

SUMMARY

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

BUSINESS OVERVIEW

We ranked 11th in the Internet data centre industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6% according to the Frost and Sullivan Report.

We provide comprehensive and reliable IDC Solution Services to our clients. We commenced the development of the Internet data centre business in Shandong Province together with one of the state-owned telecommunication carriers, Supplier A. Our Directors are of the view that, we have become one of the most important ecosystem partners of Supplier A in terms of transaction amount in the area of data centre operation in Shandong Province and Inner Mongolia. The Group has a solid customer base and good reputation in the provision of IDC Solutions Services in Shandong Province and Inner Mongolia, and serves as Supplier A’s ecosystem partner in distribution of bandwidth capacity to the Internet companies. It is estimated that the Group accounts for more than 10% of service fees paid by the ecosystem partners to Supplier A in Shandong Province and Inner Mongolia.

With our established relationships with Supplier A, we have developed the loyal and fast-growing relationships with our large and market-leading clients, who are primarily top-notch clouding computing service providers, Internet companies and blue-chip listed companies in the PRC. During the Track Record Period, our total revenue in the IDC Solution Services segment surged from RMB249.3 million in 2020 to RMB538.7 million in 2022 at a CAGR of 47.0%, and increased by approximately 12.9% from RMB261.2 million in the six months ended 30 June 2022 to RMB295.0 million in the six months ended 30 June 2023. We attribute our success partly to our capability of providing cross-regional IDC Solution Services in 20 provinces and 36 cities which are relatively more economically developed. As of 30 June 2023, our Group’s bandwidth usage amounted to an aggregate of approximately 292,800 Gbps from our managed data centres.

We are also one of the active contributors in the development of the cross-regional edge computing network in prefecture-level cities and administrative districts and counties (the “**cross-regional edge computing network**”) in the PRC. Our edge computing network minimises the need to process data remotely in the data centre and thus increases the responsiveness and throughput of applications, saves bandwidth and improves customers’ user experience. We launched our Edge Computing Services in 2022 under the brand of *Lingjing Cloud* and realised revenue of RMB5.2 million for the year ended 31 December 2022 and RMB5.3 million for the six months ended 30 June 2023. For the four months ended 30 April 2023, we already entered into several contracts with our clients in relation to the Edge Computing Services. As at the Latest Practicable Date, our Group preliminarily established the coverage of cross-regional edge computing network for the operation of our *Lingjing Cloud* in North China.

