principle of protecting the legitimate rights and interests of whistleblowers from infringement.

The Group has organised training on business ethics and anti-corruption for employees, focusing on key areas and critical links, with the aim of enhancing employees' ethical standards and professional integrity, and fostering a clean and upright operational environment. During the Reporting Period, we conducted a total of 1 anti-corruption training session, achieving a 100% training coverage rate.

INGENIOUS EXCELLENCE

Cloud Factory Technology has consistently attached great importance to the positive impact that technological innovation can bring to enterprises. Driven by continuous iteration and innovation, and with quality assurance as our fundamental responsibility, we are committed to providing high-quality products and services to our customers. We are firmly committed to establishing robust security safeguards. We comprehensively strengthen data security and privacy protection efforts, thereby contributing to the construction of a healthy and stable online ecosystem. Meanwhile, we also attach great importance to optimizing supply chain management. By leveraging our comprehensive strengths, we aim to meet customer needs and empower the sustained and healthy development of the industry.

TECHNOLOGICAL INNOVATION

Cloud Factory Technology has consistently accorded a leading position to technological innovation in driving the development of the enterprise, and continuously promotes the implementation and effectiveness of new innovative achievements. Through a series of well-established technology research and development (R&D) processes, we have innovatively created various products to address the pain points in industry development. Furthermore, we attach great importance to the protection of intellectual property rights to ensure that our technological achievements are effectively safeguarded, thereby contributing to the long-term development of the enterprise.

R&D Innovation

Cloud Factory Technology adheres to the product philosophy of driving development through technological innovation, and has continuously increased its capital investment in this domain. To institutionalise and streamline innovation activities while safeguarding human capital, we have established the Cloud Factory Technology Product R&D Process and the Employee Patent Application Incentive Scheme. These ensure systematic and efficient execution of technological innovation initiatives, while effectively stimulating the creativity and initiative of research personnel.

To address the technological demands arising from product diversification, Cloud Factory Technology has established a well-defined technology R&D process to ensure the effective promotion and meticulous management of innovation initiatives. Through a three-stage review mechanism, we achieve clear documentation and traceability of R&D requirements, thereby aligning them with the Company's strategic development objectives while ensuring the measurability of R&D workloads and the lifecycle manageability of the development process.

Figure: R&D Process of Cloud Factory Technology

Cloud Factory Technology has achieved numerous innovative accomplishments in the field of product development, thanks to its rigorous and meticulous R&D innovation system and procedures, as well as its comprehensive technology research and development processes. These achievements not only demonstrate our outstanding capabilities and profound foundation in the field of technology R&D but have also further expanded our product portfolio, thereby broadening the coverage of our product range. Through continuous and unwavering product innovation, we have successfully established a diversified competitive landscape for our products, thereby solidifying a stable and robust position in the fiercely competitive market.

Environmental, Social, and Governance

Case: Edge Intelligent Internet of Things EdgeAIoT of *Lingjing Cloud*

In 2024, Cloud Factory Technology made significant strides in the development of EdgeAIoT algorithm models. Cloud Factory Technology expanded its recognition capabilities by introducing 17 new categories of recognition targets, thereby accumulating over 50 newly added algorithm models which were designed to identify key elements across a diverse range of scenarios, including transportation, industrial facilities, business parks and the catering industry etc. Moreover, we unveiled new recognition algorithms specifically tailored for temporal behavior analysis. These algorithms enable in-depth and precise identification of human behavior sequences, thereby enhancing the applicability and practicality of its algorithm suite. In terms of hardware compatibility, the algorithms can support a wide array of mainstream edge computing hosts from both domestic and international vendors which ensures seamless integration with hardware devices of varying computational capacities and hierarchical levels. Additionally, we delved into the potential of HUAWEI Ascend and Kunpeng series, achieving comprehensive support for the design, training, and inference of neural network models based on these series. This accomplishment marks a significant contribution to the advancement of domestically produced computility.

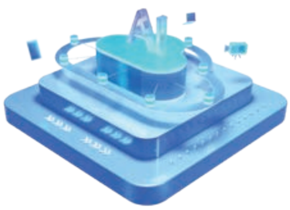


Figure: Edge Intelligent Internet of Things EdgeAIoT of *Lingjing Cloud*

Case: Edge Distribution Networks EdgeCDN of *Lingjing Cloud*

In 2024, Cloud Factory Technology made significant strides in the development of edge distribution networks. Our edge computing networks in lower-tier cities have been fully covered nationwide, which significantly expanding our service scope. The platform's carrying capacity has increased by 4.8 times, enabling efficient support for large-scale user access. We have successfully integrated with major internet service providers, optimised technical services, shortened development cycles, enhanced stand-alone performance, and developed a graphical management system to ensure secure and efficient metadata operations. Meanwhile, we have refined our scheduling system to achieve precise scheduling, improving flexibility and accuracy. We provide comprehensive support for mainstream protocols and have optimised the preheating system, resulting in a fourfold increase in cache climb speed. These advancements have actively driven the overall enhancement of our technological capabilities and service quality.

Figure: Edge Distribution Networks EdgeCDN of *Lingjing Cloud*

As at the end of the Reporting Period, Cloud Factory Technology had obtained multiple technological honorary qualifications and certifications; its robust capabilities in technological innovation and R&D had received high recognition from authoritative institutions.

Award Categories	Name of the Award
Certification of Honorary Qualifications	Jiangsu Province 2023 "Specialised, Refined, Distinctive, and Innovative" Small and Medium-sized Enterprise Title
	Ranked among the Top 20 Edge Computing Enterprises in China 2024
	Award for Digital Intelligence Empowerment of Private Enterprises in Wuxi National High-tech District (Xinwu District)
	2024 Golden Edge Award — Pioneer Enterprise in Technological Innovation
	2024 Top 10 Outstanding Enterprises in Digital Transformation
	"2024 the First Batch of Three-Star Cloud-Based Enterprises in Jiangsu Province"
	"2024 Wuxi Municipal Enterprise Technology Center" Certification
	"Top 20 Wuxi Municipal Internet Comprehensive Strength Excellent Enterprises" list
	"Golden Edge Award" Technological Innovation Enterprise Award
	Selected into the "2024 Edge Computing Industry Map"
	Jiangsu Province "Authentic and genuine" Enterprise Certification
	AAA Grade Credit Enterprise
Technology Certification	Wuxi Big Data Association "Big Data Innovation Application Achievement Award"
	Edge Intelligent Internet of Things EdgeAIoT Solution Certified by HUAWEI Ascend Technology
	2024 World Computing Conference Special Exhibition Outstanding Achievement Award
	LingJing Cloud "Intelligent Industry Solution" and "AI Road Inspection & Maintenance Solution" Won First and Third Prizes in Kunpeng HPC Application & Solution Innovation Track
	"*LingJing Cloud* Intelligent Road Inspection EdgeAIoT Platform" Selected into the "2024 China Digital Development Research" Case Library as One of the First Member Units of the WG4 Omnidirectional Digital Transformation Standards Working Group, National Technical Committee on Data Standardization

Intellectual Property Protection

Cloud Factory Technology remains committed to strengthening its intellectual property (IP) management practices, safeguarding the Company's legitimate rights and interests through various means, including patent applications. We strictly adhere to relevant IP protection laws and regulations, such as the Patent Law of the People's Republic of China, the Copyright Law of the People's Republic of China, and the Trademark Law of the People's Republic of China; to complement these legal frameworks, we have formulated the Employee Patent Application Incentive Scheme to establish a comprehensive IP and patent protection system.

While protecting our own IP, Cloud Factory Technology is equally vigilant in avoiding infringement of third-party IP. We closely focus on IP application trends within our industry and proactively implement measures during the initial stages of product design to mitigate potential infringement risks. Additionally, prior to submitting any IP applications, we conduct thorough clearance searches to ensure non-infringement. When executing contracts, we meticulously review IP-related clauses and clearly define IP ownership to effectively prevent disputes. During the Reporting Period, Cloud Factory Technology applied for nine invention patent applications, of which four were granted; applied for three utility model patents, all of which were authorised; and registered two new software copyrights.

PRODUCTS AND SERVICES

Cloud Factory Technology has demonstrated exceptional performance in the field of high-quality cloud services, through standardised management to enhance product quality, aiming to become a leading, customer-trusted cloud partner in the industry. Leveraging our robust R&D capabilities, we create high-standard products and provide intelligent technological solutions to ensure the security, reliability and stability of cloud computing services. Meanwhile, we prioritise the optimisation of customer service, adhering to the principles of responsible marketing, and earning widespread trust through integrity and professionalism.

Product Quality

Cloud Factory Technology adheres to stringent product quality standards to ensure that customer usage is not compromised due to product quality issues. We strictly comply with Service Level Agreements (SLA), setting and rigorously enforcing high standards across various aspects such as service continuity, security, fault recovery speed, performance, and service support etc.

During the Reporting Period, Cloud Factory Technology successfully obtained GB/T 19001 and ISO 9001 quality management system certifications, thanks to its outstanding practices in quality management.

Cloud Factory Technology employs a product quality monitoring process that is more sensitive than that of our customers' systems, enabling us to swiftly detect and analyse potential fault signals before our customers are even aware of them. This aims to rapidly and accurately assess fault situations and take appropriate measures to address them proactively, thereby ensuring service continuity and stability.

Network Quality Monitoring

ICMP detects the quality of the customers nodes, including detection of connectivity outages, packet loss rates, and latency

By employing the MTR (integrating the functionalities of ping and traceroute) tool, the quality of the link is assessed by probing each network hop address between hosts, while the quality of each network segment is monitored

Automated alert messages based on daily office software applications are pushed accordingly

Device Monitoring

SNMP is utilised to manage all online devices in the IDC nodes of Cloud Factory Technology and monitor our operational status

Figure: Product Quality Monitoring Process of Cloud Factory Technology

During the Reporting Period, Cloud Factory Technology carried out 10 optimizations and upgrades to its core products, in a bid to better meet customer demands and enhance the products' market competitiveness.

Case: *Lingjing Cloud* Intelligent AI Road Inspection and Maintenance Solution

Lingjing Cloud intelligent AI road inspection and maintenance solution has undergone ten iterations of version upgrades, evolving into a comprehensive system that integrates a road intelligent inspection EdgeAIoT management platform, a maintenance client, and a mobile mini program. This solution is capable of fully supporting the entire lifecycle of road management, from inspection planning to defect treatment, thereby significantly enhancing maintenance efficiency. It also meets users' needs for convenient operation across different platforms, playing a positive role in promoting the long-term stable development of enterprises and enhancing industry competitiveness.

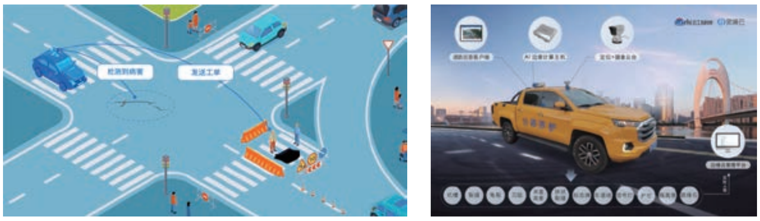


Figure: Edge Intelligent Internet of Things EdgeAIoT of *Lingjing Cloud*

In response to the urgent pain points currently faced by clients, Cloud Factory Technology has launched two new products to address these critical issues and ensure the optimal user experience. During the Reporting Period, both products have been successfully launched and have received widespread acclaim.

Case: Launch of *Lingjing Cloud* Global Edge Accelerating EdgeGlobalCDN Cloud Product

During the year, EdgeGlobalCDN service of Cloud Factory Technology collaborated with *Lingjing Cloud* EdgeCDN (which specialises in domestic edge network acceleration) to establish a robust, stable, and secure global network acceleration architecture.

Leveraging in-depth integration with leading overseas service providers worldwide, EdgeGlobalCDN service is capable of precisely matching overseas network users with the nearest content delivery nodes. This allows users to access required resources in close proximity, significantly reducing data transmission distances and effectively mitigating issues such as network latency, stuttering, and instability often caused by long-distance transmission and network congestion. Consequently, it significantly enhances the network access speed and overall experience for overseas users.

Figure: *Lingjing Cloud* Global Edge Accelerating EdgeGlobalCDN Cloud Product

Case: Launch of *Lingjing Cloud* EdgeAIStation

The *Lingjing Cloud* EdgeAIStation, developed by Cloud Factory Technology, was built upon the *Lingjing Cloud* edge cloud network. It widely distributed various types of heterogeneous computility resources, including GPU, NPU, and FPGA. Through distributed heterogeneous computility management and scheduling technology, it provides cost-effective, elastic, and scalable cloud computing services for machine learning and deep learning, AIoT, scientific computing, image rendering, video processing, and high-performance computing, among other fields. Its Version 1.0 has achieved adaptation and virtualisation of GPU-based computility resources, enabling users to customise computility specifications through the *Lingjing Cloud* console and seamlessly access virtual machine instances. The *Lingjing Cloud* EdgeAIStation is widely applied in numerous scenarios, including image recognition, speech recognition, intelligent customer service, autonomous driving, image rendering, cloud gaming, real-time video content analysis, and scientific computing, delivering efficient computing service experiences.

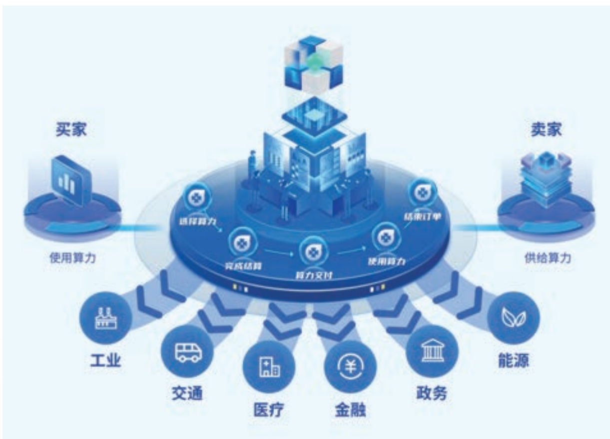


Figure: *Lingjing Cloud* EdgeAIStation

Customer Service

Cloud Factory Technology upholds a philosophy of customer-centric service and a customer demand-oriented, striving to establish more profound partnerships with clients. In response to practical issues encountered in business processes, we have formulated internal systems such as the Customer Engagement Service Process, the Pre-Sales and After-Sales Service Regulations, the AIoT Project Workflow for Business Center, and the EdgeAIoT Project Requirements and Issue Management. These ensure a rapid, efficient, and flexible response to customer requests throughout the project lifecycle, committed to delivering an optimal customer experience.

Cloud Factory Technology implements a refined strategy in customer service. We have assembled a professional sales team to gather customer needs through in-depth communication, thereby tailoring solutions accordingly. Meanwhile, we regularly organise customer service personnel to participate in professional skill training covering product knowledge, technical principles, and service processes, enhancing their ability to answer inquiries and provide professional advice. Additionally, we tailor customer follow-up plans based on customer size, duration of cooperation, and business contributions.

