You should read the following discussion and analysis of our financial conditions and results of operations in conjunction with our consolidated financial statements as of and for each of the years ended December 31, 2021, 2022, 2023 and the three months ended March 31, 2024 and the accompanying notes included in the Accountants' Report set out in Appendix I to this document. The Accountants' Report has been prepared in accordance with IFRSs. Potential investors should read the Accountants' Report set out in Appendix I to this document in its entirety and not rely merely on the information contained in this section. The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, see "Risk Factors."

OVERVIEW

According to iResearch, we are the third largest audiovisual PaaS provider in China in terms of revenue in 2023, with a market share of 5.8%. According to iResearch, we are also the second largest audiovisual APaaS provider in China in terms of revenue generated from APaaS in 2023 with a market share of 14.1%.

Our major products and services include (1) MPaaS products encompassing a range of audiovisual solutions, including proprietary content delivery network ("**QCDN**"), object storage platform ("**Kodo**"), interactive live streaming products and intelligent media data analytics platform ("**Dora**"), primarily aimed to serve customers with strong development capabilities and high flexibility requirements; and (2) APaaS solutions which are scenario-based audiovisual solutions based on our MPaaS capabilities and leveraging our low-code platform, primarily aimed to enable customers to gain quick access to different functionalities with simple steps of deployment to achieve their business aim.

During the Track Record Period, our revenue amounted to RMB1,471.0 million, RMB1,147.3 million, RMB1,334.0 million and RMB342.4 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Our adjusted net loss, a non-IFRS measure, amounted to RMB105.7 million, RMB118.7 million, RMB115.6 million and RMB24.2 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. For details, please refer to the paragraph headed "Non-IFRS Measure" in this section.

BASIS OF PRESENTATION

Our historical financial information has been prepared on a consolidated basis. All intra-group transactions and balances have been eliminated on consolidation.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATION

The following are the principal factors that have affected and will continue to affect our business, financial condition, results of operations and prospects.

Trends in China's economic conditions and development of the industries in which we operate

Our business and results of operations are significantly affected by China's overall economic conditions and the development of China's audiovisual PaaS industry including audiovisual MPaaS industry and audiovisual APaaS industry. According to iResearch, the audiovisual PaaS market in China grew at a CAGR of 26.2% from RMB9.0 billion in 2019 to RMB22.9 billion in 2023.

We aim to capture, and we believe that we are well-positioned to continue to capture, the various market opportunities brought by the development of industries in which we operate. For example, according to iResearch, the audiovisual APaaS market in China started to commercialize in scale in 2021 and has been experiencing rapid growth. The audiovisual APaaS market in China grew at a CAGR of 172.2% from RMB0.1 billion in 2020 to RMB2.0 billion in 2023, according to iResearch. Following market trends, we officially launched our APaaS business in September 2021. The revenue from our APaaS business increased from RMB24.9 million in 2021 to RMB194.0 million in 2022 and we became the second largest audiovisual APaaS provider in China in terms of revenue in 2022. The revenue from our APaaS business further increased from RMB194.0 million in 2022 to RMB281.4 million in 2023 and from RMB64.1 million in the three months ended March 31, 2023 to RMB83.2 million in the three months ended March 31, 2024. With the applicability of low-code solutions addressing differentiated demand of the market, APaaS is expected to gradually capture some of the market share of MPaaS and SaaS. According to iResearch, the penetration rate of audiovisual APaaS in the audiovisual PaaS and SaaS markets amounted to 5.2% in 2023 and is expected to reach 12.1% in 2028. We expect to capture the growing market opportunities of audiovisual APaaS. Going forward, the development of the audiovisual PaaS industry in China is expected to be driven by the digitization of media and entertainment content, the rise of video conferencing, remote collaboration and other applications, and the development of technologies including cloud computing, artificial intelligence and 5G technology.

During the Track Record Period, almost all of our business operations were in and almost all of our revenue was derived from China. Our revenue depends on the demand for our products and services in China, which may in turn depend on China's overall economic growth. The Chinese economy and the conditions of the markets are influenced by many factors beyond our control, such as the COVID-19 pandemic, level of unemployment, inflation or deflation, real disposable income, interest rates, recession, taxation, and currency exchange rates. For example, our business benefited from the increase in the demand for online audiovisual services including online videos, live streaming and video conferences as a result of the COVID-19 outbreak in early 2020. However, the slowdown of our business growth in 2022 was partly due to the resurgence of COVID-19 in China in 2022 and the temporary restrictions in many cities including Shanghai where our headquarters are located. Most of our sales and marketing team members were based in Shanghai and they were not able to visit customers or carry out face-to-face marketing activities due to travel restrictions in Shanghai. The travel restrictions affected the supply and delivery of hardware, and delayed the deployment and implementation of our solutions for customers, causing a supply chain disruption to our all-in-one server business, which constituted a significant part of our Kodo business. As we mainly rely on on-site visits and face-to-face discussions to explore business opportunities for all-in-one server business which involves physical delivery and large transaction amounts, our sales efforts were significantly reduced by the travel restrictions in Shanghai.

Although travel restrictions were eased in the second half of 2022, in the last quarter of 2022, a large number of our customers and employees were infected with COVID-19 and had to stay at home, which again hindered our business activities in 2022. As a result, we contacted, negotiated or explored business opportunities with over 1,500 potential customers for hardware related business in 2021, whereas we only had approximately 800 such opportunities in 2022. Partially due to the impact of COVID-19, the number of delivery orders for all-in-one servers decreased from 228 in 2021 to 60 in 2022. In 2023 and the three months ended March 31, 2024, our all-in-one server business gradually recovered mainly due to the recovery of all-in-one server business in the industry.

After the rapid growth of the Internet and related industries including the audiovisual cloud service market in China in 2021 while many activities were moved online due to the outbreak of COVID-19, the audiovisual cloud service PaaS market experienced a re-adjustment and slowdown in market growth in 2022 in response to over-expansion in previous years. For example, the audiovisual MPaaS market in China grew by only 5.1% from RMB17.5 billion in 2021 to RMB18.4 billion in 2022 compared to a CAGR of 32.9% from 2018 to 2022. The audiovisual MPaaS market grew by 13.6% from RMB18.4 billion in 2022 to RMB20.9 billion in 2023. See "Risk Factors — Risks Relating to Our Business and Industry — Our and our business partners' business operations have been adversely affected by the COVID-19 pandemic, and may in the future continue to be affected by the COVID-19 pandemic".

Our ability to retain and expand usage by our existing customers and to acquire new customers

We have amassed a broad and diversified customer base covering a wide spectrum of industry verticals. As a result of our business expansion efforts, the number of our MPaaS customers increased from 68,808 in 2021 to 83,970 in 2022, and further to 92,480 in 2023. The number of our MPaaS customers further increased from 62,311 in the three months ended March 31, 2023 to 62,563 in the three months ended March 31, 2024. Our MPaaS products are provided to a full spectrum of customers. On one side of the spectrum, MPaaS products are offered to large customers who have development capabilities and tap into our MPaaS functionalities. On the other side of the spectrum, MPaaS products are offered to smaller customers that have limited use of our products such as small scale cloud storage. As of December 31, 2023, we had over 1,400,000 registered users. In 2022, we activated our registered user base of MPaaS by providing promotional packages as a result of which the number of our medium- and small-sized customers including individual developers significantly increased. After we decided to officially launch APaaS business in line with industry development and market demand in 2021, the number of our APaaS customers increased from 1,319 in 2021 to 1,967 in 2022. The number of our APaaS customers further increased from 1,967 in 2022 to 2,597 in 2023. The number of our APaaS customers further increased from 1,867 in the three months ended March 31, 2023 to 2,303 in the three months ended March 31, 2024. We plan to grasp the opportunities from the growth of the audiovisual APaaS market in China and further expand APaaS customers. The customer retention rate for our MPaaS business amounted to 72.1%, 72.5%, 67.6% and 84.0% in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. The customer retention rate for our APaaS business amounted to 88.8%, 87.9% and 93.7% in 2022, 2023 and the three months ended March 31, 2024, respectively.