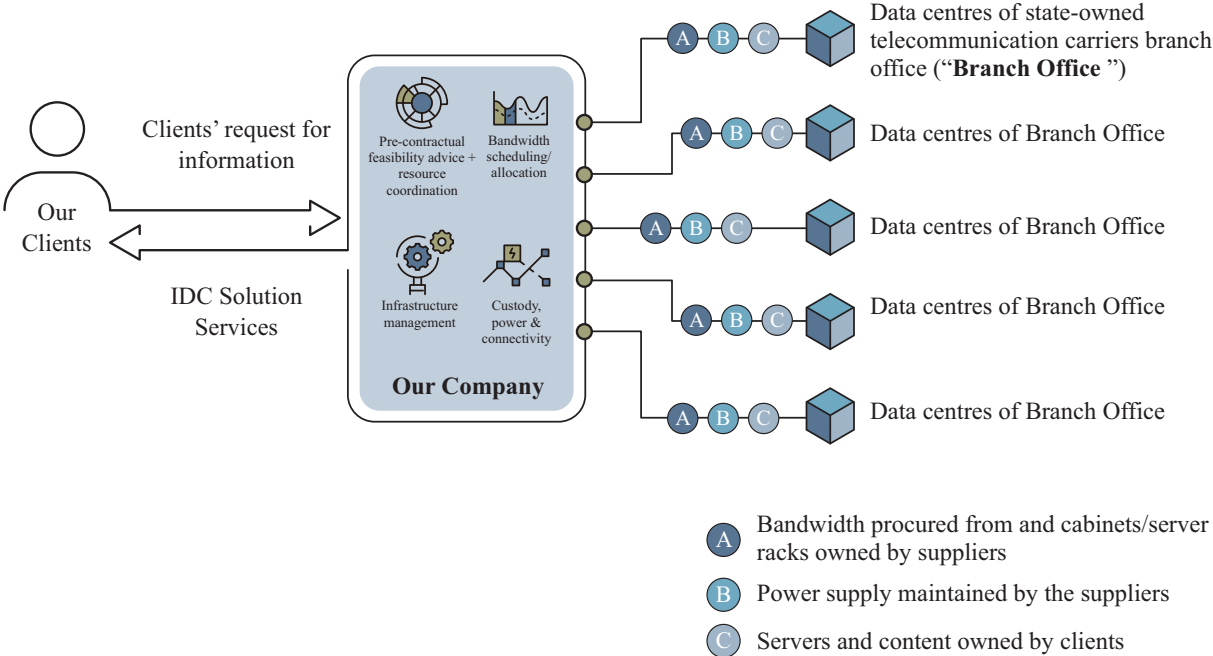
OUR BUSINESS MODELS

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

SUMMARY

Business model of our IDC Solution Services

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



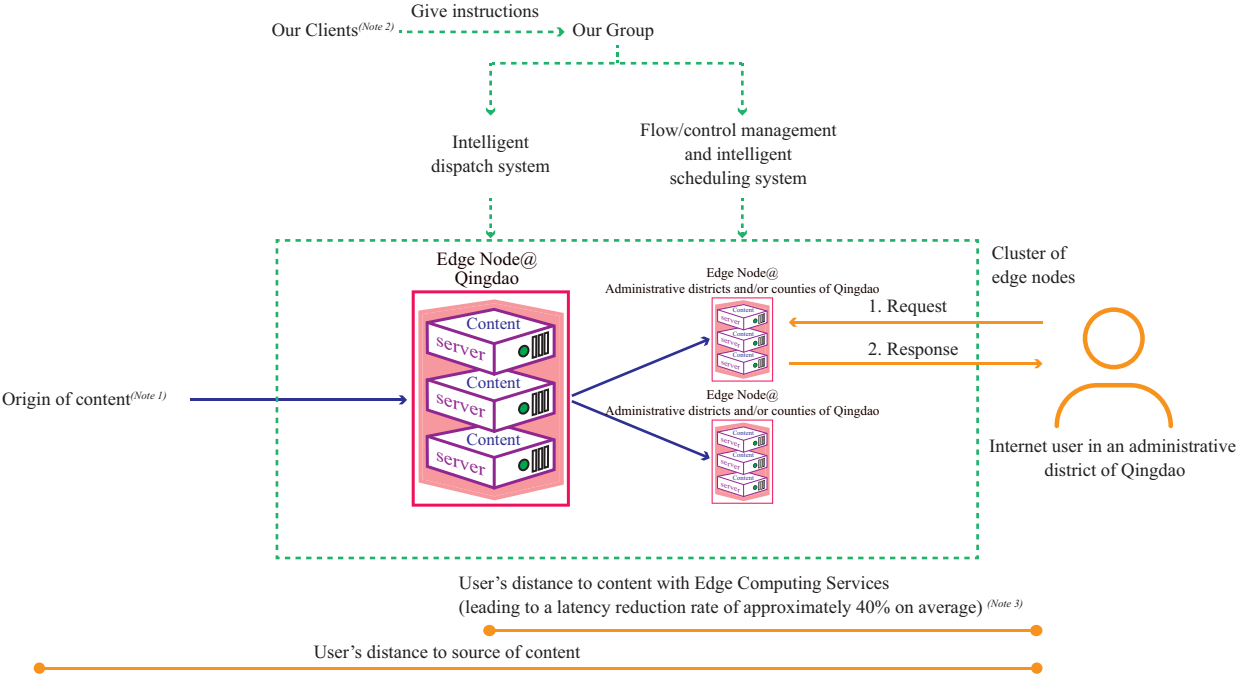
By coordinating data centre resources among different Branch Offices of our suppliers, we schedule and allocate bandwidth traffic and provide infrastructure management service which would otherwise be inefficient for our suppliers to provide themselves. We can thereby reduce transaction cost of both our clients and suppliers and enhance the operational efficiency of the entire value chain of the PRC’s Internet data centre industry.

For details of our pricing model, please refer to the paragraph headed “Business — Our IDC Solution Services and Edge Computing Services Operation Processes” in this document.

SUMMARY

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

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



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

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

- Note 1:* The origin of content refers to the location where the source of the content is located. For example, our clients upload content to their own servers located in a data centre, which are connected directly to our network. Upon receiving requests from the Internet user, we distribute the relevant content to the Internet user through our edge networks.
- Note 2:* Our clients mainly include Internet companies and cloud computing service providers, who provide platforms, websites or search engines to Internet users. The data centre resources (including bandwidth) and edge networks provided by us to our clients serve to facilitate the content transmission from the origin of content to the Internet user.
- Note 3:* The latency reduction rate is the average percentage change of latency with the use of Edge Computing Services in the servers located in Qingdao. For details of the latency time with and without the Edge Computing Services, please refer to the paragraph headed “Business — Our Services — Edge Computing Services — Operating data — Number, location and bandwidth usage of the edge nodes established by our Group” in this document.

SUMMARY

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

Edge node is a physical or virtual machine located at the edge of a network which acts as gateways and bridges between end-users’ networks and the outside world. Edge nodes can be situated at municipal levels or administrative districts and counties levels, which are far from the data centre where the source of content is located and close to the content users. Edge Computing Services provide an interface for communication among the servers located at a cluster of edge nodes as well as specially-configured edge servers and storage servers owned, operated and deployed by our Group and housed in the infrastructure provided by our suppliers. Through the cache technology, the users’ contents can be temporarily stored at the edge nodes. By employing our Edge Computing Services, users’ content can be transmitted from the edge of the internet upon request, instead of from the original server owned by our clients as compared to the case of our IDC Solution Services. The decentralisation of content greatly reduces the user’s time spent and distance travelled to source of content. For details of latency reduction of our Edge Computing Services, please refer to the paragraph headed “Business — Our services — Edge Computing Services — Operating data — Number, location and bandwidth usage of the edge nodes established by our Group”.