Cloud Factory Technology attaches great importance to customer feedback and has established diversified communication channels, including telephone hotlines, email systems, and instant online chat tools, providing customers with convenient, rapid, and dedicated feedback channels. We are wholeheartedly committed to addressing customer needs and fully demonstrating a customer-first service philosophy. We have established a comprehensive customer complaint handling and feedback mechanism to ensure that every complaint is responded to and resolved. Upon receiving a complaint, we immediately activate the response mechanism, which is then handled by a professional complaint handling team. For routine complaints, we promise resolution within three working days. During the year, to further enhance the response speed to customer technical requests, we have formed a rapid response team to optimise processes, ensuring swift and efficient handling of requests; based on a closed-loop complaint management process, we promptly rectify and implement deficiencies, continuously improving our service standards and enhancing customer satisfaction.

Cloud Factory Technology has established a multi-dimensional customer service assessment mechanism and actively conducts customer satisfaction surveys. Through open-ended questions, we inquire with customers to collect feedback and ensure issues are rectified. For important customers or special scenarios, we arrange face-to-face interviews to comprehensively record customer perspectives. Our customer satisfaction surveys cover all product lines and platform-wide customers of Cloud Factory Technology, aiming for comprehensiveness and specificity. During the Reporting Period, our customer satisfaction rate reached 100%.

Responsible Marketing

Compliant marketing is a crucial aspect for enterprises in shaping a positive image and expanding brand advantages. Cloud Factory Technology adheres strictly to laws and regulations, including the Civil Code of the People's Republic of China and the Advertising Law of the People's Republic of China, in carrying out its external publicity efforts, ensuring that business activities are conducted within the scope permitted by law.

Cloud Factory Technology regularly conducts responsible marketing training for its employees, actively guiding them to learn about marketing policies and stay informed of the latest changes in relevant laws and regulations. Furthermore, we have established a stringent review process for internal examination of our advertising and marketing content; all content must be confirmed for accuracy and compliance by the Chairman and the general manager before it can be released externally.

Approved by the Chief Marketing Officer > CEO Approval > Approved by the Chairman

Figure: Approval Process of Cloud Factory Technology WeChat account Posts

Approved by the Immediate Superior > Approval by Deputy General Manager of Product R&D > Cope to Market Operations

Figure: Approval Process of *Lingjing Cloud* WeChat Account Posts

INFORMATION SECURITY AND PRIVACY PROTECTION

As a leading provider of edge computing and AI intelligent computing services, ensuring information security is Cloud Factory Technology's top priority. We safeguard data information security from multiple aspects, including institutional guarantees, process controls, and technological applications, to comprehensively enhance data information management capabilities. We fully respect customer privacy protection, strive to ensure the security of our own and user information, and contribute solid strength to building a secure and stable industry ecosystem.

Information Security

Cloud Factory Technology strictly adheres to data security-related laws and regulations, including the Cybersecurity Law of the People's Republic of China, the Telecommunications Regulations of the People's Republic of China, the Regulations on the Security Protection of Computer Information Systems of the People's Republic of China, and the Measures for the Administration of Internet Information Services. In addition, we have formulated internal regulations such as the Information Security Management Manual and the Service Management System Manual based on business scenarios, continuously optimizing our internal information security protection system and providing standardised guidance for strengthening data security management.

Cloud Factory Technology has established a comprehensive information security management system, with the overall responsibility resting with the information security system responsible person. This system is managed by the information security management group, supported technically by the Product R&D centre, and coordinated by the government legal department to improve information security management across the entire Group. Our information security management system has been certified with ISO 27001 Information Security Management System and Level 3 Information System Security Protection (*Lingjing Cloud* System).

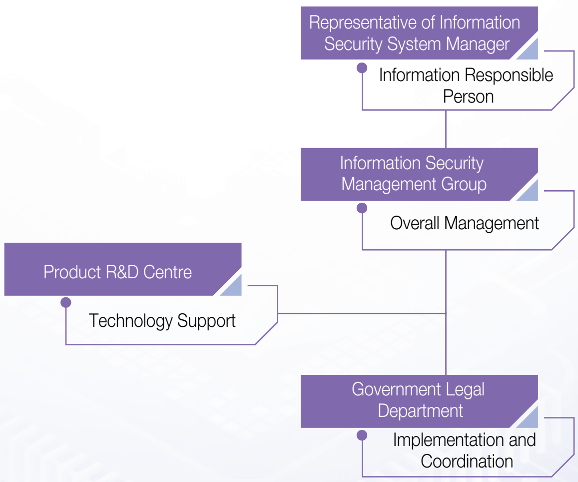


Figure: Customer Privacy Protection Measures of Cloud Factory Technology

Based on a robust information security management framework, Cloud Factory Technology, from the perspective of the full data lifecycle and focusing on both management and technology, adopts multiple measures to ensure the security of each stage in the data lifecycle.

Key Management	Full life cycle management, strict control of permissions, RSA + random salt encryption to ensure data security
Access Control	Perfect strategy, permission application and revocation norms, clear user responsibilities, and strict access management
System Security	Third-party system permissions control, regular code review for secure access, ensuring safety and security
Security Structure	Load balancing, data encryption storage, permission isolation, protection of departmental data
Security Testing	Environment separation, avoiding sensitive information leakage, pre-launch testing, fixing vulnerabilities
Technology Selection	Standardizing employee behavior, conducting exit inspection, selecting IPG system management to achieve trade secret protection

Figure: Information Security Management Measures of Cloud Factory Technology

Cloud Factory Technology highly values internal information security culture building and employee security awareness training. We regularly conduct information security training programs for all employees, aiming to solidify their knowledge of information security and enhance their recognition of and vigilance toward its critical importance, thereby ensuring the stability and efficiency of the company's information security management.

Privacy Protection

Cloud Factory Technology is committed to prioritizing the protection of customer privacy. We strictly adhere to privacy protection regulations, including the Personal Information Protection Law of the People's Republic of China, the Emergency Response Plan for Internet Network Security, and the Administrative Measures for Telecommunication Business Operation Licensing. Additionally, we have outlined provisions for customer privacy protection in business activities through the Employee Handbook, ensuring the confidentiality and integrity of customer information and safeguarding customer privacy comprehensively. During the Reporting Period, Cloud Factory Technology did not experience any incidents of customer information or privacy leakage.

Employee Confidentiality System

1. Sign confidentiality agreements to clarify obligations and responsibilities
2. Strengthen personnel management to protect customer information

Information Classification Management

1. Classify customer information based on sensitivity
2. Set access permissions and security measures to enhance targeted protection

Data Access Control

1. Strictly limit data access and assign the minimum necessary permissions
2. Require approval and authentication for access to ensure data security

Employee Training and Improvement

1. Regularly organise privacy protection training
2. Enhance protection awareness and capabilities to avoid violations

Figure: Customer Privacy Protection Measures of Cloud Factory Technology

GREEN INDUSTRY CHAIN

Cloud Factory Technology actively engages in the construction of the green industry chain, with a strong sense of responsibility and mission. We collaborate with excellent partners in the industry to undertake comprehensive and in-depth cooperation. By integrating and optimizing resources with upstream and downstream partners, we achieve seamless connection among various links in the industry chain, jointly promoting sustainable development in the industry.

Industry Collaboration

Cloud Factory Technology actively communicates and interacts with industry partners, participating in industry exchange conferences, which we regard as crucial avenues for driving continuous innovation and development. We cooperate with universities and industry associations to jointly stimulate the limitless possibilities within the industry, injecting momentum into the long-term development of enterprises and contributing to the prosperity and progress of the industry.

China Academy of Information and Communications Technology (CAICT)		
Signed a Strategic Cooperation Agreement Promote cooperation in technology R&D, standard setting, and ecological construction in the fields of edge computing and metaverse.	Cooperation framework reached with China Institute of Information and CAICT Promote the development of edge computing and metaverse-related scenarios, and formulating and promoting corresponding standards	Signed a cooperation agreement for the “Ministry of Industry and Information Technology Artificial Intelligence Large Model Public Service Platform” Exclusively developing and operating the computility segment

Figure: Cloud Factory Technology and CAICT Joint Project

Xi’an Jiaotong University	
Jointly built a joint laboratory of artificial intelligence and edge computing, and laid out technology R&D of Acritical General Intelligence and Edge Computing	Cooperated with the College of Software and jointly developed traffic AI solution empowered by “5G+Beidou+Edge Computing+AI”

Figure: Cooperation Project Between Cloud Factory Technology and Xi’an Jiaotong University

Figure: Industrial Activities Cloud Factory Technology Participated

Supplier Management

Cloud Factory Technology deeply recognises the importance of the supply chain in product quality and is committed to collaborating with partners to fulfil social responsibilities, thereby building a healthy, stable and sustainable supply chain. We strictly comply with the Bidding Law of the People's Republic of China, the Contract Law of the People's Republic of China and formulate the Procurement Policy of Cloud Factory based on the supplier cooperation situation which sets clear requirements for supplier cooperation and management and build a supplier whole-lifecycle management from introduction to withdrawal, continuing to strengthen supply chain management capabilities in a responsible manner to safeguard the stable operation of the enterprise.

Environmental, Social, and Governance

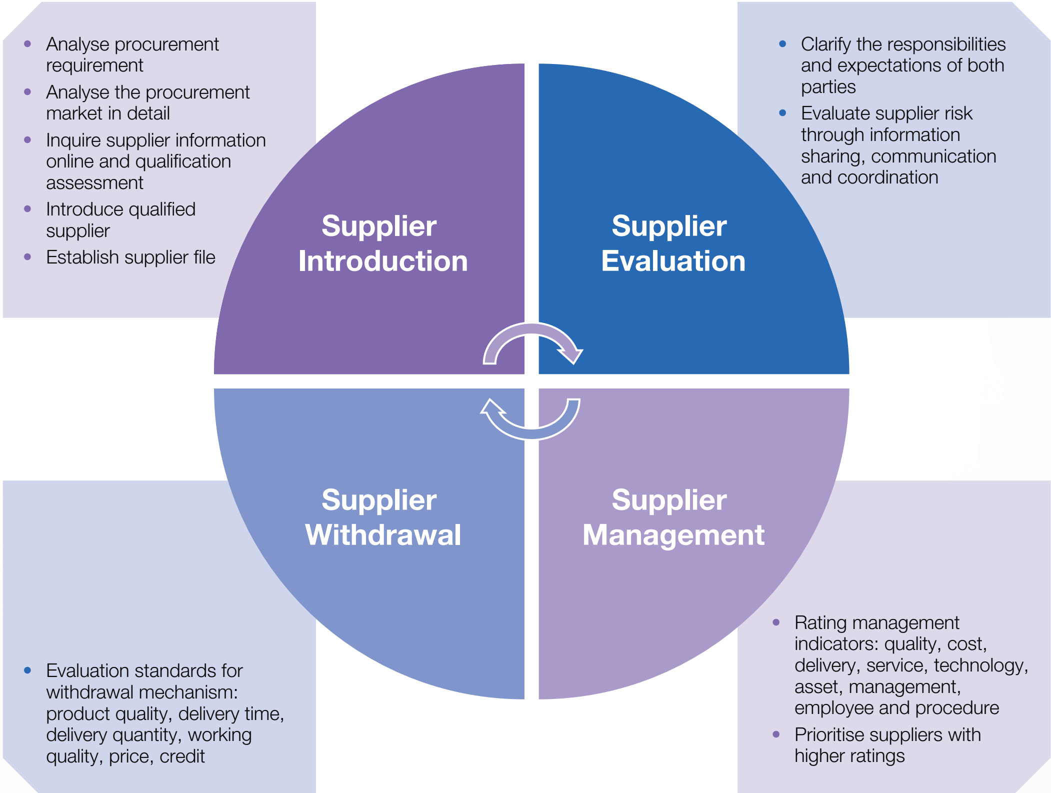


Figure: Supplier Whole-lifecycle Management Procedure of Cloud Factory Technology

During the Reporting Period, the following table sets out the number of our suppliers by geographical region:

Number of Suppliers by Region	Unit	Number
The East China region (Shandong, Jiangsu, Anhui, Zhejiang, Fujian, Shanghai, Jiangxi)	company	44
The South China region (Guangdong, Guangxi, Hainan)	company	11
The North China region (Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia)	company	9
Central China region (Hubei, Hunan, Hebei)	company	20
The Southwestern China (Sichuan, Yunnan, Guizhou, Tibet, Chongqing)	company	5
The Northeast China (Liaoning, Jilin, Heilongjiang)	company	3
The Northwestern China (Ningxia, Xinjiang, Qinghai, Shaanxi, Gansu)	company	1
Regions of Hong Kong, Macao, Taiwan, and overseas areas	company	0

GREEN OPERATION

Amid growing global environmental challenges, promoting sustainable development has become a shared mission for all humanity and strategic cornerstone for businesses to achieve long-term growth. Cloud Factory Technology is proactively taking actions against climate change, integrating sustainability principles into every aspect of its operations to contribute to the building of a bright future for harmony between humanity and nature.

Response to Climate Change

To gain a more comprehensive grasp and management of the Company's ESG-related matters, the Board of Directors has formulated clear duties and responsibilities, forming a climate governance framework with the Board as the highest leadership, and formulated the ESG System to carry out the work of climate change governance from top to bottom.

Type of risks	Risk factors	Risk description	Response measures
Physical risks	Extreme weather such as typhoons	Impairment of assets due to damage to equipment Increased costs due to forced delays in project testing	Comprehensively analyse and sum up the experience of typhoon and flood prevention over the past years, formulate and perfect various contingency plans and early warning systems in advance, and set up weather warning devices, etc., in order to respond to natural disasters such as typhoons and rainstorms
	Rising sea levels	Impairment of assets due to flooding of coastal facilities Accelerated equipment aging due to seawater corrosion Coastal erosion jeopardises power plant safety	Consider the location of data centres and public areas in the coastal areas to based on historical data on rising sea levels, reasonably predict potential risks Formulate contingency response plans for data transmission and communication disruption and continuously enhance the construction of backup circuits for infrastructure such as optical fibres, cables required for business operation
	Rising average temperature	Rising average temperature may reduce the efficiency of data centre cooling systems and increase the amount of energy required for cooling, resulting in unstable operation and higher operating costs, resulting in unstable operation and higher operating costs	Continuously enhance climate change tracking and alert mechanism of the data centre, and launch environmental impact studies to mitigate the impact of climate risk on the stability of the data centre's operation

Environmental, Social, and Governance

Type of risks	Risk factors	Risk description	Response measures
		Global warming and drought trends may lead to water shortages at the data centre and the office site	At the site selection stage for data centres and office areas, identify and judge the pressure on water supply in the region, reasonably locate the sites, at the same time, enhance the water management system, strengthen employee's awareness of water conservation, post water conservation signs and call on employees to conserve water
Transition risks	Policies and laws	Laws and regulations relating to carbon emissions, regulatory policies and taxes, and mandatory carbon trading may increase our operating compliance costs	professional team regularly studies national laws and regulations and emerging policies in location of operations and formulates response plan
		Data centre construction codes and standards are expected to become more stringent and may increase design and construction costs and require the application of new technologies	Design and construct data centres to a high standard to mitigate the impact of any data centre construction specification on operation and development
	Technological innovation	Failure to identify and apply emerging technologies such as low carbon technologies in a timely manner may result in the loss of our operational efficiency or our products lagging behind peers, and we may lose our competitive edge in the market, thereby affecting the Group's revenue	Actively adjust the green development strategy, accelerate the low-carbon research layout and technological innovation, analyse the suitability of the new technologies or solutions developed with the business of Cloud Factory Technology, and conduct a comprehensive assessment of its inputs

Type of risks	Risk factors	Risk description	Response measures
	Market changes	If the market preference for low carbon data centres continues to rise, the Group needs to outperform its peers in terms of capturing the market shift and responding to the market demand for low carbon, otherwise it may result in lower demand for its products and services, giving rise to a loss of revenue and market share	Continue to focus on market dynamics and analyse trends in the market environment in real time to keep the low-carbon nature of products and services, as well as solutions, in line with customers' needs

Major Climate Risks and Response Measures of Cloud Factory Technology

Performance

	Indicator	Unit	Data in 2024
GHG Emission	Total GHG emission[1]	tonnes of CO_2e	64.07
	GHG emission intensity	tonnes CO_2e/million revenue	0.091

1 Calculated based on the average emission factor of 0.5703 in the Notice on the Management of GHG Emissions Reporting for Power Generation Sector from 2023 to 2025.

