

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

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

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

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

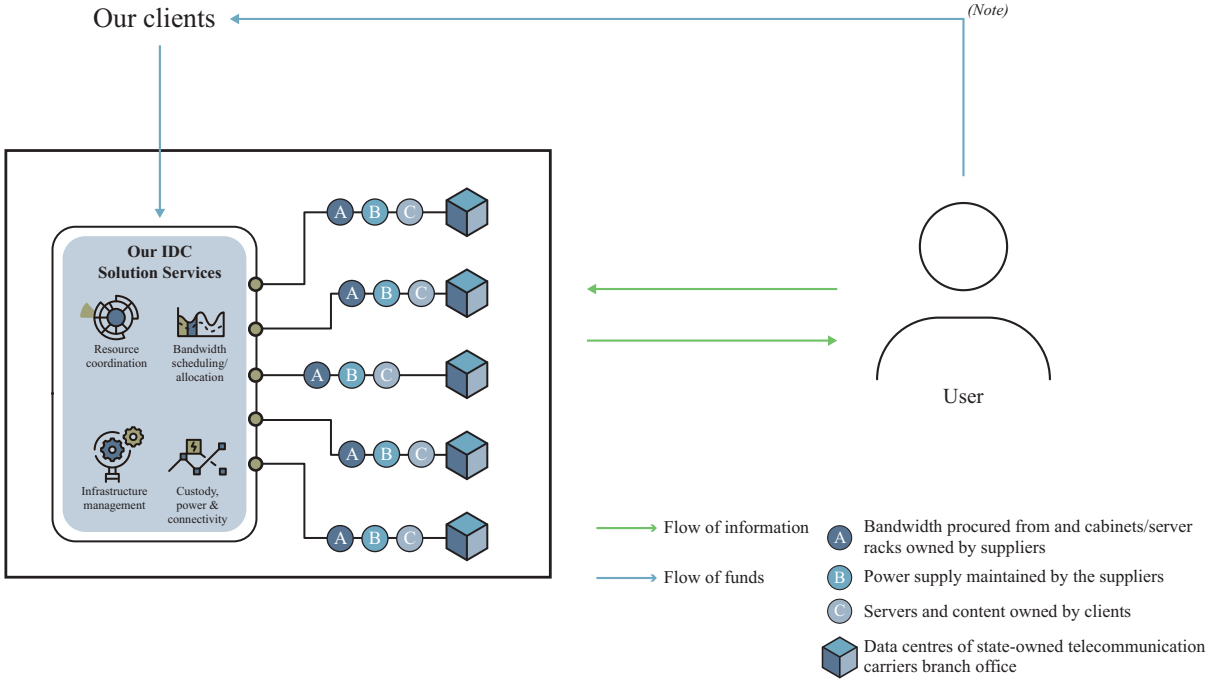
### OUR BUSINESS MODELS

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 before providing IDC solution advice and delivering our IDC Solution Services and Edge Computing Services to our clients. We source data centre resources, mainly bandwidth from state-owned telecommunication carriers or other small-and-medium data centre owners and operators. Our suppliers generally charge us by the Packet Port Charging Model (as defined in the paragraph headed "Business — Our IDC Solution Services and Edge Computing Services Operation Processes — Billing and Payment Stage" in this 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.

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**Business model of our IDC Solution Services**