We strive to retain existing customers and obtain new customers by, among others, further enhancing the quality and efficiency of our existing products and solutions, offering additional innovative products and solutions and implementing effective sales strategies tailored to the verticals in which we operate. Our operating results and growth prospects will depend in part on our ability to attract new customers.

In addition, our business is also affected by the average contribution of our customers and we believe that there is a significant opportunity for growth with many of our existing customers. The average contribution of our MPaaS customers were RMB19.9 thousand, RMB10.4 thousand, RMB10.5 thousand and RMB4.0 thousand in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. The decrease in the average contribution of MPaaS customers in 2022 was primarily due to the increase in medium- and small-sized customers including individual developers as explained above. In addition, some of our MPaaS customers scaled down their spending with us, particularly Customer A. The average contribution of MPaaS customers remained relatively stable in 2023. The average contribution of our APaaS customers were RMB18.9 thousand, RMB98.6 thousand, RMB108.3 thousand and RMB36.1 thousand in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Except for the ramp-up period in 2021, the average contribution of our APaaS customers is relatively high due to the higher demand from the APaaS market, our APaaS customers tend to purchase solutions based on scenario needs and have higher contributions than small customers who may only have limited use of our products. Furthermore, as we provide packaged services to APaaS customers, using our low-code platform, our APaaS customers tend to use a full spectrum of our services including distribution, storage and other functionalities. In light of the higher gross margin of our APaaS business compared to MPaaS business and the high average contribution per customer of APaaS business, we have been promoting our APaaS solutions to our MPaaS customers with a view to retaining and growing revenue from our existing customers. In order to continue to expand usage within our customer base, we will continue to deliver high-quality and customer-centric products and solutions, and to introduce new products and features as well as innovative new use cases that are tailored to our customers' needs.

Our ability to upgrade and expand our products and solutions and to compete effectively

Our success has been based on our dedication to the development of innovative and high-performance audiovisual MPaaS and APaaS products and solutions, and our ability to identify and meet the business needs of our customers. Our business prospects depend largely on our ability to continue enhance the functionalities, performance, reliability, security, scalability of our products and solutions, and to introduce advanced and innovative products and solutions, which thereby will allow us to capture additional market share, enjoy better economies of scale and improve our profitability.

Over the years we have developed four MPaaS products, namely (i) QCDN, our proprietary content delivery network; (ii) Kodo, our object storage platform; (iii) interactive live streaming products; and (iv) Dora, our intelligent media data analytics platform. We have been continuously upgrading our MPaaS products to meet customer needs. After we officially launched our APaaS business in September 2021, we expanded our APaaS solutions to five scenarios, out of which we have achieved sizeable revenue from two major scenarios, namely social entertainment and video marketing. We plan to further develop other APaaS scenarios including visual networking, smart new media and metaverse.

We are committed to delivering high-quality products and solutions to maintain our market leadership position. Our business and results of operations depend on our ability to compete effectively in the verticals in which we operate. Our competitive edges may be affected by, among other things, research and development capabilities, industry know-hows, continuous capital investment, product portfolio, among others. We believe that our wide range of product offerings, proprietary technologies and prominent research and development capabilities differentiate us from our competitors and help us establish a high entry barrier difficult for our competitors to surpass. However, we are still subject to competition from a variety of players within our industry. Increased competition could materially and adversely affect our business, financial condition and results of operations.

Our ability to continue to invest in technology innovation and talent acquisition

We have made, and will continue to make, significant investments in technology innovation to strengthen our market leadership. Our ability to improve our existing products and solutions and develop new ones depends on the technologies we use to develop and deliver high-quality MPaaS and APaaS to customers. It is thus crucial for us to continually invest in technology innovation to enhance capabilities of our products and solutions. We intend to continue to invest in attracting more talented research and development personnel to upgrade and iterate our low-code platform and further develop and apply advanced technologies in the fields of AI, machine learning, cloud computing and data analytics to strengthen our technological advantage and enhance the functionalities and customer experience of our solutions and products.

We had a R&D team with 168 members as of March 31, 2024, accounting for approximately 43.3% of our total employees as of March 31, 2024. In 2021, 2022, 2023 and the three months ended March 31, 2024, we incurred research and development costs of RMB143.4 million, RMB128.7 million, RMB128.0 million and RMB33.6 million, respectively, accounting for 9.7%, 11.2%, 9.6% and 9.8% of our total revenue during the respective periods. As we plan to continue to invest in research and development and focus on innovations in order to remain competitive, we expect our research and development costs may increase in the future.

Our ability to effectively control our costs and expenses

Our profitability depends largely on our ability to manage and control our costs and expenses. Our cost of sales mainly includes network and bandwidth costs, server and storage costs, depreciation of equipment, Internet data center rack costs, technical service fees and staff cost. Network and bandwidth costs are mainly resource costs associated with distribution or content delivery. During the Track Record Period, network and bandwidth costs accounted for 52.8%, 61.4%, 61.3% and 64.6% of our total cost of sales in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Server and storage costs are mainly associated with data storage. During the Track Record Period, server and storage costs accounted for 30.5%, 14.4%, 16.5% and 15.4% of our total cost of sales in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Since a significant portion of our costs relates to distribution and storage services from third parties, our cost of sales largely depends on the price of such services in the market.

With respect to selling and marketing expenses, we expect to continue to benefit increasingly from the effect of our enhanced brand awareness. We also intend to optimize our administrative expenses by enhancing our standard of management, streamlining our internal workflows, and leveraging technology to drive convenience, cost-efficiency and productivity. In 2022, we downsized both our sales team and administrative team in an effort to control costs. Specifically, our sales team and administrative team reduced by 104 and 7, respectively in 2022 compared to 2021. Our sales team and administrative team further reduced by 40 and 2, respectively in 2023 compared to 2022. Our staff cost in selling and marketing expenses decreased from RMB138.9 million in 2021 to RMB118.3 million in 2022, and further decreased to RMB104.1 million in 2023, and decreased from RMB26.9 million in the three months ended March 31, 2023 to RMB21.1 million in the three months ended March 31, 2024, primarily due to our effort on cost control. Our staff cost in administrative expenses decreased from RMB56.8 million in 2021 to RMB50.2 million in 2022. Our staff cost in administrative expenses increased from RMB50.2 million in 2022 to RMB76.3 million in 2023 primarily due to the increase in share-based payments of RMB25.1 million, which is non-cash in nature. Our staff cost in administrative expense remained relatively stable at RMB16.6 million in the three months ended March 31, 2024 as compared to RMB16.1 million for the same period in 2023.

KEY OPERATING METRICS

Set out below are some of the key operating metrics we take into account of when managing our business.