Environmental, Social, and Governance

Environmental Management

Cloud Factory Technology has always taken environmental management as an important strategy for the sustainable development of the enterprise, actively practicing the concept of green development, and is committed to building a resource-saving, environmentally friendly enterprise. We strictly comply with relevant laws and regulations such as Environmental Protection Law of the People's Republic of China, Circular Economy Promotion Law of the People's Republic of China and formulate and enhance management systems such as the ESG System, the Administration System of the Integrated Department, and the Green Planting Maintenance Management System, to regulate the construction of the daily environmental management system, and to proactively push forward the sustainable development of the Company.

To further enhance the environmental management system, Cloud Factory Technology has constructed a well-established management structure, featuring a multi-tiered framework led by the General Manager and implemented by senior management and department heads to actively promote the implementation of environmental management. Cloud Factory Technology has obtained ISO 14001 environmental management certification.

General Manager

- Preside over the formulation and approval of the publication of the implementation of quality, environmental, occupational health and safety policies and objectives;
- Appoint quality, environmental and occupational health and safety management representative;
- Preside over management review of quality, environmental, occupational health and safety, and examine and approve the management review report;
- Approve and release of the quality, environmental, occupational health and safety management manual, and supervise Its implementation.

Senior Management

- Establish, implement and maintain quality, environmental and occupational health and safety management systems in accordance with standard requirements;
- Organise and audit environmental management related work and internal audits.

Department Heads

- Organise the department to carry out the company's quality, environmental and occupational health and safety policies, and implement the department's objectives and indicators;
- Responsible for the overall promotion and operation of the department's management system, ensuring responsible personnel execute system operations effectively through supervision and inspection.

Management Structure of Cloud Factory Technology

Energy Management

We deeply recognise that strengthening energy management and improving energy efficiency is not only an intrinsic need for enterprises to reduce costs and increase efficiency, but also an inevitable choice for fulfilling social responsibility and achieving sustainable development. Cloud Factory Technology strengthens energy management through optimising operational processes, raising employees' awareness of energy saving and emission reduction, and thus enhancing operational efficiency, reducing energy waste and making positive contributions to the green development of the enterprise.

In respect of energy usage, we have made extensive layout in the use of clean energy, although we are not yet involved in renewable energy. In the construction and operation of our data centre, we have adopted a series of advanced energy-saving technologies and equipment to effectively improve energy efficiency and reduce carbon emissions, contributing to the construction of green and low-carbon data centres.

Indicator	Unit	Data in 2024
Purchased electricity	kWh	112,347
Energy consumption intensity	tonnes of standard coal/million revenue	0.020

Resource Management

Water is the source of life, the key to production, and the foundation of ecology. Cloud Factory Technology actively sets targets for water conservation and reduces unnecessary water wastage through measures such as improving water utilisation efficiency and strengthening water management, thereby promoting the company's green development.

To achieve the goal of water conservation, we conduct regular inspections, maintenance, and servicing of water equipment and pipelines, promptly repairing leaks in a timely manner to prevent wastage of water resources. At the same time, we optimise production processes and adopt water-saving technologies to further reduce consumption.

In addition, we attach great importance to the role of our employees in water conservation practices. We enhance employees' education and training on water-saving measures to raise awareness and skills, fostering good habits among our employees. Through communication channels such as bulletin boards, media, and public spaces, we also convey the enterprise's concept of water conservation to external groups and create a favourable atmosphere for all people to save water.

Indicator	Unit	Data in 2024
Total water consumption	m^3	490
Water consumption intensity	m^3/million revenue	0.692

Emissions Management

Cloud Factory Technology strictly enforces national and local pollutant emission standards, and actively takes effective measures to prevent and mitigate the damage caused by pollutant emissions to the environment. Meanwhile, we continue to strengthen the internal management of the enterprise to effectively control and reduce the emission of pollutants and protect and improve the ecological environment. During the Reporting Period, we were not involved in the discharge of wastewater, waste gas and waste materials.

Green Office

Cloud Factory Technology actively practices the concept of green development and is committed to creating a green office environment and advocating a low-carbon lifestyle. We implement the concept of green office, integrating environmental awareness into daily work and actively promote paperless office to conserve water and electricity resources. Through the continuous promotion of green office, we create a healthy and comfortable working environment for our employees, reduce the operating costs of the enterprise and enhance the social image of the enterprise.

Measures for Green Office

Paperless office

- Cloud Factory Technology advocates paperless office, through the introduction of advanced paperless office system Feishu to optimise document management and storage and reduce the use of paper documents.
- The Group has fully adopted the use of electronic documents for the drafting, approval and storage of documents, and end-to-end electronic organisation of meetings has been achieved.

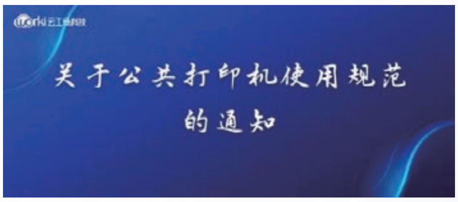
Conservation of water and electricity resources

- Cloud Factory Technology focuses on saving water and electricity resources and realises the efficient use of energy by adopting energy-saving lamps, optimising air-conditioning systems and strengthening water usage management.

Green Office awareness-raising

- fully advocates green office, and has issued two green office notices to popularise green office concepts, practices and energy-saving and emission reduction skills to all employees, aiming to integrate green office into daily work and enhance the overall environmental performance.

Notice on Electricity Conservation in Offices



Notice on the Specification for the Use of Public Printers

Create a Green Data Centre

As the core of digital infrastructure, data centre is increasingly exposed to the problems of energy consumption and carbon emission. Creating a green data centre has become an inevitable choice to promote the high-quality development of digital economy and achieve the 'double carbon' goal. Cloud Factory Technology is fully aware that a green data centre is not only a responsibility of energy conservation and emission reduction, but also a strategic choice to enhance the core competitiveness of enterprises and achieve sustainable development. We are committed to embedding green concept throughout the entire lifecycle of data centre planning, construction and operation, building a high-efficiency, low-carbon, secure and reliable green data centre to inject green momentum into the digital economy development.

Cloud Factory Technology has always been committed to exploring the development of the green intelligent computing field, and endeavours to build a sustainable digital economy ecosystem while promoting the development of innovative technologies. We have initiated in-depth co-operation with industry partners and local governments, and are jointly committed to promoting the innovative development of the green intelligent computing industry.

Green Computing Capacity Zero-Carbon Industrial Park Strategic Co-operation Agreement

Green computing capacity represents the pursuit of green and low-carbon computing, and is also an important goal for the high-quality development of computing capacity. In July 2024, a strategic cooperation agreement was signed among Wuxi National Hi-Tech District, Haidong Industrial Park, and Cloud Factory Technology to jointly establish a Green Computing Capacity Zero-Carbon Industrial Park. The cooperation between Cloud Factory Technology, Wuxi government and Haidong Industrial Park focuses on supporting the development of Qinghai's computing capacity industry, facilitating the integration of artificial intelligence and industry, and constructing a model application highland that empowers thousands of industries The three parties will carry out in-depth cooperation in the areas of information infrastructure construction, digital society construction, digital government construction, digital ecosystem construction, and digital science and technology innovation, and will build a kilo-GPU computing capacity cluster project, so that a new competitive advantage in the concentration of the zero-carbon industry can be achieved. It will create a new competitive advantage in zero-carbon industry agglomeration, and make every effort to build a first-class green, low-carbon and cyclic high-tech industrial park in China.

PEOPLE-ORIENTED

Cloud Factory Technology deeply recognises that the long-term prosperity and development of the Group would not be possible without the contribution of each employee. We always adhere to the concept of people-oriented and are committed to building a workplace ecosystem that respects the rights and interests of employees, protects their well-being, promotes the development of talents and cares for their lives, so as to realise that our employees and the Group can prosper and grow together.

Employee's Rights and Interests

Cloud Factory Technology strictly complies with relevant laws and regulations such as Labour Law of the People's Republic of China, Labour Contract Law of the People's Republic of China and Social Insurance Law of the People's Republic of China and formulates the Employee Manual and other internal management methods, and determines to protect the legitimate rights and interests of the employees, to promote the concept of pluralism, equality and tolerance of the enterprise's culture, and strive to create a harmonious and progressive work atmosphere.

Employee Employment

The Group adheres to the principle of lawful and compliant employment and has formulated internal systems, such as the Recruitment Management System, to guide the commencement of work relating to the recruitment and employment of employees and the protection of their rights and interests. The Group is determined to prohibit any form of child labour and forced labour that violates human rights, and will take specific measures to prevent the occurrence of such situations if violations are detected. During the recruitment process, we strictly examine the identity information of candidates to ensure the authenticity and validity of the identity of the employees and at the same time avoid the occurrence of child labour at source. As at the end of the Reporting Period, no illegal and unlawful incidents involving discrimination in employment, use of child labour or forced labour occurred in the Group.

We formulate a comprehensive human resources development system to attract elite talents through diversified channels such as campus recruitment, online recruitment, internal recommendation and headhunting, etc., so as to continuously expand our team of highly qualified and professional talents. During the Reporting Period, the Group recruited a total of 72 employees, with a job-fit rate of 90%, and achieved the recruitment of all key positions in various departments.

Cloud Factory Technology always upholds the open, equal and inclusive employment concept, commitment to all employees to create respect, understanding and support of the work environment, strictly eliminate any form of discrimination on the basis of nationality, complexion, race, ethnicity, religious beliefs, political stance, cultural background, age, gender and other forms of discriminatory behaviour, and is committed to building a diversified, harmonious and inclusive work atmosphere, so that every employee can give full play to their strengths, and work together to Promote the prosperity and development of the enterprise. In addition, Cloud Factory Technology is always concerned about the development of female employees to ensure that every member can shine on an equal and fair platform. As at the end of the Reporting Period, Cloud Factory Technology had a total of 115 employees, of which 45% were female, and 40% of the executives were female.

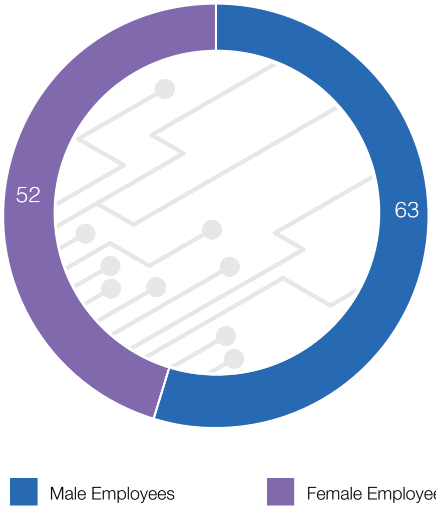


Figure: Number of Employees by Gender

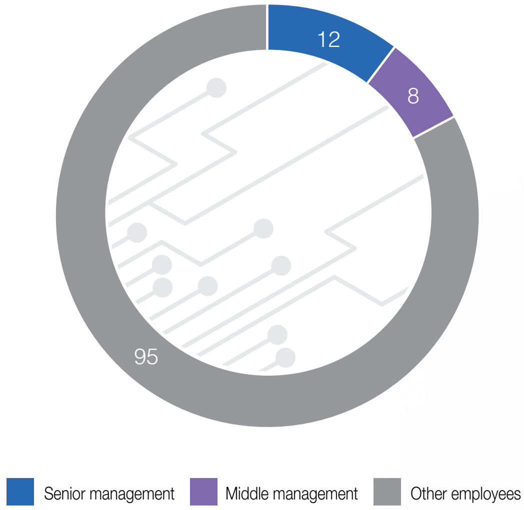


Figure: Number of Employees by Grade

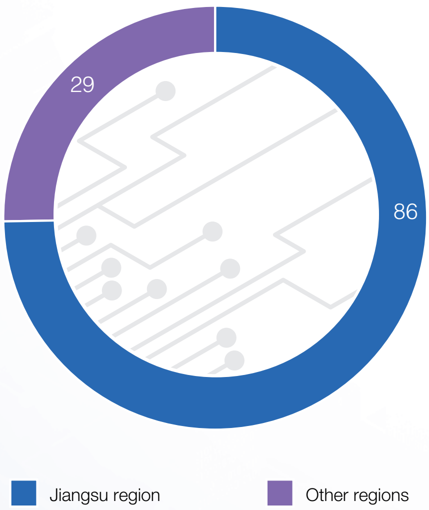


Figure: Number of Employees by Region

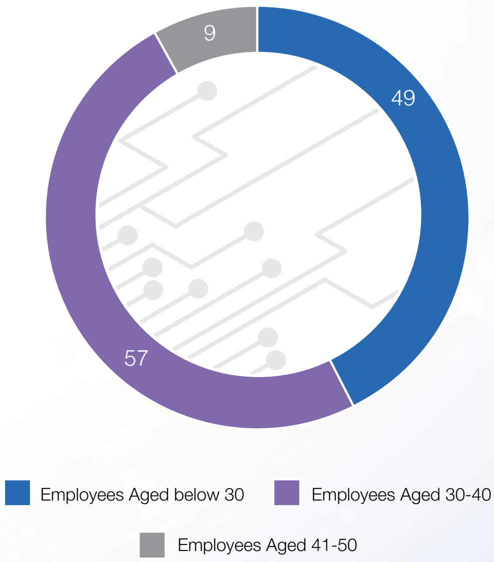


Figure: Number of Employees by Age

Remuneration and Benefits

Cloud Factory Technology formulates internal systems such as Cloud Factory Technology Holdings Limited Remuneration Management System, Cloud Factory Technology Employee Benefits Management System, Social Security and Provident Fund Management System to continuously optimise the remuneration and benefits protection system to ensure that employees enjoy competitive remuneration and benefits in the market. Through the implementation of a remuneration system that combines fixed salary and variable salary, we protect our employees' remuneration rights and interests in compliance with the law, stimulate their enthusiasm for work, and cultivate a team of dedicated talents.