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



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

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

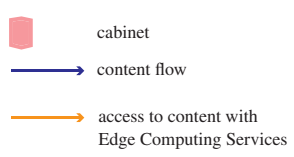
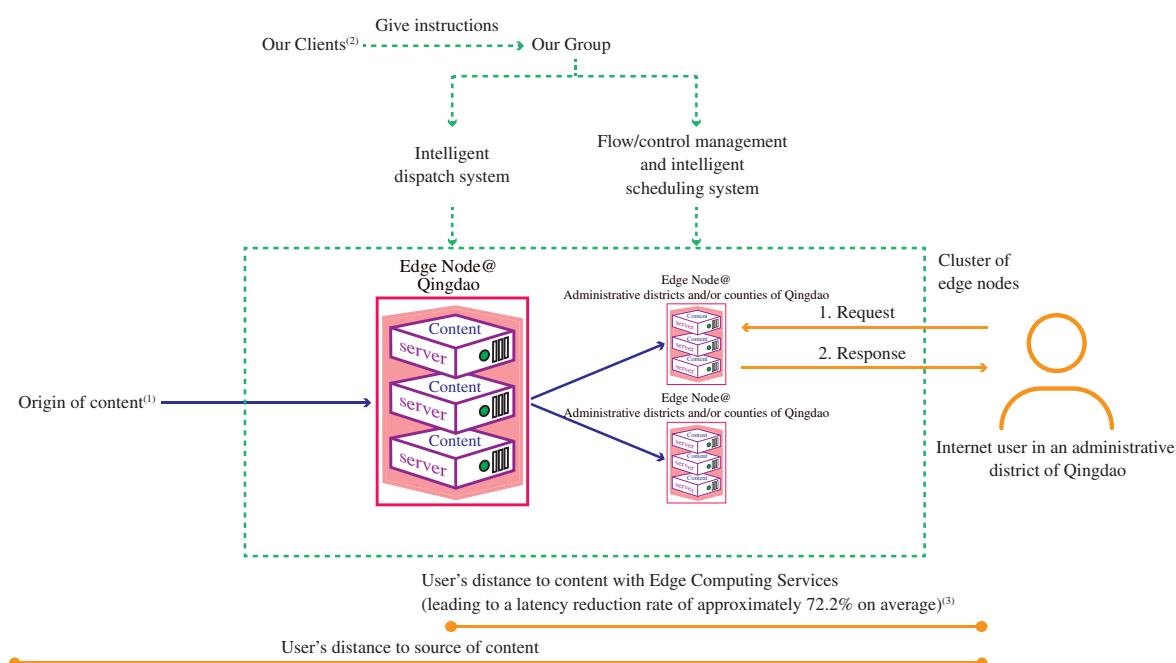
We generally charge our clients based on two pricing models, namely the 95<sup>th</sup> Percentile Bandwidth Charging Model and the Packet Port Charging Model. For the former model, we charge our clients based on their actual bandwidth usage. If their actual bandwidth usage does not exceed a minimum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

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

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

Our Edge Computing Services under the brand of *Lingjing Cloud* include EdgeCDN Services, services that can efficiently deliver web content to users with a distributed network of servers, EdgeAIoT Services and other edge functionality which has been traditionally delivered by hardware-centric appliances. It offers our clients services with low-latency, low-lagging and high download speed, accurate edge node deployment and high cache hit rate, allowing users’ information request to be transmitted to and/or from the edge of the Internet instead of the source of content and their 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):



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

**Notes:**

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

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

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

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

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

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

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

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

*Comparisons between IDC Solution Services and Edge Computing Services*

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

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



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

For details, please refer to the paragraph headed “Industry Overview — Overview of Internet Data Centre Business Market and IDC Solution Services Market in the PRC — Introduction of edge computing” in this 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 during the Track Record Period, our revenue generated from our five largest clients accounted for 74.8%, 77.5% and 67.3%, respectively, of our revenue in the same year. For each year during the Track Record Period, our revenue generated from our largest client accounted for 28.7%, 20.5% and 20.9%, respectively, of our revenue in the same year. For details, please refer to the paragraph headed “Business — Our Clients” in this 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 during the Track Record Period, charges from our five largest suppliers accounted for 89.2%, 92.2% and 62.6%, respectively, of our cost of sales in the same year. For each year during the Track Record Period, charges from our largest supplier accounted for 66.6%, 55.2% and 29.2%, respectively, of our cost of sales in the same year. For details, please refer to the paragraph headed “Business — Our Suppliers” in this 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

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

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

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

### STRENGTHS

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

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

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

### STRATEGIES

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

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

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

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### SUMMARY OF KEY OPERATING DATA

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

Regions	For the year ended 31 December											
	2021				2022				2023			
	Revenue (in RMB million)	Number of cabinet usage	Approximate bandwidth usage (in Gbps)	Revenue (in RMB million)	Number of cabinet usage	Approximate bandwidth usage (in Gbps)	Revenue (in RMB million)	Number of cabinet usage	Approximate bandwidth usage (in Gbps)	Revenue (in RMB million)	Number of cabinet usage	Approximate bandwidth usage (in Gbps)
Northern part, including Beijing, Shanxi Province and the Inner Mongolia	68.61	774.0	18,581.4	141.45	1,298	29,994.5	147.32	2,238	29,457.1			
Eastern part, including Shandong Province, Jiangsu Province and the direct-administered municipality of Shanghai	320.07	12,986.0	50,367.5	383.13	3,161 <sup>(Note)</sup>	70,756.2	402.71	3,517	75,762.4			
Central part, including Hunan Province	0.04	—	0.1	0.01	4	—	25.61	115	5,865.5			
Southern part, including Foshan, Guangzhou, Shenzhen and Nanning	23.28	398.0	4,331.5	—	—	—	48.79	116	13,832.3			
South-western and north-western parts, including Sichuan Province, Qinghai Province, the Xinjiang Uygur Autonomous Region and the direct-administered municipality of Chongqing	25.23	229.0	4,371.4	14.07	119	2,623.7	49.32	645	10,564.4			
Total	437.23	14,387	77,651.9	538.66	4,582	103,374.4	673.75	6,631	135,481.7			