	Year ended December 31,			Three months ended March 31,	
	2021	**2022**	**2023**	**2023**	**2024**
Average contribution of MPaaS paying customers *(RMB)*(1)	19,905	10,420	10,537	2,991	3,987
Average contribution of APaaS paying customers *(RMB)*(2)	18,879	98,634	108,340	34,319	36,143
Dollar-based net expansion rate of MPaaS paying customers *(%)*(3)	133.3	63.9	111.7	93.5	96.1
Dollar-based net expansion rate of APaaS paying customers *(%)*(4)	N/A	779.1	145.0	119.8	108.4

Notes:

(1) Calculated based on total revenue from MPaaS in the period divided by the number of MPaaS customers in the period.

(2) Calculated based on total revenue from APaaS in the period divided by the number of APaaS customers in the period.

(3) Calculated as the ratio of revenue contribution of MPaaS customers in the current period to the revenue contribution of MPaaS customers for the immediately preceding period.

(4) Calculated as the ratio of revenue contribution of APaaS customers in the current period to the revenue contribution of APaaS customers for the immediately preceding period.

Average Contribution of MPaaS Customers

The average contribution of our MPaaS customers decreased from RMB19.9 thousand in 2021 to RMB10.4 thousand in 2022 mainly because of (i) the increase in the number of our MPaaS customers as we provided promotional packages to our MPaaS customers as a result of which the number of our medium- and small-sized customers including individual developers significantly increased, (ii) the decrease in revenue from all-in-one server business due to the impact of COVID-19 which caused a shortage in supply of certain semiconductor chips which are key components of our all-in-one servers we procured for our customers, and therefore a supply chain disruption to our all-in-one server business which typically have higher revenue contribution, and (iii) the decrease in revenue from some of our major customers (such as Customer A) which we have strategically scaled down our business with. The average contribution of our MPaaS customers remained relatively stable at RMB10.5 thousand in 2023, compared to RMB10.4 thousand in 2022. The average contribution of our MPaaS customers increased from RMB3.0 thousand in the three months ended March 31, 2023 to RMB4.0 thousand in the three months ended March 31, 2024, primarily due to (i) our enhanced business cooperation with our major customers, and (ii) the expansion of our Kodo business primarily attributable to the substantial growth of customer demand with the recovery of our all-in-one server business.

Average Contribution of APaaS Customers

The average contribution of our APaaS customers increased from RMB18.9 thousand in 2021 to RMB98.6 thousand in 2022 partly because our APaaS business was at the ramp-up stage in 2021, and from RMB98.6 thousand in 2022 to RMB108.3 thousand in 2023, mainly due to the increasing demand for APaaS solutions from both APaaS customers that were upgraded from MPaaS and our new APaaS customers. The average contribution of our APaaS customers slightly increased from RMB34.3 thousand in the three months ended March 31, 2023 to RMB36.1 thousand in the three months ended March 31, 2024.

Dollar-based net Expansion Rate of MPaaS Customers

The dollar-based net expansion rate of MPaaS customers is affected by our MPaaS customer retention rate, which amounted to 72.1%, 72.5% and 67.6% in 2021, 2022, and 2023, respectively. The dollar-based net expansion rate of MPaaS customers decreased from 133.3% in 2021 to 63.9% in 2022 due to (i) the customer retention rate of 72.5% in 2022, (ii) our MPaaS revenue, particularly revenue from all-in-one server business, decreased due to the impact of COVID-19, and (iii) decrease in demand from some of our customers. The dollar-based net expansion rate of MPaaS customers increased from 63.9% in 2022 to 111.7% in 2023, mainly as (i) some of our MPaaS customers, in particular our major premium customers, significantly increased their spending on our QCDN and Dora products, in line with the growth of industry; and (ii) the recovery of our overall business from the adverse impact of COVID-19 and supply chain disruptions. The dollar-based expansion rate of MPaaS customers slightly increased from 93.5% in the three months ended March 31, 2023 to 96.1% in the three months ended March 31, 2024.

Dollar-based net Expansion Rate of APaaS Customers

The dollar-based net expansion rate of APaaS customers amounted to 779.1% in 2022, mainly because (i) our APaaS business customer contribution had a low starting point in 2021 due to an early development stage, in particular, as we only commenced our APaaS business in September 2021; and (ii) customer demand for our APaaS solutions increased significantly in 2022 along with the industry trend. The dollar-based net expansion rate of APaaS customers amounted to 145.0% in 2023, mainly as (i) our APaaS business continued to expand in 2023 in line with the industry growth; and (ii) the improvement in market acceptance of our APaaS solutions. The dollar-based expansion rate of APaaS customers slightly decreased from 119.8% in the three months ended March 31, 2023 to 108.4% in the three months ended March 31, 2024.

MATERIAL ACCOUNTING INFORMATION AND ESTIMATES

Revenue recognition

Revenue from contracts with customers

We are mainly engaged in the business of providing MPaaS products, APaaS solutions, and other services including DPaaS solutions and other cloud services.

Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

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

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between us and the customer at contract inception. When the contract contains a financing component which provides us with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

There are no significant variable consideration and financing component for our revenue from contracts with customers.

Our PaaS solutions, including MPaaS, APaaS and DPaaS are provided to our customers either as a cloud service offered on public cloud which is charged based on usage, or provided by private cloud which is charged on a project basis. Other cloud services are charged based on usage over the service period.

Revenue from PaaS solutions offered on public cloud, including interactive live streaming products, content delivery network service, object storage solutions, intelligent media data analytics products, and other cloud services is measured on a usage basis and is recognized over time, using an output method to measure the value to the customer of the services rendered to date, with no rights of return once consumed, because the customer simultaneously receives and consumes the benefits provided by us. We use monthly utilization records to recognize revenue over time as it most faithfully depicts the simultaneous consumption and delivery of services. At the end of each month, the transaction consideration is fixed based on utilization records and hence no estimation of the transaction price beyond the reporting period is necessary.

In addition, revenue from software licenses included in interactive live streaming providing add-on features is recognized at the point in time when software licenses are accepted by the customer. Such software license is to provide a right to use and the functionality with which it exists at the point in time that it is granted to the customer, and there are no other performance obligations other than the promise to grant a license. Consequently, we account for the license as a performance obligation satisfied at a point in time.

Revenue from PaaS offered on private cloud include hardware sales, software license and post-delivery maintenance services. Revenue from hardware sales and software license is recognized at the point in time when they are accepted by customers, which is when the control over our goods or services is transferred to customers. Revenue from software license is recognized at the point in time because such software can deliver stand-alone functionality without access to the maintenance services to customers. Once a customer has completed the testing of the functionalities of the software as acceptance procedures, the customer can derive substantial benefit from the software license on its own. We also provide related maintenance services for a specific period (normally one to three years after the customer's acceptance) after sale as stipulated in the same contract. These maintenance services are provided to maintain and improve the effectiveness of the software and therefore are accounted for as a separate performance obligation. Revenue from these post-delivery maintenance services is recognized on a straight-line basis over the service period as the customer receives and consumes the benefits provided by us.

Convertible redeemable preferred shares

The Series A, Series B, Series C-1, Series C-2, Series D, Series E-1, Series E-2, Series F and Series F-1 of convertible redeemable preferred shares (collectively, the "**Preferred Shares**") issued by our Company are redeemable upon occurrence of certain events. These instruments can also be converted into ordinary shares of our Company at the option of the holders, or automatically upon occurrence of an **[REDACTED]** of our Company.

We designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as "finance costs" in the statement of profit or loss. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the statement of profit or loss, except for the portion attributable to own credit risk change that should be charged to other comprehensive income.

As of December 31, 2021 and 2022, the convertible redeemable preferred shares were classified as current liabilities, because the holders of the Preferred Shares can demand our Company to redeem their preferred shares or convert the convertible redeemable preferred shares to ordinary shares within 12 months. As of December 31, 2023 and March 31, 2024, the convertible redeemable preferred shares were classified as current liabilities because the holders of the Preferred Shares can convert the convertible redeemable preferred shares to ordinary shares within 12 months, even though our Company can defer the settlement of the liability arising from the redemption of convertible redeemable preferred shares, if certain redemption rights have been exercised, for at least twelve months from December 31, 2023 and March 31, 2024.

The instruments issued to investors are not traded in an active market and the respective fair value is determined by using valuation techniques, including the discounted cash flow method and option pricing model. Such valuation is based on key parameters about discount rate, risk-free interest rate, discounts for lack of marketability and volatility, which are subject to uncertainty and might materially differ from the actual results. For further details, see Note 28 to the Accountants' Report in Appendix I to this document.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's ("**CGU**") value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the CGU to which the asset belongs. In testing a CGU for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual CGU if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of CGU.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

We assess whether there is any indication of impairment for all non-financial assets (including property, plant and equipment, right-of-use assets and intangible assets) at the end of each reporting period in accordance with IAS 36 Impairment of Assets. Given that we sustained losses throughout the Track Record Period as we were still at the stage of expanding our business and operations in the rapidly growing audiovisual PaaS market, and are continuously investing in research and development, indicating potential impairment of our non-financial assets (including property, plant and equipment, right-of-use assets and intangible assets), we carried out impairment testing at the end of each reporting period. The carrying amount of non-financial assets (including property, plant and equipment, right-of-use assets and intangible assets) as of December 31, 2021, 2022, 2023 and March 31, 2024 is RMB274.6 million, RMB197.9 million, RMB139.6 million and RMB152.4 million, respectively. Servers and computer equipment are the most significant elements in property, plant and equipment, representing about 97% of the total carrying amount of property, plant and equipment as of December 31, 2021, 2022, 2023 and March 31, 2024. The right-of-use assets consist of office buildings, servers and computer equipment, and office equipment and furniture. Intangible assets consist of office software. We considered that property, plant and equipment, right-of-use assets and intangible assets are all attributable to one CGU which is the CGU for the provision and research and development of audiovisual PaaS solutions.

For the purpose of impairment review, the carrying amount of non-financial assets were compared to the corresponding recoverable amount, which were based predominantly on value-in-use. Value in use is the present value of the future cash flows expected to be derived from an asset or CGU. Since the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, the recoverable amount is determined for the CGU to which the asset belongs. We estimated the expected future cash flows from the cash-generating unit and selected the suitable discount rate in order to calculate the present value of those cash flows. In addition, we engaged an independent external valuer to assess the recoverable amount of the CGU and leveraged our experiences in the audiovisual PaaS industry and provided forecast based on past performance and their expectation of future business plans and market developments.

As of December 31, 2021, 2022, and 2023, and March 31, 2024, the recoverable amount of the CGU was determined based on value in use calculation using cash flow projections from financial budgets approved by senior management covering a seven-year period for 2021 year-end impairment test, a six-year period for 2022 year-end impairment test, a five-year period for 2023 year-end impairment test, and a 4.8-year period for impairment test as of March 31, 2024. We consider the length of the forecast period to be appropriate because it generally takes longer for an audiovisual PaaS company to reach a stable growth state, compared to companies in other industries, especially considering the fact that the audiovisual PaaS industry in China is an emerging industry with fast growth in the coming years and we are still at the stage of expanding our business and operations in the rapidly growing audiovisual PaaS market. The projected cash flows have been updated to reflect the demand for products and services. We are also of the view that the length of the forecast period reflects the remaining weighted average estimated useful life of assets. The increasing forecasted gross margin is primarily driven by the projected higher revenue contribution from the higher-margin APaaS business and continued cost optimization. The accuracy and reliability of the information is reasonably assured by our appropriate budgeting, forecast and control process. Based on the assessment result, value in use is greater than carrying amounts of property, plant and equipment, right-of-use assets and intangible assets, hence, no impairment was recognized.

The following table sets out our key assumptions in the impairment assessment:

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
Gross margin rate	19.9%-28.8%	20.0%-28.8%	21.4%-28.8%	21.4%-28.8%
Annual revenue growth rate	-22%-26%	8.7%-26%	10%-15%	10%-15%
Pre-tax discount rate	14.3%	15.1%	15.9%	16.1%

The forecasted gross margin rate and forecasted annual revenue growth rate used in the impairment testing were determined by us based on our past performance and expectation for market development. Discount rates reflect market assessments of the time value and the specific risks relating to the industry. These estimates and judgments may be affected by unexpected changes in the future market or economic conditions. Our Directors have considered the reasonably possible changes to the key assumptions as adopted in the impairment assessments and considered will not result in any impairment charge to be recognized.

For further details, see Note 2.4 and Note 3 to the Accountants' Report in Appendix I to this document.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

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

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

NON-IFRS MEASURE

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

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

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

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

During the Track Record Period, we generated revenue primarily from providing MPaaS products, APaaS solutions and other services to our customers. The following table sets forth a breakdown of our revenue by service or product type in absolute amounts and as a percentage of our total revenue for the periods indicated:

MPaaS

Revenue from our MPaaS products are primarily derived from our QCDN, Kodo, interactive live streaming products and Dora.

In 2021, 2022, 2023 and the three months ended March 31, 2024, revenue from our MPaaS products were RMB1,369.6 million, RMB875.0 million, RMB974.5 million and RMB249.4 million respectively, representing approximately 93.1%, 76.3%, 73.1% and 72.9% of our total revenue in the same periods. The following table sets forth a breakdown of our revenue from MPaaS products by product types in absolute amounts and as a percentage of our revenue from MPaaS products for the periods indicated.

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
QCDN	585,513	42.7	488,932	55.9	628,371	64.5	145,200	77.9	176,779	70.9
Kodo	650,764	47.5	320,359	36.6	297,791	30.5	35,184	18.9	63,958	25.6
Interactive live streaming products	87,067	6.4	50,526	5.8	17,175	1.8	3,905	2.1	3,571	1.4
Dora	46,297	3.4	15,180	1.7	31,170	3.2	2,061	1.1	5,134	2.1
Total	**1,369,641**	**100.0**	**874,997**	**100.0**	**974,507**	**100.0**	**186,350**	**100.0**	**249,442**	**100.0**

QCDN. Our integrated QCDN product optimizes the acceleration of data network through building CDN nodes across the globe from multiple providers, primarily including IaaS cloud providers and traditional CDN providers. QCDN is primarily charged based on network traffic or bandwidth usage on public cloud, taking into account factors including the amount of content delivered and the time of the day the service was requested. In 2023, the revenue generated from QCDN reached RMB628.4 million, representing an increase of 28.5% as compared to 2022 as we (i) strengthened our business relationship with the top Internet enterprises in China, which are typically the major customers of our QCDN products; (ii) provided different pricing methods (e.g. based on actual usage or service package) to cater to the different business needs and distribution pattern of our customers; and (iii) engaged in the research and development of QCDN products, for example, the integration of CDN nodes and AI computing power to provide more competitive CDN products. In the three months ended March 31, 2024, the revenue generated from QCDN reached RMB176.8 million, representing an increase of 21.7% as compared to the three months ended March 31, 2023, as we continued to strengthen business relationship with our major customers resulting in an increase in average contribution of our QCDN customers.