Fixed remuneration	Variable remuneration	Bonus
▶ Consist of grade salary and post salary ▶ Grade salary is linked to the skills and experience of individual employee, and his/her fixed remuneration will be increased accordingly as he/she progress through the grades ▶ Post salary is linked to the importance of the employee's position and the degree of difficulty of his/her duties	▶ Consist of performance bonus and performance commission ▶ Performance bonus is linked to the results of quarterly and half-yearly performance appraisal ▶ Performance commission is paid subject to the achievement of the performance indicator of the employee	▶ Annual bonus ▶ Paid based on the Group's annual operating results and employee's annual performance appraisal

Figure: Cloud Factory Technology Remuneration System

We regulate the Group's benefit distribution measures and standards, and based on providing employees with statutory benefits, we additionally provide employees with diversified and comprehensive benefit protection to further strengthen the centripetal force and cohesion of employees, and enhance their sense of well-being. During the Reporting Period, the total welfare expenditure for employees of Cloud Factory Technology amounted to RMB5,506,823.68, of which RMB4,020,015.5 was spent on social insurance housing provident fund and RMB1,486,808.18 was spent on benefit fees.

Table: Benefit of Employee of Cloud Factory Technology

Type of Benefit	Specific Content
Statutory Benefits	• Pay endowment, medical, employment injury, unemployment and maternity insurance and housing provident fund for all employees. • All employees are entitled to paid statutory holidays such as annual leave, maternity leave, paternity leave, marriage leave, sick leave and bereavement leave.
Daily Benefits	• Birthday celebration or care for employees • Gifts or cash gifts for important festivals • Employee work anniversary gift • Annual physical examination • Regularly organise sports competitions, annual tours, departmental team-building activities and other activities. • Provide communication allowance, meal allowance or working meals
Incentive Benefits	• Monthly bonus for full attendance • Seniority bonus
Other Benefits	• Sympathy gift cash for special occasions, such as marriage, birth, illness, etc. • Children's Day, Women's Day and Parents' meeting leave, etc. • Flexible working arrangements and caring subsidies for pregnant and breastfeeding female employees.

Training and Development

Cloud Factory Technology regards employees as the key driving force for the Group's high-quality and sustainable development. We attach great importance to talent growth and development, formulate management measures related to employee training and promotion, actively carry out various employee training programs, continuously enhance employees' professional skills and professional ethics, and achieve a win-win development for both individuals and the enterprise.

Employee Training

We are committed to promoting the cultivation of composite talents and developing scientific and reasonable employee training plans. The Group focuses on multiple dimensions such as professional skills and leadership training, providing vocational training and guidance for employees, striving to enhance their work abilities, maximise their potential, and maintain the vitality of talents throughout the entire business process. As at the end of the Reporting Period, we organised 7 sessions of new employee induction training, covering 56 people; and 17 sessions of professional sequence and talent echelon training, with a training coverage rate of 100%.

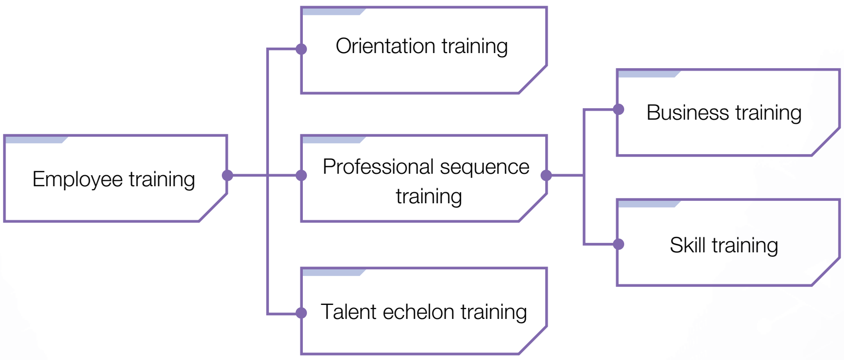


Figure: Employee Training Program of Cloud Factory Technology

The Group regularly conducts induction training for new employees. The content covers introductions to internal systems, product and business introductions, as well as instructions on the use of office software. We focus on providing detailed and systematic instruction for new employees, guiding them to quickly adapt to the work environment.

Case: "Becoming an Excellent 'Little Cloud Worker'" Training by Cloud Factory Technology

In December 2024, we conducted a training activity on corporate culture and employee behaviour guidelines for all employees, with the theme of "Becoming an Excellent 'Little Cloud Worker'". We fully interpreted the requirements of the employee behaviour guidelines and answered common questions. Through this training, we helped employees establish a sense of standardisation and further deepened their identification with Cloud Factory Technology.

Figure: Training Scene of "Becoming an Excellent 'Little Cloud Worker'" by Cloud Factory Technology

Employee Development

We strictly adhere to relevant laws and regulations, promulgate and implement internal policies such as the Measures on Encouraging Employees to Obtain Professional Titles and Qualification Certificates, and vigorously support employees in pursuing external learning opportunities for self-improvement. We have established an employee position system, clearly disclosing the job level hierarchy of the Group, allowing employees to choose a promotion path that aligns with their career development. As at the end of the Reporting Period, we promoted a total of 15 employees internally.

Position System of Cloud Factory Technology		
The Group's position levels are categorised into sales and resource departments, product and R&D teams, operation and maintenance departments, and support departments (including human resources, finance, securities, administration, etc.); each job level is further divided into five job grades, namely junior, intermediate, senior, experienced, and expert; each job grade is subdivided into three tiers, with a total range of 18-20 job levels.	The determination of an employee's rank and grade is based on their qualifications and abilities. Different interval coefficients are set according to the employee's basic qualities (including educational background, work experience, years in the same position, etc.), and the employee's skill coefficient is comprehensively calculated.	There are two designated windows each year for departments to apply for the evaluation and adjustment of employees' competency and skill factors, with the aim of identifying outstanding employees for promotion.

Figure: Position System of Cloud Factory Technology

Meanwhile, based on the internal regulation Overall Performance Evaluation Plan for Cloud Factory in 2024, we have established a performance evaluation framework to ensure a transparent and fair assessment of employee performance. By encouraging employees to meet their individual performance requirements, we aim to achieve the overall performance goals of the Group.

Table: Performance Evaluation Framework of Cloud Factory Technology

Responsible department	Responsibilities
Performance and Remuneration Committee	• Formulate annual target responsibility agreements, as well as monthly and phase-specific performance indicators • Evaluation score • Organise review and assessment of major issues • Approve the assessment plans of various departments and the assessment results of managers
Deputy general manager/director in charge	• Improve the assessment of first-level department managers and the review of the assessment work within their respective departments, and approve the assessment results of their departments
Managers of various departments	• Responsible for implementing performance appraisal in the department • Conduct inspections and provide guidance to employees • Supervise the implementation of assessment methods and propose revisions for any unreasonable aspects
Human Resources Department	• Develop and refine a performance evaluation system • Guide and supervise various departments in carrying out performance appraisal work

Furthermore, we have established an effective and feasible employee assessment appeal and feedback mechanism, adhering to the principles of "fairness, impartiality, and seeking truth from facts", to ensure that employees enjoy the right to communicate regarding their assessments.

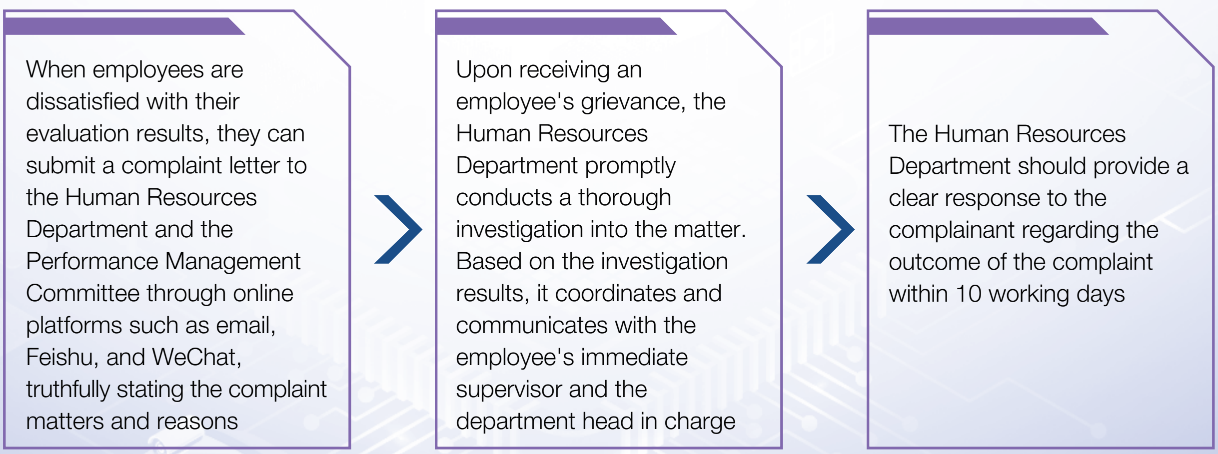


Figure: Employee Assessment Appeal Process of Cloud Factory Technology

Employee Care

We prioritise assisting employees in balancing work and life, showing care for female employees, and paying full attention to their work emotions. We establish open and unobstructed communication channels to promptly listen to employees' demands and promote the continuous growth of the group through mutual trust and mutual benefit. We have set up an employee feedback email (wisdom-box@cloudcsp.com), based on the idea of "wisdom box", fully supporting and expecting our employees to actively share their thinking, provide more valuable suggestions for the Company, and achieve mutual progress.

In addition, we organise a variety of employee activities, actively providing emotional value to employees, enriching their leisure time, and helping them release stress and rejuvenate.

Case: Employee Birthday Party of Cloud Factory Technology in the Fourth Quarter

On 25 December 2024, we held the fourth-quarter employee birthday party and Christmas celebration in the Group's large conference room. We prepared a variety of birthday gifts, afternoon tea, and other surprises for the employees celebrating their birthdays, allowing all employees to feel the warmth of a "family".

Figure: Fourth Quarter Birthday Party of Cloud Factory Technology

Case: Team Building Activities in Yunnan

In September 2024, we meticulously planned and successfully organised a team-building trip to Yunnan. Together, we visited renowned attractions in Lijiang and Dali, sampled local delicacies, and fully immersed ourselves in the unique ethnic cultural ambiance of Yunnan. Through this trip to Yunnan, employees thoroughly released their physical and mental stress, experienced nature, deepened their relationships with colleagues, and further stimulated team cohesion and solidarity.

Figure: Team Building of Cloud Factory Technology in Yunnan

Health and Safety

Cloud Factory Technology places the health and safety of its employees at the forefront and establishes a concept of safe development. We strictly adhere to the laws and regulations of the Production Safety Law of the People's Republic of China and the Work Safety Law of the People's Republic of China in our operational locations. We have formulated internal regulations such as the Quality, Environment, Occupational Health, and Safety Management Manual, established an occupational safety management framework, comprehensively constructed and maintained a safe working environment, and constantly monitored the physical and mental health of our employees while providing necessary health guidance, effectively ensuring the occupational health and safety of our employees. As at the end of the Reporting Period, the Company has obtained ISO 45001 occupational health and safety management system certification.

General Manager	• Formulate and approve the release of employee occupational health and safety management policies and objectives
Management representative	• Establish, implement, and maintain an occupational health and safety management system in accordance with regulations
Occupational health and safety representative	• Safeguard the legitimate rights and interests of employees in terms of occupational health and safety, and create a healthy working environment for them
Heads of various departments	• Organise the department to effectively implement the Group's occupational health and safety management policy, quantify and fulfill the occupational health and safety-related goals and indicators of each department
Internal auditor	• Rationally divide labor and compile occupational health and safety checklists • Identify training needs related to occupational health and safety, and develop training plans according to these needs

Figure: Occupational Health and Safety Management Framework of Cloud Factory Technology

We organise a comprehensive physical examination for all employees every October. In addition to the standard employee health check-up items, we selectively add targeted additional examination items based on factors such as different employees' age, gender, and job nature. During the Reporting Period, Cloud Factory Technology did not experience any major work-related injury incidents, with zero deaths due to work-related accidents and zero days lost due to work-related injuries.

COMMUNITY PUBLIC WELFARE

Cloud Factory Technology has always been mindful of its responsibilities and duties as a corporate citizen, actively engaging in public undertakings and social activities, striving to convey positive energy that promotes upward progress and goodness. We regard giving back to society as our duty, actively carrying out public welfare and charity work as well as community building, and promoting the co-creation and sharing of commercial and social values.

Cloud Factory Technology places great emphasis on the significant role education plays in community development and has established the Wuxi Taihu Talent Scholarship to boost educational development. This scholarship is primarily intended for outstanding students from the School of Internet of Things Engineering at Jiangnan University and the School of Electronics and Information Engineering at Xi'an Jiaotong University, with a focus on students majoring in Computer Science and Technology. The aim is to inspire them to continue deepening their expertise in technology, fostering sustainable development and innovative breakthroughs in the industry.

Case: 2024 Charity Guizhou Tour of Cloud Factory Technology

On 18 August 2024, the educational assistance initiative "Passing on the Torch, Letting Love Spread (薪火相承，讓愛傳遞)" by Cloud Factory Technology reached out to Liujiazhai Village, Baixing Town, Nayong County, Bijie City, Guizhou Province, carrying out on-site home visits and charitable educational activities. This event provided financial support to 15 students from Jiangsu Ocean University, with the funds intended to assist outstanding students in successfully completing their university studies. This initiative underscores our commitment to social welfare and showcases our corporate image as a responsible and proactive enterprise.

Figure: 2024 Charity Guizhou Tour of Cloud Factory Technology

As at the end of the Reporting Period, Cloud Factory Technology had invested a total of RMB87,500 in community public welfare.