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

Value created by our Edge Computing Services

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

- (i) reduced latency, enabling real-time processing and faster response time for time-sensitive applications;
- (ii) enhanced reliability with a decentralised architecture, reducing a single point of failure;
- (iii) improved bandwidth efficiency, reducing the need to transmit large amounts of raw data to centralised data centres for processing;
- (iv) strengthened data privacy and security by eliminating the need for transmitting data to central data centre, minimising the potential exposure of sensitive information during the transmission process; and
- (v) upgraded real-time insights and decision-making process, facilitating industrial automation, autonomous vehicles and remote monitoring featured with the need of immediate response processing data at the edge.

SUMMARY

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

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

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

Business Model of our ICT Services and Other Services

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

OUR CLIENTS AND SUPPLIERS

Our clients

Our clients primarily consist of top-notch cloud computing service providers, Internet companies and blue-chip listed companies in the PRC. For each year/period during the Track Record Period, our revenue generated from our five largest clients accounted for 71.3%, 74.8%, 77.5% and 87.0%, respectively, of our revenue during the same period. For each year/period during the Track Record Period, our revenue generated from our largest client accounted for 26.4%, 28.7%, 20.5% and 35.6%, respectively, of our revenue during the same period. For details, please refer to the paragraph headed “Business — Our Clients” in this document.

Our suppliers

Our major suppliers are state-owned telecommunication carriers and small-and-medium data centre owners and operators in the PRC. For each year/period during the Track Record Period, charges from our five largest suppliers accounted for 94.3%, 89.2%, 92.2% and 88.6%, respectively, of our cost of sales during the same period. For each year/period during the Track Record Period, charges from our largest supplier accounted for 86.3%, 66.6%, 55.2% and 36.6%, respectively, of our cost of sales during the same period. For details, please refer to the paragraph headed “Business — Our Suppliers” in this document.

Relationship with our Largest Supplier — Supplier A

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

In 2016, our Directors noticed such opportunity and formed the platform as a bridge between bandwidth suppliers and bandwidth users. At that time, our Group’s then and current client at the Track Record Period, a National High and New Tech Enterprise recognised by the Shenzhen Municipal Government intended to purchase data centre resources from Supplier A in Qingdao. It was then the first IDC service provided by the qingdao branch office of Supplier A (the “**Qingdao Branch Office**”), which lacked the relevant experience in the management and maintenance of data centres. Such client introduced our Group to Qingdao Branch Office. Our cooperation with Supplier A began in Qingdao, where we sourced data centre resources from them, mainly including server rack space, power supply and bandwidth capacity, assisted them in completing

SUMMARY

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

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

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

STRENGTHS

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

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

For details, please refer to the paragraph headed “Business — Our Strengths” in this document.

STRATEGIES

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

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

For details, please refer to the paragraph headed “Business — Our Strategies” in this document.

SUMMARY

U.S. TRADE RESTRICTIONS

We had transactions with Client I, which was on the entity list (the “**Entity List**”). During the Track Record Period, the revenue generated from Client I constituted 3.1%, 9.3%, 13.0% and 8.0% of our total revenue for years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 respectively.

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

RISK FACTORS

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

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

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

CONTRACTUAL ARRANGEMENTS

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

On 15 March 2019, the National People’s Congress approved the Foreign Investment Law (《外商投資法》) which became effective on 1 January 2020. On 26 December 2019, the State Council issued the Implementation Rule (《外商投資法實施條例》) (the “**Implementation Rules**”), which came into effect on 1

SUMMARY

January 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures (《中外合資經營企業法》) and the Law on Foreign-Capital Enterprises (《外資企業法》) to become the legal foundation for foreign investment in the PRC. The definition of “foreign investors” in the Foreign Investment Law and its implementing regulations include foreign natural persons, enterprises and other organisations, which does not include enterprises incorporated within the territory of China in accordance with Chinese laws but controlled by foreign natural persons or entities. Moreover, the Implementation Rules are also silent on whether foreign investment includes contractual arrangements. For details, please refer to the section headed “Contractual Arrangements” in this document.

COMPETITIVE LANDSCAPES

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

The PRC’s Internet data centre industry is a competitive and fragmented market, with a number of market participants adopting different business models and each having distinctive service offerings and customer networks. Our Group ranked 11th in the Internet data centre industry among carrier-neutral service providers in terms of revenue in 2022 with a market share of 0.6%. The top 20 market participants account for 34.5% of market share by revenue in 2022. The IDC solution service market is a highly fragmented and competitive market, with an estimated number of 400 players on various scales.