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



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

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

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

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### U.S. TRADE RESTRICTIONS

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

### Our transactions with Client I

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

### Our Group’s day-to-day operation

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

As a result, the International Sanctions Legal Adviser is of the view, and the Directors concur that, as at the Latest Practicable Date, (1) there are no U.S. trade restrictions or regulations that place restrictions on the Group’s business; (2) there had not been and there was not likely to be any adverse impact on the Group’s business operations as a result of any trade restrictions or regulations; (3) any export control and economic or trade sanctions imposed and/or proposed to be imposed on the PRC and Hong Kong and the Company’s customers or suppliers as well as the Group’s business dealings or relationship with restricted entities and/or sanctioned customers or suppliers will not have a material adverse impact on the Company. Further, given the proposed [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 — U.S. Trade Restrictions” in this document.

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### 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 adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing client needs, requirements, or preferences, our products may become less competitive; and
- Any significant or prolonged failure in the data centre facilities covered in our operation or services we provide would lead to significant costs and disruptions and would reduce our net revenue, harm our business reputation and have a material adverse effect on our results of operation.

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

### CONTRACTUAL ARRANGEMENTS

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

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

## SUMMARY

### COMPETITIVE LANDSCAPES

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

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

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

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

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

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

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

#### Summary of consolidated statements of comprehensive income

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

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

## SUMMARY

### Non-IFRS Measure: adjusted net profit

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit (non-IFRS measure) (defined below) as an additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that the presentation of this non-IFRS measure facilitates comparisons of operating performance from year to year and company to company by eliminating potential impacts of [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 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 adjusted net profit (non-IFRS financial measure) for the years ended 31 December 2021, 2022 and 2023 to the nearest measure prepared in accordance with IFRS:

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

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

### Revenue

#### Operating segments

The following table sets forth a breakdown of our revenue by segments for the years 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 94.2%, 98.2% and 96.8% of our revenue for the years ended 31 December 2021, 2022 and 2023, respectively.

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

## SUMMARY

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

### *Pricing models*

We generally charge our clients by a mix of the 95<sup>th</sup> Percentile Bandwidth Charging Model and the Packet Port Charging Model (as defined in the paragraph headed "Business — Our IDC Solution Services and Edge Computing Services Operation Processes — Billing and Payment Stage" in this 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					
	2021		2022		2023	
	RMB'000	%	RMB'000	%	RMB'000	%
By the 95 <sup>th</sup> Percentile Bandwidth Charging Model	275,116	62.9	466,550	86.6	561,177	83.3
By the Packet Port Charging Model	94,527	21.6	56,595	10.5	59,925	8.9
Others <sup>(Note)</sup>	67,589	15.5	15,517	2.9	52,650	7.8
<b>Total</b>	<b>437,232</b>	<b>100.0</b>	<b>538,662</b>	<b>100.0</b>	<b>673,752</b>	<b>100.0</b>

*Note:*

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

Such charging mix may vary, depending on the client's demand for bandwidth usage and supplier's varying bandwidth unit cost to us year by year. For details, please refer to the paragraph headed "Business — Our IDC Solution Services and Edge Computing Services Operation Processes" in this 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 RMB407.8 million, RMB479.8 million and RMB608.3 million for the years ended 31 December 2021, 2022 and 2023, respectively. The bandwidth cost accounted for the largest portion of our cost of sales, representing 80.3%, 95.1% and 87.5%, respectively, of our cost of sales in the same years. The overall increase was driven by the continuous growth of our business. The bandwidth cost refers to the amount charged to us by the state-owned telecommunication carriers, which was directly and indirectly affected by the bandwidth usage by our clients. Therefore, the factors affecting the cost of sales of our Company were primarily (i) the volume of business as a result of our clients' demand and (ii) the adjustment of fees charged by state-owned telecommunication carriers in light of market circumstances.