APPENDIX I: CONTENT INDEX OF THE ENVIRONMENTAL, SOCIAL, AND GOVERNANCE REPORTING GUIDELINES OF THE HONG KONG STOCK EXCHANGE

Major Categories, Aspects, General Disclosures, and Key Performance Indicators			Disclosure Chapter
A. Environmental			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Green Operation: Environmental Management
	KPI A1.1	The types of emissions and respective emissions data.	Green Operation: Environmental Management
	KPI A1.2	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation: Environmental Management
	KPI A1.3	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Green Operation: Environmental Management
	KPI A1.4	Description of emission target(s) set and steps taken to achieve them.	Green Operation: Environmental Management
	KPI A1.5	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Green Operation: Environmental Management
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Green Operation: Environmental Management
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Green Operation: Environmental Management
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Green Operation: Environmental Management
	KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Green Operation: Environmental Management
	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Green Operation: Environmental Management
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Green Operation: Response to Climate Change
	KPI A3. 1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Green Operation: Response to Climate Change
A4: Climate Change	General Disclosure	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Green Operation: Response to Climate Change
	KPI A4. 1	Total greenhouse gas emissions, Scope I, Scope II (in tonnes CO_2e) and, where appropriate, intensity (in tonnes CO_2e per million revenue).	Green Operation: Response to Climate Change

Major Categories, Aspects, General Disclosures, and Key Performance Indicators			Disclosure Chapter
B. Social			
Employment and Labour Practices			
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	People-oriented: Employee's Rights and Interests
	KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	People-oriented: Employee's Rights and Interests
	KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	People-oriented: Health and Safety
	KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	People-oriented: Health and Safety
	KPI B2.2	Lost days due to work injury.	People-oriented: Health and Safety
	KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	People-oriented: Health and Safety
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	People-oriented: Training and Development
	KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I
	KPI B3.2	The average training hours completed per employee by gender and employee category.	Appendix I
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	People-oriented: Employee's Rights and Interests
	KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	People-oriented: Employee's Rights and Interests
	KPI B4.2	Description of steps taken to eliminate such practices when discovered.	People-oriented: Employee's Rights and Interests

Environmental, Social, and Governance

Major Categories, Aspects, General Disclosures, and Key Performance Indicators			Disclosure Chapter
Operating Practices			
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	Ingenious Excellence: Green Industry Chain
	KPI B5.1	Number of suppliers by geographical region.	Ingenious Excellence: Green Industry Chain
	KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Ingenious Excellence: Green Industry Chain
	KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Ingenious Excellence: Green Industry Chain
	KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Ingenious Excellence: Green Industry Chain
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Ingenious Excellence: Products and Services
	KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not involved
	KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Ingenious Excellence: Products and Services
	KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Ingenious Excellence: Products and Services
	KPI B6.4	Description of quality assurance process and recall procedures.	Ingenious Excellence: Products and Services
	KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Ingenious Excellence: Information Security and Privacy Protection
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Operation Compliance: Business Ethnics
	KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Operation Compliance: Business Ethnics
	KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Operation Compliance: Business Ethnics
	KPI B7.3	Description of anti-corruption training provided to directors and staff.	Operation Compliance: Business Ethnics

Major Categories, Aspects, General Disclosures, and Key Performance Indicators			Disclosure Chapter
Community			
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Public Welfare
	KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Public Welfare
	KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Public Welfare

APPENDIX II: HIGHLIGHTS PERFORMANCE STATEMENT IN 2024

Environmental Performance

Performance Indicators	Unit	2024
Total GHG emission	tonnes of CO_2e	64.07
GHG emission intensity	tonnes of CO_2e/million revenue	0.091
Purchase electricity	kWh	112,347
Total water consumption	m^3	490
Water consumption intensity	m^3/million revenue	0.692

Social Performance

Performance Indicators	Unit	2024
B1. Employment		
Number of employees by gender		
Number of male employees	person	63
Number of female employees	person	52
Proportion of male employees	%	54.78
Proportion of female employees	%	45.22
Number of employees by employee category		
Full-time employee	person	115
Number of employees by grade		
Number of senior management personnel	person	12
Number of middle management personnel	person	8
Number of other employees	person	95
Number of employees by age		
Number of employees under 30	person	49
Number of employees between 31 to 40	person	57
Number of employees between 41 to 50	person	9
Number of employees above 51	person	0
Number of employees by region		
Jiangsu region	person	86
Eastern China (excluding Jiangsu region)	person	28
Other regions	person	1
Employee turnover rate by gender		
Male employee turnover rate	%	20.11
Female employee turnover rate	%	10.34
Employee turnover rate by age		
Turnover rate of employees under 30	%	12.64
Turnover rate of employees between 31 to 40	%	13.22
Turnover rate of employees between 41 to 50	%	4.60
Turnover rate of employees above 51	%	0
Employee turnover rate by region		
Employee turnover rate in the North China region	%	5.75
Employee turnover rate in the East China region	%	23.56
Employee turnover rate in the Southern China region	%	1.15
Total employee welfare expenditure	RMB	5,506,823.68

Performance Indicators	Unit	2024
B2. Health and Safety		
Number of fatalities due to work-related incidents	person	0
Number of lost workdays (referring to the total number of days of sick leave due to various work-related injuries)	day	0
B3. Development and Training		
Number of employees trained by gender		
Number of male employees trained	person	63
Number of female employees trained	person	52
Percentage of male employees trained	%	54.78
Percentage of female employees trained	%	42.22
Number of employees trained by employee category		
Number of senior management trained	person	12
Number of middle management trained	person	8
Number of other employees trained	person	95
Percentage of senior management trained	%	10.43
Percentage of middle management trained	%	6.96
Percentage of other employees trained	%	82.61
Average training hours of each employee by gender		
Average training hours of male employees	hour	6
Average training hours of female employees	hour	6
Average training hours of each employee by employee category		
Average training hours of senior management	hour	6
Average training hours of middle management	hour	6
Average training hours of other employees	hour	6
B5.1 Number of suppliers by region		
By region		
East China (comprising Shandong, Jiangsu, Anhui, Zhejiang, Fujian, Shanghai, and Jiangxi)	company	44
South China (Guangdong, Guangxi, Hainan)	company	11
Central China (Hubei, Hunan, Henan)	company	20
North China (Beijing, Tianjin, Hebei, Shanxi, Inner Mongolia)	company	9
Southwestern China (Sichuan, Yunnan, Guizhou, Xizang, Chongqing)	company	5
Northwestern China (comprising Ningxia, Xinjiang, Qinghai, Shaanxi, and Gansu)	company	1
Northeast China (Liaoning, Jilin, Heilongjiang)	company	3
Regions of Hong Kong, Macao, Taiwan, and overseas areas	company	0

Environmental, Social, and Governance

Performance Indicators	Unit	2024
B6. Product Responsibility		
Customer satisfaction rate	%	100
Incident of consumer information or privacy leakage	case	0
The number of individuals affected by incidents of consumer information or privacy leakage	person-time	0
Total number of complaints received	case	0
Cumulative number of authorised new patents	case	38
Cumulative number of software copyrights held	case	44
Cumulative number of invention patents	case	18
B7. Anti-corruption		
Settled cases of corruption litigation	case	0
Number of anti-corruption training session	time	1
Duration of Board participation in anti-corruption training	hour	1
Number of person-times of Board members participating in anti-corruption training	person-time	7
The coverage rate of anti-corruption training participation by the Board	%	100
Duration of employee participation in anti-corruption training	hour	1
Number of employee participation in anti-corruption training sessions	person-time	115
The coverage rate of anti-corruption training participation by employee	%	100
B8. Community Investment		
Cash donation amount during the reporting period	RMB	87,500.00

Independent Auditor's Report

EY 安永

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To the shareholders of Cloud Factory Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Cloud Factory Technology Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 107 to 169, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
The Group's revenue primarily comes from the provision of Internet Data Centre ("IDC") solution services and edge computing services. For contracts where considerations are fixed, the related revenues are recognised on a straight-line basis based on the contract price. For contracts where considerations are based on the usage, the related revenues are recognised based on the consumption of high-speed internet access bandwidth resources at the predetermined rates as the services are rendered throughout the contract terms. Revenue recognition was considered as a key audit matter because revenue was one of the key performance indicators of the Group which gave rise to an inherent risk that revenue transactions might be incorrectly recorded.	Our procedures in relation to revenue recognition included: (i) obtaining an understanding of and evaluating the design and operational effectiveness of the relevant key internal controls related to revenue recognition; (ii) obtaining and inspecting the Group's contracts with major customers to obtain an understanding of the terms of provision and assessing revenue recognised against the Group's accounting policy with reference to the requirements of the prevailing accounting standards; (iii) inspecting the original documents (such as sales contracts, reconciliation records) on a sample basis; (iv) obtaining confirmation letters from customers of the sales transactions for the year and respective trade receivable balances as at the year end date on a sample basis; (v) performing analytical review procedures, including analysing changes in major business revenue, major customers and gross profit margin; and (vi) assessing the adequacy of the disclosures related to the revenue recognition.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2024, the Group had gross trade receivables of approximately RMB239,564,000, against which allowance for impairment of approximately RMB4,522,000 was made. Management applied judgement and estimates to measure the expected credit loss allowance. The estimated loss rates are initially based on historical observable default rates over expected lives of the receivables, study of each specific customers' credit-rating and default and recovery data from external agency, and are adjusted for forward-looking information on macroeconomic factors affecting the ability of the debtors to settle the receivables. We considered this area a key audit matter due to the magnitude of the balance of trade receivables and the complex estimates and judgements involved in the assessment of expected credit losses ("ECLs").	Our procedures in relation to the impairment of trade receivables included: (i) obtaining an understanding of and evaluating the design and operating effectiveness of the relevant key internal controls in respect of management's assessment of the impairment of trade receivables; (ii) assessing the appropriateness of ECLs provisioning methodology adopted by management, including key estimations and assumptions used in the model based on our understanding on the Group's business and credit control process and the credit risk characteristics of the trade receivables; (iii) evaluating the reasonableness of the forward-looking information including relevant macroeconomic variables by considering the industry and macro economic information; (iv) testing the mathematical accuracy of the calculation of ECLs; (v) performing confirmation procedure and inspecting cash receipts from customers subsequent to the financial year end on a sampling basis; and (vi) assessing the adequacy of the disclosures related to ECLs.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The engagement partner on the audit resulting in this independent auditor's report is HO Siu Fung, Terence.

Ernst & Young
Certified Public Accountants

Hong Kong
26 March 2025

Consolidated Statement of Profit or Loss

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**707,629**	695,949
Cost of sales		**(618,007)**	(608,308)
Gross profit		**89,622**	87,641
Other income and gains	5	**9,388**	1,318
Selling and distribution expenses		**(7,759)**	(8,145)
Administrative expenses		**(44,132)**	(35,681)
Research and development expenses		**(23,815)**	(22,231)
Impairment losses on financial assets		**(689)**	(4,155)
Other expenses		**(235)**	(89)
Finance costs	7	**(8,549)**	(3,987)
PROFIT BEFORE TAX	6	**13,831**	14,671
Income tax expense	10	**(1,459)**	(447)
PROFIT FOR THE YEAR		**12,372**	14,224
Attributable to:			
Owners of the parent		**12,091**	13,923
Non-controlling interests		**281**	301
		12,372	14,224
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	12	**0.03**	0.04

Consolidated Statement of Comprehensive Income

Year ended 31 December 2024

	2024 RMB'000	2023 RMB'000
PROFIT FOR THE YEAR	**12,372**	14,224
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**842**	—
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**842**	—
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**5,507**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**5,507**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**6,349**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**18,721**	14,224
Attributable to:		
Owners of the parent	**18,440**	13,923
Non-controlling interests	**281**	301
	18,721	14,224

Consolidated Statement of Financial Position

Year ended 31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**32,597**	21,453
Right-of-use assets	14	**641**	1,408
Other intangible assets	15	**230**	166
Deferred tax assets	16	**1,836**	1,938
Other non-current assets	17	**53,915**	78,846
Total non-current assets		**89,219**	103,811
CURRENT ASSETS			
Inventories	18	**129**	—
Trade receivables	19	**235,042**	197,627
Prepayments, other receivables and other assets	20	**215,973**	37,962
Restricted cash	21	**27**	—
Cash and cash equivalents	21	**371,016**	162,341
Total current assets		**822,187**	397,930
CURRENT LIABILITIES			
Trade payables	22	**199,598**	244,135
Other payables and accruals	23	**38,023**	31,481
Contract liabilities	24	**231**	76
Interest-bearing bank borrowings	25	**262,811**	166,734
Lease liabilities	14	**485**	595
Tax payable		**4,329**	3,155
Total current liabilities		**505,477**	446,176
NET CURRENT ASSETS/(LIABILITIES)		**316,710**	(48,246)
TOTAL ASSETS LESS CURRENT LIABILITIES		**405,929**	55,565
NON-CURRENT LIABILITIES			
Lease liabilities	14	**9**	664
Total non-current liabilities		**9**	664
Net assets		**405,920**	54,901
EQUITY			
Equity attributable to owners of the parent			
Share capital	26	**33**	—
Reserves	27	**402,409**	54,138
		402,442	54,138
Non-controlling interests		**3,478**	763
Total equity		**405,920**	54,901

Mr. Sun Tao
Director

Mr. Ji Lijun
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000	Statutory surplus reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
At 1 January 2023	—	—	9,000	7,283	—	29,394	45,677	—	45,677
Profit for the year	—	—	—	—	—	13,923	13,923	301	14,224
Total comprehensive income for the year	—	—	—	—	—	13,923	13,923	301	14,224
Capital contribution from the equity holder of subsidiaries	—	—	24,538	—	—	—	24,538	462	25,000
Appropriations to statutory surplus reserve	—	—	—	1,756	—	(1,756)	—	—	—
Dividends paid to the then shareholders	—	—	—	—	—	(30,000)	(30,000)	—	(30,000)
At 31 December 2023	—	—	33,538	9,039	—	11,561	54,138	763	54,901
At 1 January 2024	**—**	**—**	**33,538**	**9,039**	**—**	**11,561**	**54,138**	**763**	**54,901**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**12,091**	**12,091**	**281**	**12,372**
Other comprehensive income for the year: Exchange differences on translation of foreign operations	**—**	**—**	**—**	**—**	**6,349**	**—**	**6,349**	**—**	**6,349**
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**6,349**	**12,091**	**18,440**	**281**	**18,721**
Capital contribution to subsidiaries	**—**	**—**	**(2,434)**	**—**	**—**	**—**	**(2,434)**	**2,434**	**—**
Appropriations to statutory surplus reserve	**—**	**—**	**—**	**2,094**	**—**	**(2,094)**	**—**	**—**	**—**
Issue of shares	**33**	**332,265**	**—**	**—**	**—**	**—**	**332,298**	**—**	**332,298**
At 31 December 2024	**33**	**332,265**	**31,104**	**11,133**	**6,349**	**21,558**	**402,442**	**3,478**	**405,920**

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**13,831**	14,671
Adjustments for:			
Depreciation of items of property, plant and equipment	13	**5,740**	2,876
Depreciation of right-of-use assets	14	**541**	557
Amortisation of intangible assets	15	**298**	203
Impairment losses on financial assets		**689**	4,155
Finance costs	7	**8,549**	3,987
Bank interest income	5	**(2,732)**	(214)
Interest income from long-term receivables	5	**(2,920)**	—
(Gain)/loss on disposal of items of property, plant and equipment		**26**	(38)
Gain on disposal of items of right-of-use assets	5	**(9)**	(6)
		24,013	26,191
Increase in inventories		**(129)**	—
Increase in trade receivables		**(38,573)**	(83,682)
(Increase)/decrease in prepayments, other receivables and other assets		**(188,586)**	10,725
Increase in restricted cash		**(27)**	—
Increase/(decrease) in trade payables		**(44,537)**	72,832
Increase/(decrease) in contract liabilities		**155**	(1,773)
Increase in other payables and accruals		**7,149**	9,520
Cash (used in)/generated from operations		**(240,535)**	33,813
Interest received		**2,732**	214
Tax paid		**(183)**	(112)
Net cash flows (used in)/from operating activities		**(237,986)**	33,915
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(16,919)**	(12,706)
Additions to other intangible assets		**(362)**	(181)
Advances to third parties		**—**	(10,400)
Repayment of advances to third parties		**10,400**	—
Additions to long term receivables		**(24,779)**	(192,699)
Repayment of long term receivables		**47,187**	94,550
Proceeds from disposal of property, plant and equipment		**9**	114
Net cash flows from/(used in) investing activities		**15,536**	(121,322)

Consolidated Statement of Cash Flows

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contribution from the equity holder of subsidiaries		**–**	25,000
New bank loans		**411,976**	263,000
Repayment of bank loans		**(315,976)**	(163,000)
Interest paid		**(8,426)**	(4,216)
Dividends paid to the then shareholders		**–**	(30,000)
Payment of lease liabilities	14	**(576)**	(727)
Payment of listing expenses		**(6,702)**	(2,546)
Repayment from a controlling shareholder		**–**	84,251
Proceeds from issue of shares		**344,480**	–
Net cash flows from financing activities		**424,776**	171,762
NET INCREASE IN CASH AND CASH EQUIVALENTS		**202,326**	84,355
Cash and cash equivalents at beginning of year		**162,341**	77,986
Effect of foreign exchange rate changes, net		**6,349**	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		**371,016**	162,341
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**371,043**	162,341
Less: Restricted cash	21	**(27)**	–
Cash and cash equivalents as stated in the statement of cash flows		**371,016**	162,341

Notes to the Consolidated Financial Statements

Year ended 31 December 2024

1. CORPORATE AND GROUP INFORMATION

Cloud Factory Technology Holdings Limited is a limited liability company incorporated in the Cayman Islands on 10 December 2021. The registered office of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the provision of IDC solution services, edge computing services, and Information Communications Technology ("ICT") services and other services in the People's Republic of China("PRC").