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

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

Competitive landscape of the PRC’s edge computing service market

As estimated, there are more than 100 market participants in the edge computing service market, which is relatively consolidated in the PRC, with the top five market participants accounting for 21.5% of the market share in 2022. Our Group recorded revenue of RMB5.2 million, accounting for the market share of 0.01% of the edge computing industry in the PRC in 2022. For details, please refer to the paragraph headed “Industry Overview — Competitive Landscape of Edge Computing Market in the PRC” in this document.

SUMMARY

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

Summary of consolidated statements of comprehensive income

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

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
CONTINUING OPERATIONS					
Revenue	276,064	464,276	548,753	265,322	301,862
Cost of sales	(222,072)	(407,840)	(479,810)	(229,961)	(254,091)
Gross profit	53,992	56,436	68,943	35,361	47,771
Other income and gains	283	3,476	476	194	738
Selling and distribution expenses	(2,662)	(3,567)	(5,087)	(2,277)	(3,161)
Administrative expenses	(9,137)	(22,229)	(29,880)	(14,007)	(17,645)
Research and development expenses	(10,569)	(17,024)	(23,574)	(13,290)	(8,805)
Impairment losses on financial assets	(160)	114	(465)	479	(1,961)
Other expenses	(207)	(183)	(388)	(167)	(5)
Finance costs	(1,969)	(2,290)	(2,362)	(1,093)	(1,861)
PROFIT BEFORE TAX FROM CONTINUING OPERATION	29,571	14,733	7,663	5,200	15,071
Income tax expense	(4,186)	(2,048)	371	(190)	(1,885)
Profit and total comprehensive income for the year/period	25,385	12,685	8,034	5,010	13,186
Profit and total comprehensive income for the year/period is attributable to:					
— owners of the parent	25,385	12,685	8,034	5,010	12,899
— non-controlling interests	—	—	—	—	287

Non-IFRS Measure: adjusted net profit

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

We define “adjusted net profit (non-IFRS measure)” as profit/loss for the year or period and add back [REDACTED]. During the Track Record Period, our [REDACTED] referred to expenses we incurred in connection with the [REDACTED].

The following table sets forth the reconciliations of our non-IFRS financial measure for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023 to the nearest measure prepared in accordance with IFRS:

	Year ended 31 December			Six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB’000	RMB’000	RMB’000	RMB’000	RMB’000
				(unaudited)	
Net profit	25,385	12,685	8,034	5,010	13,186
Adjust for:					
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted net profit (non-IFRS measure)	25,385	20,929	13,617	8,650	19,366

SUMMARY

Our adjusted net profit (non-IFRS measure) amounted to RMB25.4 million, RMB20.9 million, RMB13.6 million and RMB19.4 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. Our adjusted net profit margin (non-IFRS measure) was 9.2%, 4.5%, 2.5% and 6.4% for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. The decrease in the adjusted net profit (non-IFRS measure) and the adjusted net profit margin (non-IFRS measure) were mainly as a result of (a) the increase in the research and development expense attributable to (i) the hiring of new and qualified research and development staff and (ii) the testing fee of RMB5.7 million incurred for testing the performance of edge nodes at the CDN infrastructure in Shandong Province; and (b) the increase in the administrative expenses attributable to increase of salaries and benefits of our administration employees.

Revenue

Operating segments

The following table sets forth a breakdown of our revenue by segments for the years/periods indicated:

During the Track Record Period, we generated revenue from three operating segments, namely (i) IDC Solution Services; (ii) Edge Computing Services; and (iii) ICT Services and Other Services. The IDC Solution Services is currently the largest segment, which accounted for 90.3%, 94.2%, 98.2% and 97.7% of our revenue for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively.

	For the years ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
IDC Solution Services	249,251	90.3	437,232	94.2	538,662	98.2	261,240	98.5	295,007	97.7
Edge Computing Services	—	—	—	—	5,202	0.9	—	—	5,285	1.8
ICT Services and Other Services	26,813	9.7	27,044	5.8	4,889	0.9	4,082	1.5	1,570	0.5
Total	276,064	100.0	464,276	100.0	548,753	100.0	265,322	100.0	301,862	100.0

Our revenue increased significantly by 68.2% from RMB276.1 million in 2020 to RMB464.3 million in 2021 and further increased by 18.2% to RMB548.8 million in 2022. In the six months ended 30 June 2022 and 2023, our revenue increased by 13.8% from RMB265.3 million to RMB301.9 million. The increase was primarily attributable to (i) business expansion and our clients' rising demand for our IDC Solution Services; (ii) an increase in revenue from our major clients due to our emphasis on our cooperation with major clients; (iii) continued introduction of new major clients to our services; and (iv) the launch of our Edge Computing Services under the brand of *Lingjing Cloud*. During the Track Record Period, the revenue generated from our ICT Services and Other Services decreased from RMB26.8 million for the year ended 31 December 2020 to RMB4.9 million for the year ended 31 December 2022 and decreased from RMB4.1 million for the six months ended 30 June 2022 to RMB1.6 million for the six months ended 30 June 2023. The corresponding proportion of revenue from our ICT Services and Other Services to the total revenue decreased from 9.7% in 2020 to 0.9% in 2022 and further to 0.5% in the six months ended 30 June 2023. It is our strategy to place increasing focus on our IDC Solution Services and our newly developed Edge Computing Services, which tend to generate stable and sustainable revenue, compared to our ICT Services and Other Services, which tend to be project-based and of which future revenue is less predictable. For details, please refer to the paragraph headed “Financial Information — Description of Major Components of our Result of Operations — Revenues” in this document.