Kodo. Kodo can be offered to our customers on public cloud which is charged based on the storage capacity, including factors such as the weighted average size of the data stored daily. In addition, for customers with higher demand for compatibility, reliability, privacy and security in cloud, Kodo can also be deployed on the customer's server or on a private cloud that we build for the customer, which is charged based on the storage capacity. We made a decision in December 2021 to scale down our all-in-one server business, which constituted a significant part of our Kodo business, taking into consideration particular risks associated with all-in-one server business. In 2023, due to the recovery of all-in-one server business in the industry, we gradually increased our all-in-one server business. In the three months ended March 31, 2024, the revenue generated from Kodo reached RMB64.0 million, representing an increase of 81.8% as compared to the same period in 2023, attributable to continued recovery of all-in-one server business in the industry and the relatively low Kodo revenue contribution in the first three months of 2023.

Interactive live streaming products. Our interactive live streaming products are designed for application scenarios in live streaming and real-time interactions. Our interactive live streaming products are offered to our customers on public cloud which is primarily charged based on usage.

Dora. Dora is our cloud-based intelligent media data analytics platform, offering strong data processing capabilities. Most of our customers use Dora on public cloud which is charged based on API calls or usage. To a lesser extent, Dora can also be deployed on a private cloud built for customers, which is charged on a project basis.

For further details on our MPaaS products and their respective fee models, see "Business — Our Products and Solutions — Our MPaaS products."

APaaS

Revenue from our APaaS solutions are derived from five application scenarios, namely social entertainment, video marketing, visual networking, smart new media and metaverse.

In 2021, 2022, 2023 and the three months ended March 31, 2024, revenue from our APaaS solutions were RMB24.9 million, RMB194.0 million, RMB281.4 million and RMB83.2 million, respectively, representing approximately 1.7%, 16.9%, 21.1% and 24.3% of our total revenue in the same periods. The following table sets forth a breakdown of our revenue from APaaS solutions by application scenarios, categorized according to the scenario-based solutions provided to our APaaS customers, in absolute amounts and as a percentage of our revenue from APaaS solutions for the periods indicated.

	Year ended December 31,						**Three months ended March 31,**			
	2021		**2022**		**2023**		**2023**		**2024**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
							(unaudited)			
Video marketing	9,446	37.9	87,357	45.0	170,261	60.5	36,747	57.4	45,249	54.4
Social entertainment	14,450	58.1	97,770	50.4	86,796	30.9	23,218	36.2	27,754	33.3
Visual networking	404	1.6	5,507	2.8	18,935	6.7	2,595	4.0	8,991	10.8
Smart new media	601	2.4	3,212	1.7	5,063	1.8	1,474	2.3	1,150	1.4
Metaverse	–	–	167	0.1	304	0.1	40	0.1	94	0.1
Total	**24,901**	**100.0**	**194,013**	**100.0**	**281,359**	**100.0**	**64,074**	**100.0**	**83,238**	**100.0**

Video marketing. We provide solutions with broad connections in our video marketing scenario, assisting customers in reaching their target consumers at various stages of marketing. By combining enterprise live streaming marketing, interactive marketing and other solutions, and based on our consolidated advertising platform and post-advertising attribution analysis platform, we empower our customers to swiftly build their own live streaming platform to enhance user loyalty and promote conversion.

Social entertainment. We provide one-stop solutions for mobile social entertainment that includes image processing and delivery, short video processing and on demand, long video processing and on demand, file distribution and download, and live streaming of events or shows.

Visual networking, smart new media and metaverse. Our APaaS businesses for visual networking, smart new media and metaverse are at an early ramp-up stage.

We charge our APaaS customers based on (i) actual usage (such as volume of data or storage used, API calls, etc.), or (ii) service package (equipped with fixed storage, data, software pack, etc.).

For further details on our APaaS solutions and their respective fee models, see "Business — Our Products and Solutions — Our APaaS solutions."

Others

Complementary to our MPaaS and APaaS solutions, we also offer our customers other trustworthy cloud services, primarily including DPaaS, QVM, and internet data hosting services. Other services are not our business focus. We provide other services to our customers according to their demand as part of our comprehensive services and our revenue from other services fluctuated during the Track Record Period according to customers' demand.

We derive revenue from our DPaaS solution primarily through Pandora, which delivers a solution to our customers which enables them to develop, run and manage data analytics applications without the need to build and maintain the infrastructure themselves from scratch. For customers of Pandora, we either charge based on usage, or on a project basis in order to cater to the diverse data analytics needs of businesses.

QVM is a comprehensive suite of solutions including cloud servers, databases, network, security and storage. We provide secure, scalable, on-demand computing resources, enabling customers to flexibly deploy applications and workloads. For our QVM service, we charge our customers based on actual usage.

For further details on our other services and the respective fee models, see "Business — Our Products and Solutions — Others."

In 2021, 2022, 2023 and the three months ended March 31, 2024, revenue from our other services were RMB76.5 million, RMB78.3 million, RMB78.1 million and RMB9.7 million, respectively, representing approximately 5.2%, 6.8%, 5.8% and 2.8% of our total revenue in the same periods.

Cost of Sales

Our cost of sales consists of the costs and expenses that are related to providing our products to our customers. These cost of sales primarily include (i) network and bandwidth purchased from network operators and cloud providers, (ii) server and storage costs in relation to hardware procured for customers, virtual machine services acquired and storage related services, (iii) depreciation and amortization mainly in relation to servers and network equipment, (iv) Internet data center rack costs, (v) technical service fees in relation to SDK, AI, texting services and other services or software purchased from third-parties, (vi) staff cost in relation to salaries, bonuses, benefits and share-based payments for our project operation and maintenance team, and (vii) other miscellaneous expenses such as equipment accessories and logistics expenses.

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

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Network and bandwidth costs	622,537	52.8	563,738	61.4	645,676	61.3	146,968	66.4	175,712	64.6
Server and storage costs	360,096	30.5	132,580	14.4	173,679	16.5	11,971	5.4	41,879	15.4
Internet data center rack costs	60,209	5.1	92,054	10.0	101,021	9.6	27,781	12.5	14,761	5.4
Technical service fees	35,390	3.0	35,661	3.9	63,112	6.0	14,345	6.5	25,265	9.3
Depreciation and amortization expenses	70,371	6.0	74,546	8.1	53,519	5.1	16,189	7.3	10,299	3.8
Staff cost	20,560	1.7	15,498	1.7	13,699	1.3	3,602	1.6	3,310	1.2
Others	10,671	0.9	4,572	0.5	3,040	0.2	516	0.3	607	0.3
Total	**1,179,834**	**100.0**	**918,649**	**100.0**	**1,053,746**	**100.0**	**221,372**	**100.0**	**271,833**	**100.0**