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 14 June 2024 (the "Listing Date").

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Ru Yi Information Technology Co., Ltd, which was incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Cloud Factory (BVI) Limited	British Virgin Islands	US$100	100%	—	Investment holding
雲工場香港有限公司 Cloud Factory Hong Kong Limited	Hong Kong	HK$10,000	—	100%	Investment holding
無錫靈境雲信息技術有限公司 Wuxi Lingjing Cloud Information Technology Co., Ltd.*	PRC/ Mainland China	RMB8,000,000	—	98.74%**	Provision of technical support and consultation in relation to the Contractual Arrangements
江蘇雲工場信息技術有限公司 Jiangsu Cloud Factory Information Technology Co., Ltd.*	PRC/ Mainland China	RMB20,000,000	—	100%**	Provision of IDC solution services, edge computing services and ICT services and other services
江蘇意如信息科技有限公司 Jiangsu Yiru Information Technology Co., Ltd.*	PRC/ Mainland China	RMB10,000,000	—	100%**	Provision of IDC solution services and edge computing services

Notes to the Consolidated Financial Statements
Year ended 31 December 2024

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Particulars of the Company's principal subsidiaries are as follows: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
青島雲睿天信息技術有限公司 Qingdao Yunruitian Technology Co., Ltd.*	PRC/ Mainland China	RMB10,000,000	–	100%**	Provision of IDC solution services and edge computing services
山東典雅信息技術有限公司 Shandong Dianya Information Technology Co., Ltd.*	PRC/ Mainland China	RMB10,000,000	–	100%**	Provision of IDC solution services and ICT services and other services

* The English names of these subsidiaries registered in the PRC represent the best efforts made by management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

** As the provision of IDC solution services and edge computing services is subject to foreign investment restrictions under the current PRC laws and regulations, certain services were carried out by Jiangsu Cloud Factory Information Technology Co., Ltd. and its subsidiaries (collectively the "PRC Operating Entities") during the year. Wuxi Lingjing Cloud Information Technology Co., Ltd, a non-wholly-owned subsidiary of the Company ("Lingjing Cloud") 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 Lingjing Cloud 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 Lingjing Cloud does not have any direct or indirect equity interest in the PRC Operating Entities.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2. ACCOUNTING POLICIES

2.1 Basis of Presentation

These financial statements have been prepared in accordance with IFRS Accounting Standards (which include International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial assets which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. 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 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) 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 exchange fluctuation 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.

2. ACCOUNTING POLICIES (Continued)

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "2020 Amendments")
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "2022 Amendments")
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised IFRS Accounting Standards are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued But Not Yet Effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards — Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]

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/reporting periods beginning on or after 1 January 2027
4 No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 *Presentation of Financial Statements*. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 *Accounting Policies*, *Changes in Accounting Estimates and Errors*, which is renamed as IAS 8 *Basis of Preparation of Financial Statements*. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 *Statement of Cash Flows*, IAS 33 *Earnings per Share* and IAS 34 *Interim Financial Reporting*. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRSs. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 *Consolidated Financial Statements*, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued But Not Yet Effective International Financial Reporting Standards (Continued)

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. 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 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.

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.

Annual Improvements to IFRS Accounting Standards — Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7*), IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2. ACCOUNTING POLICIES (Continued)

2.3 Issued But Not Yet Effective International Financial Reporting Standards (Continued)

- IFRS 9 *Financial Instruments*: The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 *Consolidated Financial Statements*: The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows*: The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 Material Accounting Policies

Fair value measurement

The Group measures its certain financial instruments 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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Fair value measurement (Continued)

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.

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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

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.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

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:

Buildings	5%
Leasehold improvements	33%
Electronic equipment	19% to 32%
Furniture and fixtures	19%
Motor vehicles	24%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in 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 cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 2 years.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Intangible assets (other than goodwill) (Continued)

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. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	24 to 37 months

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2. ACCOUNTING POLICIES (Continued)

2.4 Material Accounting Policies (Continued)

Leases (Continued)

Group as a lessee (Continued)

(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 that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessor (Continued)

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue 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.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Subsequent measurement (Continued)

Financial assets at fair value through profit and loss
Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for 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).

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 60 days past due.

The Group considers a financial asset in default when contractual payments are 120 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1	—	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	—	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	—	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has considered estimated loss rate based on historical observable default rates and study of each specific customer's default and recovery data from external credit-rating agency, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as 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.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

The Group's financial liabilities include trade and other payables and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (trade and other payables, loans 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.

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.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. 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.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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 construction 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.

2. ACCOUNTING POLICIES *(Continued)*

2.4 MATERIAL ACCOUNTING POLICIES *(Continued)*

Income tax (Continued)

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 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.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

Provision of IDC solution services

Revenue from the provision of IDC solution services is recognised over the scheduled period because the customer simultaneously receives and consumes the benefits provided by the Group. For contracts where considerations are fixed, the related revenues are recognised on a straight-line basis based on the contract price. For contracts where considerations are based on the usage of the IDC solution services, the related revenues are recognised based on the consumption of high-speed internet access bandwidth resources at the predetermined rate when the services are rendered throughout the contact term.

Provision of edge computing services

Edge computing services include content delivery network services and artificial intelligence of things (“EdgeAIoT”) services. The nature of the performance obligation is a single performance obligation to be ready to provide integrated services throughout the contract period. Revenue from the provision of content delivery network services is recognised over the scheduled period because the customer simultaneously receives and consumes the benefits provided by the Group. For contracts where considerations are fixed, the related revenues are recognised on a straight-line basis based on the contract price which is fixed. For contracts where considerations are based on the usage of the content delivery network services, the related revenues are recognised based on the consumption of high-speed internet access bandwidth resources at the predetermined rate as the services are rendered throughout the contract term. Revenue from the provision of EdgeAIoT services is primarily generated through the provision of efficient Internet solution to clients, integration of cloud platform, edge nodes network, edge computing hosts, AI algorithm model collections and terminal devices. Revenue is recognised at a point in time when the control of the product is transferred to the customer or the service is accepted by the customer.

Provision of ICT services and other services

Revenue from ICT services is primarily generated through the provision of customer-fit information communications technology solution, system development and maintenance, consultation services and provision of cloud computing hardware resources. Revenue from other services is primarily generated through the provision of network acceleration service, text messaging service, call service and WeChat corporate mini-application development service to enterprise clients. Revenue is recognised at a point in time when the control of the customer-fit product is transferred to the customer or the service is accepted by the customer.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that 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.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

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).

Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its 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 Hong Kong. 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

All borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2. ACCOUNTING POLICIES (Continued)

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company, incorporated in Cayman Islands, is Hong Kong dollars. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Group's entities not operating in Mainland China are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period 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, except to the extent that the differences are attributable to non-controlling interests. 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.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgement

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 financial statements:

Principal or agent when recognising revenue

Determining whether revenue of the Group should be reported "gross" or "net" is based on a continuing assessment of various factors. When determining whether the Group is acting as the principal or agent in offering goods or services to the customer, the Group needs to first identify who controls the specified goods or services before they are transferred to the customer. The Group is a principal and records revenue on a gross basis if the Group obtains control of any one of the following: (i) a good or another asset from the other party that it then transfers to the customer; (ii) a right to a service to be performed by the other party, which gives the entity the ability to direct that party to provide the service to the customer on the entity's behalf; or (iii) a good or service from the other party that it then combines with other goods or services in providing the specified good or service to the customer. Otherwise, the Group records revenue at the net amounts as commissions.

The Group concludes that it usually acts as a principal in providing IDC solution services, edge computing services, and ICT services as (i) the Group is primarily responsible for the fulfilment of the customers' contracts by ensuring the stability and quality of services; (ii) the Group combines the good or service from the other party with other goods or services in providing the specified good or service to the customer and (iii) the Group sets up service prices independently. The Group also acts as an agent under certain IDC solution services, ICT services and other services contracts when the Group does not have control over these services and products.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for expected credit losses on trade receivables

The Group uses individual assessment and estimated loss rate to calculate ECLs for trade receivables. The individual assessment is based on customers with known financial difficulties or significant doubt on collection. The estimated loss rate is initially based on historical observable default rates over expected life of the debts and study of each specific customer's default and recovery data from external credit-rating agency, and is adjusted for forward-looking information (for example, the current and forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. For instance, if forecast economic conditions (i.e., gross domestic product and consumer price index) are expected to deteriorate over the next year leading to an increased number of defaults in the TMT sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, study of other corporates' default and recovery data, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to the financial statements.

Useful lives and residual values of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in production, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, the care and maintenance of the asset and the legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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4. OPERATING SEGMENT INFORMATION

The Group is principally a provider of IDC solution services, edge computing services, and ICT solution services and other services in Mainland China.

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment. Since this is the only reportable operating segment of the Group, no further operating segment analysis is presented.

Geographical information

During the year, all of the Group's revenue was derived from customers located in Mainland China and all of the Group's non-current assets were located in Mainland China, and therefore no further geographical information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

Revenue from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue during each of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
Customer A	**156,592**	108,431
Customer B	**136,555**	145,722
Customer C	**93,559**	N/A*
Customer D	**74,708**	N/A*
Customer E	**N/A***	107,414
Total	**461,414**	361,567

* Less than 10% of the Group's revenue

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers	**707,629**	695,949

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Types of goods or services		
IDC solution services	**658,663**	673,752
Edge computing services	**48,966**	18,064
ICT services and other services	**—**	4,133
Total revenue from contracts with customers	**707,629**	695,949
Geographical market		
Mainland China	**707,629**	695,949
Timing of revenue recognition		
Services transferred over time	**705,463**	691,816
Services transferred at a point in time	**2,166**	4,133
Total	**707,629**	695,949

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting year		
IDC solution services	**10**	1,849
Edge computing services	**66**	—
Total	**76**	1,849

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(b) *Performance obligations*

Provision of IDC solution services and edge computing services

For the provision of IDC solution services and content delivery network services, the performance obligation is satisfied over time when the services are rendered. For the provision of EdgeAIoT services, revenue is recognised at a point in time. The performance obligation is satisfied upon acceptance of services by the customers. The payment is generally due within 10 to 60 days after receipt of invoice.

Provision of ICT services and other services

For the provision of ICT services and other services, revenue is recognised at a point in time. The performance obligation is satisfied upon acceptance of services by the customers. The timing of payment varies from contract to contract usually within 180 days after receipt of invoice.

All provisions of services are satisfied within one year or less.

An analysis of other income and gains is as follows:

	2024 **RMB'000**	2023 RMB'000
Other income		
Government grants	**3,727**	1,060
Bank interest income	**2,732**	214
Interest income from long-term receivables	**2,920**	—
Total other income	**9,379**	1,274
Gains		
Gain on disposal of items of property, plant and equipment	**—**	38
Gain on disposal of items of right-of-use assets	**9**	6
Total gains	**9**	44
Total other income and gains	**9,388**	1,318

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2024 RMB'000	2023 RMB'000
Cost of services provided*		**618,007**	608,308
Depreciation of property, plant and equipment	13	**5,740**	2,876
Depreciation of right-of-use assets	14	**541**	557
Amortisation of intangible assets	15	**298**	203
Research and development expenses*		**23,815**	22,231
Expense relating to short-term leases	14	**191**	211
Audit fee for the first annual audit after listing		**3,350**	—
Employee benefit expense (including directors' and chief executive's remuneration in note 8):			
— Wages and salaries		**29,467**	22,644
— Pension scheme contributions and social welfare		**4,198**	2,992
Total		**33,665**	25,636
Impairment losses recognised for financial assets	17/19/20	**689**	4,155
Bank interest income	5	**(2,732)**	(214)
(Gain)/loss on disposal of items of property, plant and equipment		**26**	(38)
Gain on disposal of items of right-of-use assets	5	**(9)**	(6)

* Certain depreciation of property, plant and equipment and employee benefit expense included

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest on loans and borrowings	**8,503**	3,937
Interest on lease liabilities	**46**	50
Total	**8,549**	3,987

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Group	
	2024	2023
	RMB'000	RMB'000
Fees	**357**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**8,023**	6,485
Pension scheme contributions	**423**	397
Subtotal	**8,446**	6,882
Total	**8,803**	6,882

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2024	2023
	RMB'000	RMB'000
Mr. Ip Mun Lam	**119**	—
Mr. Cui Qi	**119**	—
Ms Zhao Hong	**119**	—
Total	**357**	—

There were no other emoluments payable to the independent non-executive directors during the year (2023: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2024			
Executive directors:			
Mr. Sun Tao	**3,713**	**114**	**3,827**
Mr. Zhu Wentao	**1,440**	**103**	**1,543**
Mr. Ji Lijun	**1,233**	**103**	**1,336**
Mr. Jiang Yanqiu	**1,637**	**103**	**1,740**
Total	**8,023**	**423**	**8,446**
2023			
Executive directors:			
Mr. Sun Tao	3,967	100	4,067
Ms. Yu Yihua	298	97	395
Mr. Ji Lijun	759	100	859
Mr. Jiang Yanqiu	1,461	100	1,561
Total	6,485	397	6,882

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2023: three directors), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2023: two) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**733**	2,304
Pension scheme contributions	**127**	219
Total	**860**	2,523

9. FIVE HIGHEST PAID EMPLOYEES (Continued)

The numbers of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands are as follows:

	Number of employees	
	2024	2023
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$2,000,000	**–**	1
Total	**1**	2

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Hong Kong

The subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% (2023: 16.5%) on any estimated assessable profits arising in Hong Kong during the year. 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 year ended 31 December 2024.

Mainland China

Pursuant to the Corporate Income Tax of the PRC and the respective regulations (the "CIT Law"), the Company's subsidiaries which operate in Mainland China are subject to income tax at a rate of 25% on their respective taxable income.

Jiangsu Cloud Factory Information Technology Co., Ltd. ("Yungongchang") renewed its "High-and-New Technology Enterprise" ("HNTE") qualification in 2024 and therefore is entitled to a preferential tax rate of 15% for a three-year period since 2024. The qualification as a High and New Technology Enterprise will be subject to review by the relevant tax authority in Mainland China for every three years and Yungongchang should self-evaluate whether it meets the criteria of High and New Technology Enterprise each year.

Certain of the Group's PRC subsidiaries are qualified as small and micro enterprises and were entitled to a preferential corporate income tax rate of 5% for the year ended 31 December 2024.