Pricing models

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

	For the year ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
By the 95 th Percentile Bandwidth Charging Model	220,068	88.3	275,116	62.9	466,550	86.6	236,498	90.5	262,000	88.8
By the Packet Port Charging Model	4,307	1.7	94,527	21.6	56,595	10.5	15,095	5.8	22,388	7.6
Others ⁽¹⁾	24,876	10.0	67,589	15.5	15,517	2.9	9,647	3.7	10,619	3.6
Total	249,251	100.0	437,232	100.0	538,662	100.0	261,240	100.0	295,007	100.0

Note 1: “Others” includes revenue from IDC Solution Services chargeable by cabinet expenses, IP expenses and others

SUMMARY

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

Cost of Sales

Our cost of sales primarily consists of IDC Solution Services-related costs, Edge Computing Services-related costs and ICT expenses, mainly contributed from bandwidth cost, cabinet expenses, IP expenses and maintenance expenses. The cost of sales amounted to RMB222.1 million, RMB407.8 million, RMB479.8 million and RMB254.1 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. During the three years ended 31 December 2022 and the six months ended 30 June 2023, the bandwidth cost accounted for the largest portion of our cost of sales, representing 87.7%, 80.3%, 95.1% and 94.9%, respectively, of our cost of sales in the same period. The overall increase was driven by the continuous growth of our business. The bandwidth cost refers to the amount charged to us by the state-owned telecommunication carriers, which was directly and indirectly affected by the bandwidth usage by our clients. Therefore, the factors affecting the cost of sales of our Company were primarily (i) the volume of business as a result of our clients’ demand and (ii) the adjustment of fees charged by state-owned telecommunication carriers in light of market circumstances.

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

	For the years ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	RMB’000	%	RMB’000	%	RMB’000	%	RMB’000 (unaudited)	%	RMB’000	%
IDC Solution Services	210,376	94.7	387,152	94.9	472,036	98.4	226,447	98.5	249,511	98.2
Edge Computing Services	—	—	—	—	4,244	0.9	—	—	4,005	1.6
ICT Services and Other Services	11,696	5.3	20,688	5.1	3,530	0.7	3,514	1.5	575	0.2
Total	222,072	100.0	407,840	100.0	479,810	100.0	229,961	100.0	254,091	100.0

The cost of sales increased by 83.6% from RMB222.1 million for the year ended 31 December 2020 to RMB407.8 million for the year ended 31 December 2021. The increase was mainly attributable to (i) the increase in bandwidth cost, resulting from our clients’ increased bandwidth usage and cabinet fees, which is consistent with the business expansion in our IDC Solution Services and (ii) a change in the skill-set mix required for new projects, which was normal and customary in the market for ICT Services and Other Services. The cost of sales increased by 17.7% from RMB407.8 million for the year ended 31 December 2021 to RMB479.8 million for the year ended 31 December 2022 and increased by 10.5% from RMB230.0 million for the six months ended 30 June 2022 to RMB254.1 million for the six months ended 30 June 2023, which is consistent with our business and service expansion in each of our IDC Solution Services and Edge Computing Services. For details, please refer to the paragraph headed “Financial Information — Period-to-period Comparisons of Results of Operation” in this document.

Gross profit and gross profit margin

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

	For the years ended 31 December						Six months ended 30 June			
	2020		2021		2022		2022		2023	
	gross profit RMB’000	gross profit margin %	gross profit RMB’000	gross profit margin %	gross profit RMB’000	gross profit margin %	gross profit RMB’000 (unaudited)	gross profit margin %	gross profit RMB’000	gross profit margin %
IDC Solution Services	38,875	15.6	50,080	11.5	66,626	12.4	34,793	13.3	45,496	15.4
Edge Computing Services	—	—	—	—	958	18.4	—	—	1,280	24.2
ICT Services and Other Services	15,117	56.4	6,356	23.5	1,359	27.8	568	13.9	995	63.4
Total	53,992	19.6	56,436	12.2	68,943	12.6	35,361	13.3	47,771	15.8