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

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



## SUMMARY

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

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

The overall gross profit margin during the Track Record Period increased from 12.2% for the year ended 31 December 2021 to 12.6% for the year ended 31 December 2022, and remained relatively stable at 12.6% for the year ended 31 December 2023. During the Track Record Period, the factors which affected the gross profit margin of our business include (i) our strategy to offer clients with competitive prices; (ii) the improved efficiency and utilisation rate of our bandwidth resource due to our enhanced scheduling capacity, resulting in the economies of scale; and (iii) a delay in the implementation of increased cost pass-through to clients, resulting from the time mismatch between the rise in the fees charged to us upon the renewal of data centre business agreements and the rise in our price charged to our clients upon the renewal of the colocation and infrastructure management service agreements; and (iv) the introduction of *Lingjing Cloud* which provided for higher gross profit margin. For details of our implementation of increased cost pass-through, please refer to the paragraph headed "Financial Information — Description of Major Components of our Results of Operations — Gross profit and gross profit margin" in this 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		
	2021	2022	2023
	RMB'000	RMB'000	RMB'000
Total non-current assets	13,356	15,924	103,811
Total current assets	239,579	297,353	397,930
Total non-current liabilities	—	—	664
Total current liabilities	215,292	267,600	446,176
Net current assets/(liabilities)	24,287	29,753	(48,246)
Non-controlling interests	—	—	763
Total equity	37,643	45,677	54,901

## SUMMARY

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

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

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

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

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

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

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

## SUMMARY

### Summary of consolidated statements of cash flows

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

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

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

### Key financial ratios

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

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

#### Notes:

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

For details, please refer to the paragraph headed "Financial Information — Key Financial Ratios" in this document.

## SUMMARY

### DIVIDENDS

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

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

#### Business developments

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

In December 2023, Cloud Factory has been recognised as a provincial level Specialised and New Small and Medium Sized Enterprise (專精特新中小企業) of Jiangsu Province in 2023, which is valid for a period of three years. Such recognition indicates the acknowledgment of our Group's capabilities in innovation, quality and growth potential. According to a three-year plan published by the Jiangsu provincial government, such enterprises may receive, among others, enhanced policy and administration support as well as financial and funding support from the government.

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

#### Rules relating to overseas offering and listing

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

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

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

## SUMMARY

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

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

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

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

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

Our Directors are of the view that and the Sole Sponsor concurs that the outbreak of COVID-19 did not cause and/or is not expected to cause any material adverse impact on our business operations and financial performance. In relation to the details of the overall impact of the outbreak of COVID-19 on our business operation and financial performance, please refer to the paragraphs headed “Risk Factors — Risks Relating to Our Business and Industry — We face risks related to natural disasters and health epidemics in China where we operate which could significantly disrupt our operations”, “Business — Overall Impact of the Outbreak of COVID-19 on Our Business Operation” and “Financial Information — Overall Impact of the Outbreak of COVID-19 on Our Financial Performance” in this 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 31 December 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 31 December 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.



## SUMMARY

### [REDACTED] STATISTICS

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

### [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 based on (i) our revenue of RMB695.9 million for the year ended 31 December 2023, which is over HK\$500 million; (ii) our expected market capitalisation at the time of the [REDACTED], which, based on the low end of the indicative [REDACTED] range, exceeds HK\$2 billion; and (iii) our positive cash flow from operating activities of over HK\$100 million in aggregate for the three years ended 31 December 2023, as required by Rule 8.05(2) of the Listing Rules.

### SALE OF THE [REDACTED] BY THE SELLING SHAREHOLDER

The [REDACTED] consist of [REDACTED] [REDACTED] being sold by the Selling Shareholder, Ru Yi IT, which is one of our Controlling Shareholders, under the [REDACTED]. We estimate that the [REDACTED] to the Selling Shareholder from the sale of the [REDACTED] (after deduction of proportional [REDACTED] fees and estimated expenses payable by the Selling Shareholder in relation to the [REDACTED]), assuming an [REDACTED] of HK\$[REDACTED] (being the midpoint of the [REDACTED] range of [REDACTED] to [REDACTED] per [REDACTED]), will be approximately HK\$[REDACTED] million. We will not receive any of the [REDACTED] from the sale of the [REDACTED] by our Selling Shareholder.

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



## SUMMARY

### 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].

### [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.