	2024	2023
	RMB'000	RMB'000
Current	**1,357**	1,218
Deferred (note 16)	**102**	(771)
Total tax charge for the year	**1,459**	447

10. INCOME TAX (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory tax rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2024 RMB'000	2023 RMB'000
Profit before tax	**13,831**	14,671
Tax at the statutory tax rate of 25% in Mainland China	**3,458**	3,668
Preferential tax rates enacted by local authority	**(1,270)**	(1,448)
Additional deduction of research and development expenses	**(2,048)**	(3,097)
Tax losses and deductible temporary differences not recognised	**—**	94
Expenses not deductible for tax	**1,319**	1,233
Use of tax deductible losses from prior periods	**—**	(3)
Tax charge at the Group's effective rate	**1,459**	447

11. DIVIDENDS

No dividend has been declared and paid by the Company during the year ended 31 December 2024.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 421,575,342 (after adjusted for the effect of the Capitalisation Issue (note 26) in issue during the year ended 31 December 2024 (2023: 375,000,000). The subdivided shares were treated as having been in issue for the whole year and also included in the earnings per share calculation of the comparative period presented so as to give a comparable result.

The calculation of basic earnings per share is based on:

	2024	2023
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**12,091**	13,923
Shares		
Weighted average number of ordinary shares outstanding during the year	**421,575,342**	375,000,000
Earnings per share		
Basic and diluted (RMB)	**0.03**	0.04

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Year ended 31 December 2024

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024:						
Cost	11,331	221	9,059	440	4,922	25,973
Accumulated depreciation	(1,100)	(25)	(1,446)	(181)	(1,768)	(4,520)
Net carrying amount	10,231	196	7,613	259	3,154	21,453
At 1 January 2024 net of accumulated depreciation	10,231	196	7,613	259	3,154	21,453
Additions	–	994	15,688	65	172	16,919
Disposals	–	–	(23)	(12)	–	(35)
Depreciation provided during the year	(595)	(283)	(3,609)	(77)	(1,176)	(5,740)
At 31 December 2024, net of accumulated depreciation	9,636	907	19,669	235	2,150	32,597
At 31 December 2024:						
Cost	11,331	1,214	24,595	471	5,095	42,706
Accumulated depreciation	(1,695)	(307)	(4,926)	(236)	(2,945)	(10,109)
Net carrying amount	9,636	907	19,669	235	2,150	32,597

13. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Furniture and fixtures RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023:						
Cost	10,583	—	767	288	4,474	16,112
Accumulated depreciation	(542)	—	(426)	(135)	(775)	(1,878)
Net carrying amount	10,041	—	341	153	3,699	14,234
At 1 January 2023, net of accumulated depreciation	10,041	—	341	153	3,699	14,234
Additions	748	221	8,366	152	684	10,171
Disposals	—	—	(2)	—	(74)	(76)
Depreciation provided during the year	(558)	(25)	(1,092)	(46)	(1,155)	(2,876)
At 31 December 2023, net of accumulated depreciation	10,231	196	7,613	259	3,154	21,453
At 31 December 2023:						
Cost	11,331	221	9,059	440	4,922	25,973
Accumulated depreciation	(1,100)	(25)	(1,446)	(181)	(1,768)	(4,520)
Net carrying amount	10,231	196	7,613	259	3,154	21,453

Notes to the Consolidated Financial Statements
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14. LEASES

The Group as a Lessee

The Group has lease contracts for office premises used in its operation. Leases of office premises generally have lease terms between 24 and 37 months.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Office premises		
Carrying amount at the beginning of the year	1,408	215
Additions	298	1,842
Disposals	(524)	(92)
Depreciation charge	(541)	(557)
Carrying amount at the end of the year	641	1,408

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2024 RMB'000	2023 RMB'000
Carrying amount at 1 January	1,259	192
New leases	298	1,842
Disposals	(533)	(98)
Accretion of interest recognised during the year	46	50
Payments	(576)	(727)
Carrying amount at 31 December	494	1,259
Analysed into:		
Current portion	485	595
Non-current portion	9	664

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	46	50
Depreciation charge of right-of-use assets	541	557
Expense relating to short-term leases (note 6)	191	211
Total amount recognised in profit or loss	778	818

15. OTHER INTANGIBLE ASSETS

	Software RMB'000
31 December 2024	
Cost at 1 January 2024, net of accumulated amortisation	**166**
Additions	**362**
Amortisation provided during the year	**(298)**
At 31 December 2024	**230**
At 31 December 2024:	
Cost	**454**
Accumulated amortisation	**(224)**
Net carrying amount	**230**
31 December 2023	
At 1 January 2023:	
Cost	835
Accumulated amortisation	(527)
Net carrying amount	308
Cost at 1 January 2023, net of accumulated amortisation	308
Additions	61
Amortisation provided during the year	(203)
At 31 December 2023	166
At 31 December 2023 and at 1 January 2024:	
Cost	896
Accumulated amortisation	(730)
Net carrying amount	166

16. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

	Lease liabilities RMB'000	Impairment of financial assets RMB'000	2024 Unpaid employee benefits RMB'000	Others RMB'000	Total RMB'000
At 31 December 2023	**169**	**963**	**548**	**450**	**2,130**
Deferred tax credited/(charged) to profit or loss during the year (note 10)	**(95)**	**88**	**221**	**(412)**	**(198)**
Gross deferred tax assets at 31 December 2024	**74**	**1,051**	**769**	**38**	**1,932**

	Lease liabilities RMB'000	Impairment of financial assets RMB'000	2023 Loss available for offsetting against future profits RMB'000	Unpaid employee benefits RMB'000	Others RMB'000	Total RMB'000
At 31 December 2022	29	335	406	429	—	1,199
Deferred tax credited/(charged) to profit or loss during the year (note 10)	140	628	(406)	119	450	931
Gross deferred tax assets at 31 December 2023	169	963	—	548	450	2,130

16. DEFERRED TAX (Continued)

Deferred tax liabilities

	2024 Right of use assets RMB'000
At 31 December 2023	**192**
Deferred tax credited to profit or loss during the year (note 10)	**(96)**
Gross deferred tax liabilities at 31 December 2024	**96**

	2023 Right of use assets RMB'000
At 31 December 2022	32
Deferred tax charged to profit or loss during the year (note 10)	160
Gross deferred tax liabilities at 31 December 2023	192

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	**1,836**	1,938

The Group has tax losses arising in Mainland China of nil (2023: RMB874,000) that will expire in one to five years for offsetting against future taxable profits. 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.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% or 10% for the Group.

At 31 December 2024, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries and joint ventures established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries and joint ventures will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries and joint ventures in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB42,451,000 at 31 December 2024 (2023: RMB23,876,000).

17. OTHER NON-CURRENT ASSETS

	2024 RMB'000	2023 RMB'000
Long-term receivables	**78,691**	98,149
Less: Long-term receivables due within one year	**(23,025)**	(16,839)
Less: Impairment	**(1,751)**	(2,464)
At the end of the year	**53,915**	78,846

The movements in the loss allowance for impairment of other non-current assets are as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	**2,464**	—
Impairment losses, net	**(713)**	2,464
At the end of the year	**1,751**	2,464

An impairment analysis is performed using estimated loss rate to measure expected credit losses. As at the end of the reporting period, long-term receivables are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition, and thus the Group has assessed the expected credit losses under the 12-month expected credit loss method. Expected credit losses are also based on study of the specific company's credit-rating from external agency and default and recovery data of different credit-rating from external agency, and are adjusted for forward-looking information.

17. OTHER NON-CURRENT ASSETS (Continued)

Set out below is the information about the credit risk exposure on the Group's long-term receivables and long-term receivables due within one year using estimated loss rate:

As at 31 December 2024:

	Long-term receivables and long-term receivables due within one year credit-rating Unrated
Collectively assessed:	
Expected credit loss rate	**3.15%**
Gross carrying amount	**78,691**
Expected credit losses	**2,475**

As at 31 December 2023:

	Long-term receivables and long-term receivables due within one year credit-rating Unrated
Collectively assessed:	
Expected credit loss rate	3.03%
Gross carrying amount	98,149
Expected credit losses	2,974

18. INVENTORIES

	2024 RMB'000	2023 RMB'000
Computing equipment	**129**	—

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19. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**239,564**	200,991
Impairment	**(4,522)**	(3,364)
At the end of the year	**235,042**	197,627

The Group's trading terms with its customers are mainly on credit, except for small customers of IDC solution services, where payment in advance is normally required. The credit periods are generally 10 to 60 days after receipt of invoice for major customers. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. At the end of the reporting period, the Group had certain concentrations of credit risk as 16% (2023:19%) and 59% (2023:69%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

For the years ended 31 December 2023 and 31 December 2024, certain of the Group's trade receivables with net carrying amounts of approximately RMB15,000,000 and nil were pledged to secure general banking facilities granted to the Group, respectively (note 25).

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**191,579**	197,200
1 to 2 years	**43,463**	427
Total	**235,042**	197,627

The movements in the loss allowance for impairment of trade receivables are as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	**3,364**	2,243
Impairment losses recognised	**1,158**	1,121
At the end of the year	**4,522**	3,364

19. TRADE RECEIVABLES (Continued)

An impairment analysis is performed at each reporting date using estimated loss rate to measure expected credit losses. The estimated loss rates are based on historical observable default rates over expected life of the debts, study of each specific customer's credit-rating from external agency and default and recovery data of different credit-rating from external agency, and are adjusted for forward-looking information (for example, forecasted economic growth rates in the PRC, which reflect the general economic conditions of the industry in which the debtors operate) that is available without undue cost or effort. The calculation reflects the probability-weighted outcome, reasonable and supportable information that is available at the end of each reporting date about past events, current conditions, and forecasts of future economic conditions. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

Set out below is the information about the credit risk exposure on the Group's trade receivables using estimated loss rate:

As at 31 December 2024:

	Trade receivables credit-rating			
	A	**Baa**	**Unrated**	**Total**
Individually assessed:				
Expected credit loss rate	**—**	**—**	**100.00%**	**100.00%**
Gross carrying amount (RMB'000)	**—**	**—**	**787**	**787**
Expected credit losses (RMB'000)	**—**	**—**	**787**	**787**
Collectively assessed:				
Expected credit loss rate	**0.05%**	**—**	**3.14%**	**1.56%**
Gross carrying amount (RMB'000)	**121,986**	**—**	**116,791**	**238,777**
Expected credit losses (RMB'000)	**62**	**—**	**3,673**	**3,735**

As at 31 December 2023:

	Trade receivables credit-rating			
	A	Baa	Unrated	Total
Individually assessed:				
Expected credit loss rate	—	—	100.00%	100.00%
Gross carrying amount (RMB'000)	—	—	386	386
Expected credit losses (RMB'000)	—	—	386	386
Collectively assessed:				
Expected credit loss rate	0.05%	0.49%	3.03%	1.48%
Gross carrying amount (RMB'000)	103,765	204	96,636	200,605
Expected credit losses (RMB'000)	49	1	2,928	2,978

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20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2024 RMB'000	2023 RMB'000
Long-term receivables due within one year	**23,025**	16,839
Less: Impairment	**(724)**	(510)
	22,301	16,329
Prepayments	**121,716**	3,325
Other receivables	**67,924**	11,666
Deposits	**863**	472
Listing fee	**—**	6,117
Others	**3,262**	116
	193,765	21,696
Less: Impairment	**(93)**	(63)
	193,672	21,633
Total	**215,973**	37,962

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

The movements in provision for impairment of receivables are as follows:

	2024 RMB'000	2023 RMB'000
At the beginning of the year	**573**	3
Impairment losses recognised	**244**	570
At the end of the year	**817**	573

An impairment analysis is performed at each reporting date using estimated loss rate to measure expected credit losses. As at each reporting date, financial assets included in prepayments, other receivables and other assets are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition, and thus the Group has assessed the expected credit losses under the 12-month expected credit loss method.

The impairment analysis of long-term receivables due within one year are disclosed in note 17.

21. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**371,043**	162,341
Less: Restricted cash	**(27)**	—
Cash and cash equivalents	**371,016**	162,341
Denominated in:		
RMB	**241,030**	162,341
HK$	**129,986**	—

The Group was required to place certain bank borrowing proceeds in designated bank accounts. The deposits can only be used for the payment of IDC solution services. As at 31 December 2023 and 31 December 2024, such deposits amounted to nil and RMB27,000, respectively.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

22. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the record date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**199,048**	242,707
1 to 2 years	**550**	1,428
Total	**199,598**	244,135

The trade payables are non-interest-bearing and are normally settled within 90 to 150 days.

23. OTHER PAYABLES AND ACCRUALS

	2024 RMB'000	2023 RMB'000
Other tax payable	**6,579**	10,774
Payroll and welfare payable	**11,037**	8,154
Other payables	**20,407**	12,553
Total	**38,023**	31,481

Other payables are unsecured, non-interest-bearing and have a term within 1 year or on demand.

24. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities:

	2024 RMB'000	2023 RMB'000
Contract liabilities	**231**	76

Contract liabilities of the Group mainly arise from the advance payments made by customers while the services are yet to be provided.

The expected timing of recognition of revenue at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
Expected to be satisfied within 1 year	**231**	76

25. INTEREST-BEARING BANK BORROWINGS

	2024			2023		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank borrowings — secured	**—**	**—**	**—**	3.45	2024	28,026
Bank borrowings — unsecured	**1.80–3.05**	**2025**	**262,811**	3.00–4.00	2024	138,708
Total			**262,811**			166,734

	2024 RMB'000	2023 RMB'000
Analysed into:		
Bank borrowings repayable:		
Within 1 year	**262,811**	166,734

The Group's borrowings are denominated in RMB.

All interest ratios of the Group's borrowings are fixed.

25. INTEREST-BEARING BANK BORROWINGS (Continued)

Certain of the Group's bank borrowings are secured by the pledges of the following assets with net carrying values at the end of the reporting period as follows:

	2024	2023
	RMB'000	RMB'000
Trade receivables	**–**	15,000

As at 31 December 2023, the Group's bank borrowings were secured by the pledges of patent rights with a net carrying value of nil.

As at 31 December 2024, the guarantees of the Group's secured bank borrowings were provided by the Group's subsidiaries.

26. SHARE CAPITAL

Shares

	2024	2023
	RMB	RMB
Issued and fully paid:		
460,000,000 (2023: 1,000,000) ordinary shares	**32,722**	64

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	**Share capital**
		RMB
At 1 January 2023	100	64
Share subdivision	999,900	—
At 31 December 2023 and 1 January 2024	1,000,000	64
Capitalisation issue (Note (a))	374,000,000	26,610
Issue of shares from initial public offering (Note (b))	85,000,000	6,048
At 31 December 2024	460,000,000	32,722

Notes:

(a) Pursuant to the written resolution of the shareholders of the Company passed on 14 May 2024, and subject to the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the global offering, a total of 374,000,000 shares credited as fully paid at par were allotted and issued on the Listing Date to the holders of shares whose names appear on the register of shareholders of the Company on the day preceding the Listing Date in proportion to their then existing shareholdings in the Company by capitalising the relevant sum from the share premium account of the Company ("Capitalisation Issue"). The shares allotted and issued pursuant to the above Capitalisation Issue will rank pari passu in all respects with the existing issued shares.