SUMMARY

The overall gross profit margin during the Track Record Period generally decreased from 19.6% for the year ended 31 December 2020 to 12.2% for the year ended 31 December 2021 and remained relatively stable at 12.6% for the year ended 31 December 2022. Our gross profit margin increased from 13.3% for the six months ended 30 June 2022 to 15.8% for the six months ended 30 June 2023. The overall higher gross profit margin for the year ended 31 December 2020 was primarily affected by the high gross profit margin of certain ICT services we provided to our clients, a kind of business segment which was featured with fluctuating and varying profit margin from project to project. As our Group continued to expand, our IDC Solution Services and Edge Computing Services have taken over the majority part of our business. During the Track Record period, the factors which affected the gross profit margin of our business include (i) our strategies to develop a new and long-standing business relationship with top-notch Internet companies and cloud computing companies in the PRC through offering clients with competitive prices; (ii) the improved efficiency and utilisation rate of our bandwidth resource due to our enhanced scheduling capacity, resulting in the economies of scale; and (iii) a delay in the implementation of increased cost pass-through to clients, resulting from the time mismatch between the rise in the fees charged to us upon the renewal of data centre business agreements and the rise in our price charged to our clients upon the renewal of the collocation and infrastructure management service agreements; and (iv) the introduction of *Lingjing Cloud* which provided for higher gross profit margin. For details of our implementation of increased cost pass-through, please refer to the paragraph headed “Financial Information — Period-to-period Comparisons of Results of Operations — The year ended 31 December 2021 compared to the year ended 31 December 2020 — Gross profit and gross profit margin” in this document.

Summary of consolidated statements of financial position

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Total non-current assets	3,667	13,356	15,924	41,162
Total current assets	169,557	239,579	297,353	289,154
Total non-current liabilities	—	—	—	691
Total current liabilities	146,266	215,292	267,600	275,762
Net current assets	23,291	24,287	29,753	13,392
Non-controlling interests	—	—	—	287
Total equity	26,958	37,643	45,677	53,863

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

	As at 31 December			As at 30 June
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Current assets				
Trade receivables	81,666	97,581	115,066	180,278
Prepayments, other receivables and other assets	2,423	10,321	19,777	47,355
Tax recoverable	160	440	273	270
Amounts due from related parties	84,411	84,231	84,251	—
Cash and cash equivalents	897	47,006	77,986	61,251
	169,557	239,579	297,353	289,154
Current liabilities				
Trade payables	80,288	151,931	171,303	146,642
Other payables and accruals	8,542	15,344	24,921	22,128
Contract liabilities	2,212	133	1,849	98
Amounts due to related parties	2,247	—	—	—
Interest-bearing bank and other borrowings	47,549	42,083	67,013	102,101
Lease liabilities	618	—	192	728
Tax payable	4,810	5,801	2,322	4,065
	146,266	215,292	267,600	275,762
Net current assets	23,291	24,287	29,753	13,392

SUMMARY

We recorded net current assets of RMB23.3 million, RMB24.3 million, RMB29.8 million and RMB13.4 million as at 31 December 2020, 2021 and 2022 and 30 June 2023, primarily consisting of trade receivables and amounts due from related parties, as partially offset by trade payables and interest-bearing bank and other borrowings.

Our net current assets decreased by 55.0% from RMB29.8 million as at 31 December 2022 to RMB13.4 million as at 30 June 2023, primarily due to (i) the decrease of RMB84.3 million in our amounts due from related parties as a result of the full repayment of interest-free loan to Mr. Sun, and (ii) the increase of RMB35.1 million in our interest-bearing bank and other borrowings. For details of such established practice, please refer to the paragraph headed “Financial Information — Discussion of Certain Key Balance Sheet Items” in this document.

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

Our net current assets increased by 4.3% slightly from RMB23.3 million as at 31 December 2020 to RMB24.3 million as at 31 December 2021, primarily due to the increase of RMB15.9 million in our trade receivables, the increase of RMB7.9 million in our prepayments, other receivables and other assets and the increase of RMB46.1 million in our cash and cash equivalents.

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

Our net assets increased from RMB27.0 million as at 31 December 2020 to RMB37.6 million as at 31 December 2021, mainly due to the combined effect of (i) the total comprehensive income for the year of RMB12.7 million, and (ii) the dividends paid to the then shareholders of RMB2.0 million. Our net assets increased from RMB37.6 million as at 31 December 2021 to RMB45.7 million as at 31 December 2022, mainly due to the total comprehensive income for the year of RMB8.0 million. Our net assets further increased from RMB45.7 million as at 31 December 2022 to RMB53.9 million as at 30 June 2023, mainly due to the combined effect of (i) the total comprehensive income for the period of RMB13.2 million, (ii) the capital contribution from the equity holder of subsidiaries in the amount of RMB25.0 million and (iii) the dividends in the amount of RMB30.0 million paid to the then shareholders.