The following table sets forth a breakdown of cost of sales of our MPaaS business in absolute amount and as a percentage of total cost of sales of our MPaaS business, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%	*RMB'000*	%
							(unaudited)			
Network and bandwidth costs	615,092	54.7	490,028	67.7	558,014	71.0	129,042	82.0	147,362	72.2
Server and storage costs	337,284	30.0	109,141	15.1	148,384	18.9	5,766	3.7	36,801	18.0
Depreciation and amortization expenses	65,178	5.8	50,619	7.0	24,716	3.1	8,943	5.7	3,754	1.8
Internet data center rack costs	53,973	4.8	41,700	5.8	28,500	3.6	9,345	5.9	4,153	2.0
Technical service fees	25,367	2.3	17,042	2.4	15,505	2.0	1,264	0.8	10,224	5.0
Staff cost	18,425	1.6	11,869	1.6	8,848	1.1	2,594	1.6	1,498	0.7
Others	9,549	0.8	3,267	0.4	1,999	0.3	363	0.3	361	0.3
Total	**1,124,868**	**100.0**	**723,666**	**100.0**	**785,966**	**100.0**	**157,317**	**100.0**	**204,153**	**100.0**

The following table sets forth a breakdown of cost of sales of our APaaS business in absolute amount and as a percentage of total cost of sales of our APaaS business, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Network and bandwidth costs	7,445	40.4	73,711	53.0	87,662	44.5	17,925	39.7	28,350	48.1
Technical service fees	2,221	12.1	7,227	5.2	34,086	17.3	10,213	22.6	14,057	23.8
Depreciation and amortization expenses	3,754	20.4	23,552	16.9	28,681	14.6	7,205	16.0	6,540	11.1
Internet data center rack costs	3,380	18.4	21,785	15.7	25,095	12.8	5,314	11.8	5,038	8.5
Server and storage costs	924	5.0	8,744	6.3	15,547	7.9	3,379	7.5	2,935	5.0
Staff cost	359	1.9	2,970	2.1	4,761	2.4	987	2.2	1,805	3.1
Others	328	1.8	1,024	0.8	973	0.5	144	0.2	241	0.4
Total	**18,411**	**100.0**	**139,013**	**100.0**	**196,805**	**100.0**	**45,167**	**100.0**	**58,966**	**100.0**

Gross Profit and Gross Margin

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

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

We benefited from higher gross margin for APaaS business compared with our MPaaS business as we provided one-stop scenario-based solutions using our low-code platform to provide packaged services. Higher gross margin of our APaaS business was partially attributable to (i) some of our high value-added SDKs such as audiovisual terminal processing and digital persons, for which we are able to collect additional revenue, and (ii) some of our functionalities such as low-code image processing and video marketing comprehensive processing which we do not charge separately but they add premium to our solutions and we are able to charge a higher price for the packaged services. In addition, as the audiovisual APaaS market is a new industry segment and there are relatively few market participants compared to MPaaS market, we benefit from strong negotiation power. Furthermore, we were able to reuse existing modules and solutions in the APaaS scenarios, and could replicate and expand solutions to serve other customers while saving our costs.

Other Income and Gains

Other income and gains consists primarily of (i) government grants, which mainly relate to financial assistance from local governments in China for our research and development activities and additional input value-added tax credit, (ii) bank interest income from our bank deposits, (iii) investment income from wealth management products, (iv) revision of a lease term arising from a change in the non-cancellable period of a lease, and others. The following table sets forth a breakdown of the components of our other income in absolute amounts and as percentages of our other income and gains, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Other Income and Gains										
Government grants	14,782	83.4	15,230	77.9	22,470	72.8	1,652	37.8	288	77.8
Bank interest income	2,745	15.5	3,607	18.5	7,622	24.7	1,782	40.7	82	22.2
Investment income from wealth management products measured at FVTPL	110	0.6	211	1.1	–	–	–	–	–	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	–	–	–	259	0.8	–	–	–	–
Foreign exchange differences, net	–	–	–	–	–	–	441	10.1	–	–
Others	79	0.5	495	2.5	503	1.7	501	11.4	–	–
Total	**17,716**	**100.0**	**19,543**	**100.0**	**30,854**	**100.0**	**4,376**	**100.0**	**370**	**100.0**

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) staff cost relating to our sales force, including salaries, bonuses, benefits and share-based payments for our sales and marketing employees, (ii) promotional expenses, which primarily represent expenses incurred for conferences held for sales and marketing purposes, promotional expenses we paid to major search engines and sales commissions, (iii) office and travel expenses incurred by our sales and marketing staff, (iv) depreciation and amortization expenses allocated to our sales and marketing department, and (v) other miscellaneous expenses such as consulting fees in relation to market feasibility studies, and property service and utilities expenses. Our selling and marketing expenses accounted for 13.1%, 12.9%, 10.4% and 8.0% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

The following table sets forth a breakdown of the major components of our selling and marketing expenses, in absolute amounts and as percentages of our total selling and marketing expenses, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff cost	138,922	72.0	118,276	80.2	104,122	74.9	26,880	76.8	21,092	76.9
Promotional expenses	26,598	13.8	11,255	7.6	18,787	13.5	4,003	11.4	3,574	13.0
Office and travel expenses	15,526	8.0	8,226	5.6	7,624	5.5	1,920	5.5	1,132	4.1
Depreciation and amortization expenses	8,081	4.2	7,058	4.8	5,775	4.2	1,363	3.9	1,202	4.4
Others	3,889	2.0	2,706	1.8	2,757	1.9	819	2.4	442	1.6
Total	**193,016**	**100.0**	**147,521**	**100.0**	**139,065**	**100.0**	**34,985**	**100.0**	**27,442**	**100.0**

Administrative Expenses

Our administrative expenses primarily consist of (i) staff cost relating to our administrative staff, including salaries, bonuses, benefits and share-based payments for our administrative employees, (ii) consulting and other professional service fees primarily in connection with our previous listing attempt on NASDAQ, network security services, media consulting services and stress tests with respect to our system, among others, (iii) **[REDACTED]** expenses in relation to our proposed **[REDACTED]**, (iv) severance payment to our employees, (v) depreciation and amortization expenses allocated to our administrative department, (vi) office and travel expenses incurred by our administrative staff, and (vii) other miscellaneous expenses such as reserved Internet data center rack costs, property service and utilities expenses and bank service charges. Our administrative expenses accounted for 8.1%, 9.7%, 10.2% and 9.0% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

The following table sets forth a breakdown of the components of our administrative expenses, in absolute amounts and as percentages of our total administrative expenses, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000* (unaudited)	*%*	*RMB'000*	*%*
Staff cost	56,777	47.5	50,194	45.1	76,331	56.2	16,121	51.0	16,631	54.0
Consulting and other professional service fees	40,841	34.2	12,147	10.9	19,161	14.1	5,768	18.3	4,468	14.5
[REDACTED] expenses	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Severance payment	10,093	8.4	36,603	32.9	9,192	6.8	1,156	3.7	150	0.5
Depreciation and amortization expenses	5,436	4.5	4,923	4.4	4,254	3.1	1,046	3.3	865	2.8
Office and travel expenses	1,075	0.9	2,922	2.6	3,915	2.9	975	3.1	527	1.7
Others	5,306	4.5	4,386	4.1	4,379	3.2	1,059	3.3	656	2.1
Total	**119,528**	**100.0**	**111,175**	**100.0**	**135,824**	**100.0**	**31,587**	**100.0**	**30,815**	**100.0**