(b) On 14 June 2024, the Company issued a total of 85,000,000 ordinary shares of US$0.00001 each at the price of HK$4.60 per share by means of global offering.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 110 of the financial statements.

Statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profits after tax, as determined under PRC GAAP, to the statutory surplus reserve until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Group, the statutory surplus reserve may be used either to offset losses, or to be converted to increase share capital, provided that the balance after such conversion is not less than 25% of the registered capital of the Group. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

Merger reserve

Merger reserve represents the difference between the nominal value of shares issued by the Company and the aggregate fully paid registered capital and share premium of PRC subsidiaries being acquired. The merger reserve of the Group as of 1 January 2021 represents the capital contribution from the then equity holders of the Group's subsidiaries.

On 3 April 2023, Hainan Yunzhi Huifu Venture Investment Partnership (Limited Partnership) reached an agreement with the Company, the controlling shareholder and Wuxi Lingjing Cloud Information Technology Co., Ltd. Hainan Yunzhi Huifu Venture Investment Partnership (Limited Partnership) invested RMB25,000,000 in Wuxi Lingjing Cloud Information Technology Co., Ltd., accounting for 1.39% of the shares after investment. RMB24,538,000 was recognised in merger reserve, and the remaining amounting to RMB462,000 was recognised in non-controlling interests.

Pursuant to the resolution of shareholders of Wuxi Lingjing Cloud Information Technology Co., Ltd. passed on 19 May 2024, the registered capital of Wuxi Lingjing Cloud Information Technology Co., Ltd. increase from RMB8,112,867 to RMB8,979,686 and fully subscribed by Cloud Factory Hong Kong Limited, resulting in a reduction in merger reserve by RMB2,434,000.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities RMB298,000 (2023: RMB1,842,000), in respect of lease arrangements for office buildings.

(b) Changes in liabilities arising from financing activities

2024

	Interest-bearing bank and other borrowings RMB'000	**Lease liabilities RMB'000**	**Amount due to the ultimate parent RMB'000**
At 1 January 2024	**166,734**	**1,259**	**167,993**
Changes from financing cash flows	**87,574**	**(576)**	**86,998**
New leases	**—**	**298**	**298**
Interest expense	**8,503**	**46**	**8,549**
Disposals	**—**	**(533)**	**(533)**
At 31 December 2024	**262,811**	**494**	**263,305**

2023

	Interest-bearing bank and other borrowings RMB'000	Lease liabilities RMB'000	Amount due to the ultimate parent RMB'000
At 1 January 2023	67,013	192	67,205
Changes from financing cash flows	95,784	(727)	95,057
New leases	—	1,842	1,842
Interest expense	3,937	50	3,987
Disposals	—	(98)	(98)
At 31 December 2023	166,734	1,259	167,993

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2024 RMB'000	2023 RMB'000
Within operating activities	**233**	233
Within financing activities	**576**	727
Total	**809**	960

29. COMMITMENTS

At the end of the reporting period, the Group did not have any significant contractual commitments.

30. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with a related party during the year:

	2024 RMB'000	2023 RMB'000
Repayment from a related party:		
Controlling Shareholder	–	84,251

The transaction was interest-free and had no fixed terms of repayment.

(b) Compensation of key management personnel of the Group:

	2024 RMB'000	2023 RMB'000
Short-term employee benefits	**8,602**	8,287
Pension scheme contributions	**592**	591
Total compensation paid to key management personnel	**9,194**	8,878

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2024

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables (note 19)	235,042
Financial assets included in prepayments and other receivables (note 20)	90,995
Restricted cash (note 21)	27
Cash and cash equivalents (note 21)	371,016
Financial assets included in other non-current assets (note 17)	53,915
Total	750,995

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables (note 22)	199,598
Financial liabilities included in other payables and accruals (note 23)	20,407
Interest-bearing bank borrowings (note 25)	262,811
Total	482,816

Notes to the Consolidated Financial Statements
Year ended 31 December 2024

31. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

2023

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables (note 19)	197,627
Financial assets included in prepayments and other receivables (note 20)	28,404
Cash and cash equivalents (note 21)	162,341
Financial assets included in other non-current assets (note 17)	78,846
Total	467,218

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables (note 22)	244,135
Financial liabilities included in other payables and accruals (note 23)	12,553
Interest-bearing bank borrowings (note 25)	166,734
Total	423,422

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, financial assets included in prepayments, other receivables and other assets, trade receivables, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed with the audit committee 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.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise interest-bearing bank borrowings, 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 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. Generally, the Group introduces conservative strategies on its risk management. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group has no debt obligations with a floating interest rate. Accordingly, as at the end of each of the reporting period, the Group did not have any significant interest rate risk.

Foreign currency risk

The functional currency of the Company and its subsidiaries incorporated in Cayman Islands, British Virgin Islands and Hong Kong is HK$, and the Group is exposed to foreign currency risk with respect to transactions denominated in currencies other than HK$. In addition, in Mainland China, 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 the reporting period, the Group did not have any significant exposure to foreign currency risk.

Credit risk

The Group trades only with recognised and creditworthy third parties. 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 31 December.

Notes to the Consolidated Financial Statements
Year ended 31 December 2024

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

The amounts presented are gross carrying amounts for financial assets and the exposure to credit risk for the financial guarantee contracts.

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	239,564	239,564
Financial assets included in prepayments, other receivables and other assets					
— Normal**	87,135	–	–	–	87,135
Restricted cash					
— Not yet past due	27	–	–	–	27
Cash and cash equivalents					
— Not yet past due	371,016	–	–	–	371,016
Financial assets included in other non-current assets (note 17)	55,666	–	–	–	55,666
Total	513,844	–	–	239,564	753,408

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Maximum exposure and year-end staging (Continued)

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	200,991	200,991
Financial assets included in prepayments, other receivables and other assets					
— Normal**	28,977	—	—	—	28,977
Cash and cash equivalents					
— Not yet past due	162,341	—	—	—	162,341
Financial assets included in other non-current assets (note 17)	81,310	—	—	—	81,310
Total	272,628	—	—	200,991	473,619

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the estimated loss rate is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 19 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. At the end of the reporting period, the Group had certain concentrations of credit risk as 16% (2023:19%) and 59% (2023:69%) of the Group's trade receivables were due from the Group's largest customer and five largest customers, respectively.

Notes to the Consolidated Financial Statements
Year ended 31 December 2024

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group		**2024**	
	Within 1 year or on demand RMB'000	**Over 1 year RMB'000**	**Total RMB'000**
Trade payables	**199,598**	**—**	**199,598**
Other payables	**20,407**	**—**	**20,407**
Lease liabilities	**492**	**9**	**501**
Interest-bearing bank borrowings	**266,092**	**—**	**266,092**
Total	**486,589**	**9**	**486,598**

Group		2023	
	Within 1 year or on demand RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	244,135	—	244,135
Other payables	12,553	—	12,553
Lease liabilities	644	682	1,326
Interest-bearing bank borrowings	170,040	—	170,040
Total	427,372	682	428,054

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

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 and the risk characteristics of the underlying assets. 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 years ended 31 December 2024 and 31 December 2023.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods were as follows:

	2024 RMB'000	2023 RMB'000
Total liabilities	**505,486**	446,840
Total assets	**911,406**	501,741
Debt-to-asset ratio	**55%**	89%

34. EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2024.

Notes to the Consolidated Financial Statements
Year ended 31 December 2024

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**1**	1
Total non-current assets	**1**	1
CURRENT ASSETS		
Due from subsidiaries	**203,633**	—
Prepayments, other receivables and other assets	**5,648**	—
Cash and cash equivalents	**129,959**	—
Total current assets	**339,240**	—
CURRENT LIABILITIES		
Due to subsidiaries	**6,750**	—
Other payables and accruals	**1,197**	—
Amounts due to related parties	**1**	1
Total current liabilities	**7,948**	1
NET CURRENT ASSETS/(LIABILITIES)	**331,292**	(1)
TOTAL ASSETS LESS CURRENT LIABILITIES	**331,293**	—
Net assets	**331,293**	—
EQUITY		
Share capital	**33**	*
Reserves	**331,260**	*
Total equity	**331,293**	—

* The amount is less than RMB1,000.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
Balance at 1 January 2023	*	—	—	—
At 31 December 2023 and 1 January 2024	*	—	—	—
Loss for the year	—	—	(6,512)	(6,512)
Other comprehensive income for the year:				
Translation difference of the Company's financial statements into presentation currency	—	5,507	—	5,507
Total comprehensive loss for the year	—	5,507	(6,512)	(1,005)
Issue of shares	332,265	—	—	332,265
At 31 December 2024	332,265	5,507	(6,512)	331,260

* The amount is less than RMB1,000.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 March 2025.

Financial Summary

	2024 RMB'000	2023 RMB'000	2022 RMB'000	2021 RMB'000
Revenue	**707,629**	695,949	548,753	464,276
Cost of sales	**(618,007)**	(608,308)	(479,810)	(407,840)
Gross profit	**89,622**	87,641	68,943	56,436
Profit for the year	**12,372**	14,224	8,034	12,685
Attributable to:				
Owners of the parent	**12,091**	13,923	8,034	12,685
Non-controlling interests	**281**	301	—	—
Non-current assets	**89,219**	103,811	15,924	13,356
Current assets	**822,187**	397,930	297,353	239,579
Total assets	**911,406**	501,741	313,277	252,935
Non-current liabilities	**9**	664	—	—
Current liabilities	**505,477**	446,176	267,600	215,292
Total liabilities	**505,486**	446,840	267,600	215,292
Equity				
Attributable to:				
Owners of the parent	**402,442**	54,138	45,677	37,643
Non-controlling interests	**3,478**	763	—	—
Total equity	**405,920**	54,901	45,677	37,643
Total equity and liabilities	**911,406**	501,741	313,277	252,935

Definitions

In this annual report, the following expressions have the meanings set out below unless the context requires otherwise:

"affiliate"	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AI"	artificial intelligent, an area of computer science that focuses on mimicking human intelligence by machines
"AIoT""	artificial intelligence of things, the combination of the connectivity from the IoT infrastructure with data-driven knowledge obtained from AI to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics
"Articles" or "Articles of Association"	the articles of association of our Company (as amended from time to time), conditionally adopted on 14 May 2024, with effect from the Listing Date
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"BVI"	British Virgin Islands
"Cayman Islands"	the Cayman Islands, a British Overseas Territory
"CDN" or "content delivery network"	a distributed network of servers that can efficiently deliver web content to users
"CEO"	the chief executive officer of the Company
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Cloud Factory"	Jiangsu Cloud Factory Information Technology Co., Ltd. (江蘇雲工場信息技術有限公司), a limited liability company established in the PRC on 11 December 2015, which is one of our Consolidated Affiliated Entities and is held by Jiangsu Hanju and Wuxi Bangtai as to 76.1% and 23.9%, respectively
"Company"	Cloud Factory Technology Holdings Limited (雲工場科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 10 December 2021
"Consolidated Affiliated Entities"	the entity(ies) the Group control through the Contractual Arrangements, namely, Cloud Factory and its subsidiaries, the financial results of which have been consolidated and accounted for as the subsidiaries of our Company by virtue of the Contractual Arrangements and the details of which are set out in the section headed "History and Reorganisation" in the Prospectus
"Contractual Arrangements"	the framework of contractual arrangements adopted by the Company as described in the Prospectus

Definitions

"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, which collectively refers to Mr. Sun and Ru Yi IT, details of which are set out in the section headed "Relationship with Controlling Shareholders" in the Prospectus
"Director(s)"	the director(s) of the Company
"EdgeAIoT Services"	a form of service which combines AIoT with Edge Computing Services
"EdgeCDN Services"	the provision of CDN services with the Group's edge computing infrastructure
"Edge Computing Services"	a form of infrastructure and computing service under the brand of Lingjing Cloud (靈境雲) provided by our Group, including the provision of content delivery network and other functionality
"FPGA"	field-programmable gate array, a type of configurable integrated circuit that can be repeatedly programmed after manufacturing
"Global Offering"	the Hong Kong public offering and the international offering of the offer shares
"GPU"	Graphics Processing Unit
"Group"	the Company, its subsidiaries and consolidated affiliated entities or any of them
"HKFRS"	Hong Kong Financial Reporting Standards
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"HTTP 302"	a status code under Hypertext Transfer Protocol, which will redirect the user agent (e.g. a web browser) to a new uniform resource locator address
"ICT"	information and communication technology, which refers to all devices, networking components, applications and systems that combined to enable people and organisations to interact in the digital world and capture transmit and display data and information electronically
"ICT Services and Other Services"	the custom-fit ICT services and other services provided by our Group, including the provision of information communications technology solutions, system development and maintenance, consultation services, provision of cloud computing hardware resources, network acceleration service, text messaging service, call service and corporate miniapplication development
"IDC"	internet data centre(s)
"IDC Solution Services"	IDC solution services provided by our Group, including the provision of colocation services and infrastructure management services

Definitions

”internet“ or ”the Internet“	an interconnected system of networks that connects computers around the world and is publicly accessible
”Internet of Things“ or ”IoT“	the networked interconnection of everyday objects, generally viewed as a self-configuring wireless network of sensor whose purpose would be to interconnect all things. The concept is that if all objects of daily life are equipped with radio tags, they can be identified and managed by computers in the same way humans can. The Internet of Things should encode 50 to 100 trillion objects and follow the movement of those objects
“Jiangsu Hanju”	Jiangsu Hanju Investment Limited (江蘇瀚舉投資有限公司), a limited liability company established in the PRC on 6 November 2017 which is wholly owned by Mr. Sun, and is one of the connected persons of the Group
“Lingjing Cloud (靈境雲)”	the Group’s cloud business which offers Edge Computing Services launched in 2022
“Listing Date”	14 June 2024, being the date on which the Shares became listed and commenced trading on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Mr. Sun”	Mr. Sun Tao (孫濤), the Chairman, chief executive officer and an executive Director, a Controlling Shareholder of the Company and one of the Registered Shareholders, and one of the connected persons of the Group
“NPU”	Network Processing Unit
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this annual report only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 5 June 2024
“Registered Shareholders”	the registered shareholders of Cloud Factory, collectively, Mr. Sun, Wuxi Bangtai and Jiangsu Hanju
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the year ended 31 December 2024
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Ru Yi IT”	Ru Yi Information Technology Co., LTD, a business company incorporated in the BVI on 5 November 2021, which is wholly owned by Mr. Sun

Definitions

"SFO"	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of the Company with nominal value of US$0.00001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"UDP"	User Datagram Protocol, one of the core communication protocols of the internet protocol suite used to send messages to other hosts on an Internet Protocol network
"US"	the United States of America
"US$"	US dollars, the lawful currency of US
"Wuxi Bangtai"	Wuxi Bangtai Enterprise Management Consulting Limited Partnership Company (無錫邦泰企業管理諮詢合夥企業(有限合夥)), a limited partnership company established in the PRC on 9 October 2019, which is owned by Mr. Sun and Jiangsu Hanju as to 49% and 51%, respectively, and is one of the connected persons of the Group
"%"	per cent

Note: The English transliteration of the Chinese name(s) in this annual report, where indicated by an asterisk (*), is included for identification purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).