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

Summary of consolidated statements of cash flows

	For the years ended 31 December			For the six months ended 30 June	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Net cash generated from/(used in) operating activities	22,962	68,279	16,554	(34,737)	(94,115)
Net cash generated from/(used in) investing activities	1,078	(5,350)	(7,389)	(5,572)	(33,488)
Net cash generated from/(used in) financing activities	(23,757)	(16,820)	21,815	4,861	110,868
Net increase in cash and cash equivalent	283	46,109	30,980	(35,448)	(16,735)
Cash and cash equivalents at the beginning of year/period	614	897	47,006	47,006	77,986
Cash and cash equivalent at the end of year/period	897	47,006	77,986	11,558	61,251

For the six months ended 30 June 2022, we recorded net operating cash outflow of approximately RMB34.7 million, which was primarily attributable to the decrease in trade payables of RMB40.5 million. For the six months ended 30 June 2023, we recorded net operating cash outflow of approximately RMB94.1 million, which was primarily attributable to (i) an increase in trade receivables of RMB67.0 million resulting from the slower payment of a major client of our Group, Client K, whose slower payment was the client’s decision and had still been made within the agreed and customary credit term, (ii) an increase in prepayments, other receivables and other assets of RMB20.0 million, resulting from suppliers’ request for our early payment to them per our commercial negotiations, and (iii) a decrease in trade payables of RMB24.7 million as a result of our Group’s and certain of our suppliers’ (mainly Supplier A) established practice to settle, during the first

SUMMARY

half of the subsequent year, any substantial trade payables incurred in the previous year. For details of such established practice, please refer to the paragraph headed “Financial Information — Discussion of Certain Key Balance Sheet Items” in this document.

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

Key financial ratios

The following table sets forth our key financial ratios/metrics for the periods indicated:

	For the year ended/As at 31 December			For the six months ended/ As at 30 June
	2020	2021	2022	2023
Gross profit margin (%)	19.6	12.2	12.6	15.8
Net profit margin (%) ⁽¹⁾	9.2	2.7	1.5	4.4
Return on equity (%) ⁽²⁾	94.2	33.7	17.6	24.3
Current ratio ⁽³⁾	1.2	1.1	1.1	1.0
Quick ratio ⁽⁴⁾	1.2	1.1	1.1	1.0
Gearing ratio ⁽⁵⁾	1.8	1.1	1.5	1.9
Net debt to equity ratio ⁽⁶⁾	1.7	(0.1)	(0.2)	0.8

Notes:

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

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

DIVIDENDS

We declared dividends of RMB10.0 million, RMB2.0 million, nil and RMB30.0 million to our Shareholders for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively. As at the Latest Practicable Date, we settled all payment. Currently, we do not have a formal dividend policy or a fixed dividend distribution ratio.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

[REDACTED] Investment

On 3 April 2023, Hainan Yunzhi entered into an investment agreement with Mr. Sun and Wuxi Lingjingyun, pursuant to which Hainan Yunzhi acquired 1.39% equity interest of Wuxi Lingjingyun at a consideration of RMB25.0 million, which was fully settled on 4 April 2023. For details, please refer to the paragraph headed “History and Reorganisation — [REDACTED] Investment” in this document.

Business developments

As at the Latest Practicable Date, we had entered into the Cooperation Agreement on the Construction of Artificial Intelligence and Edge Computing Joint Laboratory (人工智能與邊緣計算聯合實驗室建設合作協議書) with the College of Software of Xi’an Jiaotong University (西安交通大學軟件學院), which explores the development of Artificial Intelligence under the edge computing infrastructure in a joint laboratory for a period of two years from April 2023 to April 2025. Under the agreement, our Group will (i) file application

SUMMARY

for and be responsible for the construction of the joint laboratory and (ii) account for the building and operation cost of the laboratory, whereas the College of Software of Xi’an Jiaotong University shall propose the research direction and topic and carry out research and assist our Group in constructing the joint laboratory. The ownership of the intellectual property rights developed from such cooperation would be subject to agreement per negotiation. In addition, our Group has preliminarily established the coverage of cross-regional edge computing network of our *Lingjing Cloud* in Northern China. For details, please refer to the paragraph headed “Business — Our Strengths — One of the active contributors in the development of the cross-regional edge computing network in prefecture-level cities and administrative districts and counties in the PRC” in this document.

Rules relating to overseas offering and listing

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

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

Our PRC Legal Adviser is of the opinion that, the abovementioned circumstances do not exist. We submitted the filing application to the CSRC on 5 June 2023 with respect to the submission of our application for the proposed [REDACTED] and [REDACTED] to the Stock Exchange and our filing application was formally accepted by the CSRC on 12 June 2023. Subsequently, the CSRC provided certain written and/or verbal feedback from July 2023 to November 2023 and we submitted our latest supplementary response on 29 November 2023. As at the Latest Practicable Date, the Company has not been prohibited from issuing shares and listing overseas and is in compliance with the provisions of the Overseas Listing Trial Measures. For further details, please refer to the paragraph headed “Regulatory Overview — Regulations on M&A and Overseas Listings”.

IMPACT OF COVID-19 ON OUR BUSINESS OPERATIONS AND FINANCIAL PERFORMANCE

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

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

In terms of revenue generation, we were positively impacted by government controls and restrictions implemented under COVID-19 as companies were driven to adopt and implement digital transformations. Consequently, there has been a continuously increasing market demand for Internet data centre services. During the Track Record Period, our total revenue generated from IDC Solution Services amounted to

SUMMARY

RMB249.3 million, RMB437.2 million, RMB538.7 million and RMB295.0 million for the years ended 31 December 2020, 2021 and 2022 and the six months ended 30 June 2023, respectively, primarily due to the business expansion and the continuous rise in our existing clients’ demand for our IDC Solution Services. The PRC government gradually eased restrictive measures on business and social activities in December 2022, and has re-opened the borders since January 2023. The relaxation of rules such as allowing infected people with mild or no symptoms to quarantine at home shows a strong sign of promoting economic recovery since the outbreak of COVID-19.