Research and Development Costs

Research and development costs consists primarily of (i) staff cost for our research and development personnel, including salaries, bonuses, benefits and share-based payments for our research and development employees, (ii) R&D related service fees for outsourcing non-essential R&Ds to third parties, (iii) depreciation and amortization expenses allocated to our R&D department and depreciation of servers and equipment used in our R&D activities, (iv) office and travel expenses incurred by our research and development personnel, and (v) other miscellaneous expenses such as property service and utilities expenses and Internet data center rack costs allocated to our R&D department. Our research and development costs accounted for 9.7%, 11.2%, 9.6% and 9.8% of our revenue in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

The following table sets forth a breakdown of the components of our research and development costs, in absolute amounts and as percentages of our total research and development costs, for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2021		2022		2023		2023		2024	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Staff cost	123,857	86.4	116,152	90.2	102,313	79.9	25,100	89.5	27,182	80.9
R&D related service fees	7,187	5.0	1,500	1.2	14,724	11.5	137	0.5	3,817	11.4
Depreciation and amortization expenses	6,899	4.8	6,952	5.4	7,348	5.7	1,849	6.6	1,712	5.1
Office and travel expenses	2,692	1.9	1,461	1.1	1,358	1.1	413	1.5	310	0.9
Others	2,722	1.9	2,662	2.1	2,291	1.8	540	1.9	569	1.7
Total	**143,357**	**100.0**	**128,727**	**100.0**	**128,034**	**100.0**	**28,039**	**100.0**	**33,590**	**100.0**

Fair Value Changes of Financial Assets at Fair Value through Profit or Loss, Net

Our net fair value changes of financial assets measured at fair value through profit or loss relate to fair value changes of investments in unlisted entities, mainly including minority equity investments in seven information technology service companies in the PRC with our equity interest ranging from 3.8633% to 30%. Our equity investments in unlisted entities under financial assets at fair value through profit or loss are as follows:

No.	Name	Percentage of shareholding held by us	Business nature
1	Beijing Titanium Fog Network Technology Co., Ltd.* (北京鈦霧網絡科技有限公司)	30.0000%	Internet information and technology service
2	Shenzhen Xishu Technology Co., Ltd. * (深圳市溪數科技有限公司)	3.8633%	Data processing, software and information technology service
3	Shanghai Zero Meter Information Technology Co., Ltd.* (上海零米信息技術有限公司)	6.3467%	Data processing, software and information technology service

No.	Name	Percentage of shareholding held by us	Business nature
4	Niuli Intelligent IoT Technology (Hangzhou) Co., Ltd.* (牛利智能物聯科技(杭州)有限公司)	8.0360%	Data processing, software and information technology service
5	Quzhou Taiji Information Technology Co., Ltd.* (衢州泰輯信息科技有限公司)	5.4374%	Software and information technology service
6	Shenzhen Zhichi Network Technology Development Co., Ltd.* (深圳市咫尺網絡科技開發有限公司)	4.6878%	Database, software and information technology service
7	Shanghai Shanma Intelligent Technology Co., Ltd.* (上海閃馬智能科技有限公司)	8.3561%	Data processing, software and information technology service

Fair value changes of financial assets measured at fair value through profit or loss is primarily driven by the market valuation of these investments. Our fair value changes of financial assets measured at fair value through profit or loss were a gain of RMB37.2 million, a gain of RMB30.9 million, a loss of RMB54.7 million and a loss of RMB8.9 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value changes of convertible redeemable preferred shares represent changes in the fair value of the convertible redeemable preferred shares issued by us to **[REDACTED]** Investors. We do not bifurcate any embedded derivatives from the host instruments and have designated the entire instruments as financial liabilities at fair value through profit or loss. They were initially recognized at fair value and subsequent to initial recognition, the fair value change of the convertible redeemable preferred shares is recognized in profit or loss except for the portion attributable to credit risk change which shall be recognized in other comprehensive income, if any. Our Directors considered that there was no material credit risk change during the Track Record Period. For further details, see Note 28 to the Accountants' Report in Appendix I to this document. Our fair value changes of convertible redeemable preferred shares were a loss of RMB96.5 million, RMB83.8 million, RMB156.1 million and RMB111.5 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. Prior to the **[REDACTED]**, the convertible redeemable preferred shares are not traded in an active market and their value at respective reporting dates is determined using valuation techniques.

Impairment Losses on Financial Assets

Our impairment losses on financial assets primarily relate to bad debt provisions of our trade receivables. We recorded impairment losses on financial assets of RMB4.8 million, RMB8.2 million, RMB11.8 million and RMB4.4 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

Other Expenses

Our other expenses primarily relate to loss from disposal of assets, exchange losses and impairment on investment in an associate. We recorded other expenses of RMB2.7 million, RMB3.6 million, RMB1.6 million and RMB0.1 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

Finance costs

Our finance costs comprise interest on interest-bearing bank and other borrowings and interest on lease liabilities. Our finance cost amounted to RMB6.0 million, RMB8.7 million, RMB8.2 million and RMB2.2 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

Income Tax

We recorded nil income tax expense during the Track Record Period. As of the Latest Practicable Date, we did not have any disputes with any tax authorities.

We are subject to various rates of income tax under different jurisdictions. The following summarizes major factors affecting our applicable tax rates in mainland China, the Cayman Islands, the British Virgin Islands, Hong Kong and Singapore.

Mainland China

Our subsidiaries incorporated in China are subject to tax at the statutory rate of 25% on the taxable profits determined in accordance with the EIT Law, except for Qiniu Information which was granted tax concession and is taxed at preferential tax rates.

Qiniu Information obtained its "High and New Technology Enterprise" qualification in 2019 and renewed the qualification in 2022, so that Qiniu Information is entitled to the preferential tax rate of 15% from 2019 to 2024.

Cayman Islands

Under the current laws of the Cayman Islands, we are not subject to tax on income or capital gains.

British Virgin Islands

Pursuant to the rules and regulations of the British Virgin Islands, we are not subject to any income tax.

Hong Kong

Our subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at the statutory rate of 16.5% on any estimated assessable profits arising in Hong Kong during the Track Record Period. No provision for Hong Kong profits tax has been made as we had no assessable profits derived from or earned in Hong Kong during the Track Record Period.

Singapore

The income tax rate of Singapore is 17% during the Track Record Period. In addition, three-quarters of up to the first S$10,000, and one half of up to the next S$190,000, of a company's chargeable income otherwise subject to normal taxation is exempt from corporate tax. The remaining chargeable income, after the tax exemption, will be fully taxable at the prevailing corporate tax rate.

Loss for the Year/Period

As a result of the foregoing, we recorded loss of RMB219.7 million, RMB212.8 million, RMB324.1 million and RMB148.0 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively.

Total Comprehensive Loss for the Year/Period

As a result of the foregoing, we recorded total comprehensive loss of RMB163.7 million, RMB445.8 million, RMB373.1 million and RMB153.6 million in 2021, 2022, 2023 and the three months ended March 31, 2024, respectively. The differences between the loss for the year/period and the total comprehensive loss for the year/period was mainly due to the exchange differences on translation (including those that may be reclassified and those that will not be reclassified to profit or loss in subsequent periods).

The exchange differences on translation that will not be reclassified to profit or loss in subsequent periods primarily represents the difference arising from the translation of operating results and financial position of our Company from our functional currency (US$) into the presentation currency (RMB). According to IAS 21.48, on disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognized in other comprehensive income and accumulated in the separate component of equity shall be reclassified from equity to profit or loss. According to IAS 21.8, "foreign operation" is defined as an entity that is a subsidiary, associate, joint arrangement or branch of a reporting entity, the activities of which are based or conducted in a country or currency other than those of the reporting entity. Our Company does not fall under the definition of foreign operation under IAS 21.8 and therefore, the amount of the exchange differences relating to the currency translation of our Company will not be reclassified to profit or loss in subsequent periods.