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

No material adverse change

Save as otherwise disclosed in the section headed “Financial Information” and paragraph headed “Business — Legal Proceedings and Non-compliance” in this document, our Directors confirmed that, as at the date of this document, there has been no material adverse change in our financial or trading position or prospects since 30 June 2023, being the latest date of our consolidated financial statements as set out in Appendix I to this document, and there is no event since 30 June 2023 that would materially affect the information as set out in the Accountants’ Report in Appendix I to this document.

SHARE SUBDIVISION

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

LEGAL PROCEEDINGS AND NON-COMPLIANCE

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

[REDACTED] STATISTICS

	Based on the minimum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]	Based on the maximum indicative [REDACTED] of HK\$[REDACTED] per [REDACTED]
Market capitalisation ⁽¹⁾	HK\$[REDACTED]	HK\$[REDACTED]
Unaudited [REDACTED] adjusted net tangible assets of the Group attributable to the owners of the Company per Share ⁽²⁾	HK\$[REDACTED]	HK\$[REDACTED]

Notes:

- (1) The calculation of market capitalisation is based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised). The calculation is based on the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED].
- (2) The unaudited [REDACTED] adjusted consolidated net tangible asset of our Group attributable to the owners of our Company per Share is calculated based on [REDACTED] Shares expected to be in issue immediately upon completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised). The calculation is based on the indicative [REDACTED] of HK\$[REDACTED] and HK\$[REDACTED]. For details, please refer to the section headed “Unaudited [REDACTED] Financial Information” in Appendix II to this document.

SUMMARY

[REDACTED]

Based on the mid-point [REDACTED] of HK\$[REDACTED] and assuming [REDACTED] is not exercised, the total estimated [REDACTED] in relation to the [REDACTED] is HK\$[REDACTED] million. Among the total [REDACTED], approximately HK\$[REDACTED] million is expected to be borne by us and approximately HK\$[REDACTED] million is expected to be borne by the Selling Shareholder. [REDACTED] expected to be borne by us include the estimated [REDACTED]-related expenses of HK\$[REDACTED] million and non-[REDACTED]-related expenses of HK\$[REDACTED] million, consisting of (i) estimated fees and expenses of legal adviser(s) and Reporting Accountants of HK\$[REDACTED] million and (ii) estimated other fees and expenses of HK\$[REDACTED] million. During the Track Record Period, [REDACTED] of RMB[REDACTED] million were incurred by us, of which RMB[REDACTED] million were charged to our consolidated statements of comprehensive income and RMB[REDACTED] million were recognised to our consolidated statements of financial position. We estimate that we will further incur [REDACTED] of RMB[REDACTED] million of which RMB[REDACTED] million will be charged to our consolidated statements of comprehensive income and RMB[REDACTED] million, which mainly includes [REDACTED], is expected to be accounted for as a deduction from equity upon the completion of [REDACTED] and the [REDACTED].

QUALIFICATIONS FOR [REDACTED]

Pursuant to Rule 8.05 of the Listing Rules, we must satisfy one of the three tests in relation to (i) profit; (ii) market capitalisation, revenue and cash flow; or (iii) market capitalisation and revenue requirements. We are able to satisfy the market capitalisation, revenue and cash flow test pursuant to Rule 8.05(2) of the Listing Rules.

FUTURE PLANS AND [REDACTED]

We estimate that we will receive [REDACTED] of HK\$[REDACTED] million from [REDACTED] after deducting the [REDACTED] and other estimated expenses in connection with the [REDACTED], assuming the [REDACTED] is not exercised. In line with our strategies, we intend to use our [REDACTED] from the [REDACTED] over the next three years for the purposes and in the amounts set forth below:

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

We will not receive any of the [REDACTED] from the sale of the [REDACTED] by the Selling Shareholder in the [REDACTED].

For details of our [REDACTED], please refer to the section headed “Future Plans and [REDACTED]” in this document.

OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the [REDACTED] and the [REDACTED] (assuming the [REDACTED] is not exercised), Mr. Sun will indirectly hold [REDACTED], through his wholly-owned intermediary entity, namely Ru Yi IT of the issued share capital of our Company. Accordingly, Mr. Sun and Ru Yi IT will be regarded as a group of Controlling Shareholders upon [REDACTED].

SUMMARY

[REDACTED] INVESTOR

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

[REDACTED] RSU SCHEME

We have conditionally adopted the [REDACTED] RSU Scheme. The principal terms of such [REDACTED] RSU Scheme are summarised in the paragraph headed “Statutory and General Information — D. [REDACTED] RSU Scheme” in Appendix IV to this document.