PERIOD-TO-PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

Revenue

Our total revenue increased by 26.4% from RMB270.9 million in the three months ended March 31, 2023 to RMB342.4 million in the three months ended March 31, 2024, primarily due to (i) the increase in revenue generated from our MPaaS products, in particular QCDN and Kodo, and (ii) the increase in revenue generated from our APaaS solutions attributable to more customer demands, partially offset by the decrease in revenue generated from other services as a result of decreases in DPaaS and internet data hosting services.

MPaaS

Revenue from our MPaaS products increased by 33.9% from RMB186.4 million in the three months ended March 31, 2023 to RMB249.4 million in the three months ended March 31, 2024, attributable to increases in revenue from QCDN, Kodo and Dora, partially offset by a slight decrease in revenue from interactive live streaming products.

Specifically, the increase in revenue from our MPaaS products was mainly attributable to increases in (i) revenue from QCDN from RMB145.2 million in the three months ended March 31, 2023 to RMB176.8 million in the three months ended March 31, 2024 as a result of our enhanced business cooperation with our major customers, (ii) revenue from Kodo from RMB35.2 million in the three months ended March 31, 2023 to RMB64.0 million in the three months ended March 31, 2024 primarily attributable to the substantial growth of customer demand as a result of the stabilized market condition with the recovery from the COVID-19 pandemic as well as relatively low Kodo revenue contribution in the first three months of 2023, and (iii) revenue from Dora from RMB2.1 million in the three months ended March 31, 2023 to RMB5.1 million in the three months ended March 31, 2024 mainly due to the strong market demand for the AI capabilities embedded in and our continuous efforts to improve our Dora platform. The increases in revenue from our QCDN, Kodo and Dora were partially offset by a slight decrease in revenue from our interactive live streaming products from RMB3.9 million in the three months ended March 31, 2023 to RMB3.6 million in the three months ended March 31, 2024.

APaaS

Revenue from our APaaS products increased by 29.9% from RMB64.1 million in the three months ended March 31, 2023 to RMB83.2 million in the three months ended March 31, 2024, primarily attributable to the increase in revenue generated from our video marketing, visual networking and social entertainment. Our revenue from video marketing increased as we promoted our commercialized video marketing solutions to more customers. Revenue from our visual networking also increased due to our optimization of the streaming services which attracted more customers. Revenue from social entertainment increased as we provided more functions and attracted customers with scenario-based solutions.

Others

Revenue from our other services decreased by 52.6% from RMB20.5 million in the three months ended March 31, 2023 to RMB9.7 million in the three months ended March 31, 2024, primarily due to decreases of our DPaaS business and internet data hosting services.

Cost of Sales

Our cost of sales increased by 22.8% from RMB221.4 million in the three months ended March 31, 2023 to RMB271.8 million in the three months ended March 31, 2024, primarily due to (i) the increase in server and storage costs from RMB12.0 million in the three months ended March 31, 2023 to RMB41.9 million in the three months ended March 31, 2024 mainly driven by the growth of our all-in-one server business which led to the increase of procurement costs of servers, and (ii) the increase in network and bandwidth costs from RMB147.0 million in the three months ended March 31, 2023 to RMB175.7 million in the three months ended March 31, 2024 mainly driven by the growth of our QCDN business, partially offset by (i) the decrease in internet data center rack costs from RMB27.8 million in the three months ended March 31, 2023 to RMB14.8 million in the three months ended March 31, 2024 mainly driven by our cost control efforts to restructure our infrastructure layout and relocate some of our servers, and (ii) the decrease in depreciation and amortization expenses as some of our servers have been fully depreciated.

Gross Profit and Gross Margin

Our gross profit increased by 42.5% from RMB49.5 million in the three months ended March 31, 2023 to RMB70.5 million in the three months ended March 31, 2024. Our overall gross margin increased from 18.3% in the three months ended March 31, 2023 to 20.6% in the three months ended March 31, 2024.

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

Other Income and Gains

Our other income and gains decreased by 91.5% from RMB4.4 million in the three months ended March 31, 2023 to RMB0.4 million in the three months ended March 31, 2024, primarily due to (i) the decrease in government grants of RMB1.4 million, mainly because we received one-off government grants in the three months ended March 31, 2023, and (ii) the decrease in bank interest income of RMB1.7 million as a result of moving some bank fixed deposit to current account for our business development purpose.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 21.6% from RMB35.0 million in the three months ended March 31, 2023 to RMB27.4 million in the three months ended March 31, 2024, primarily due to the decrease in staff cost from RMB26.9 million in the three months ended March 31, 2023 to RMB21.1 million in the three months ended March 31, 2024 as a result of our continuous cost control efforts. Our selling and marketing expenses as a percentage of our total revenue decrease from 12.9% in the three months ended March 31, 2023 to 8.0% in the three months ended March 31, 2024.

Administrative Expenses

Our administrative expenses decreased by 2.4% from RMB31.6 million in the three months ended March 31, 2023 to RMB30.8 million in the three months ended March 31, 2024, primarily due to (i) the decrease in consulting and other professional service fees from RMB5.8 million in the three months ended March 31, 2023 to RMB4.5 million in the three months ended March 31, 2024, and (ii) the decrease in severance payment from RMB1.2 million in the three months ended March 31, 2023 to RMB0.2 million in the three months ended March 31, 2024. Our administrative expenses as a percentage of our total revenue decrease from 11.7% in the three months ended March 31, 2023 to 9.0% in the three months ended March 31, 2024.

Research and Development Costs

Our research and development costs increased by 19.8% from RMB28.0 million in the three months ended March 31, 2023 to RMB33.6 million in the three months ended March 31, 2024, primarily due to the increase in R&D related service fees from RMB0.1 million in the three months ended March 31, 2023 to RMB3.8 million in the three months ended March 31, 2024 as a result of our engaging third parties for certain non-core R&D development projects.

Fair Value Gains on Financial Assets at Fair Value through Profit or Loss, Net

We recorded net fair value gains on financial assets measured at fair value through profit or loss of RMB4.2 million in the three months ended March 31, 2023 and net fair value losses of RMB8.9 million in the three months ended March 31, 2024, primarily due to the decreased market valuation of some of our investments during the period.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value loss on convertible redeemable preferred shares increased by 94.6% from RMB57.3 million in the three months ended March 31, 2023 to RMB111.5 million in the three months ended March 31, 2024, as a result of changes in the fair value of the convertible redeemable preferred shares issued by us to **[REDACTED]** investors as the valuation of our Company increased during the period.

Impairment Loss on Financial Assets

Our impairment loss on financial assets, mainly trade receivables, increased by 132.2% from RMB1.9 million in the three months ended March 31, 2023 to RMB4.4 million in the three months ended March 31, 2024, primarily because we made more provisions for trade receivables in the three months ended March 31, 2024 due to our business expansion and the increase in trade receivables from our Kodo business which had a slightly longer collection period.

Other Expenses

Our other expenses decreased by 64.4% from RMB0.4 million in the three months ended March 31, 2023 to RMB0.1 million in the three months ended March 31, 2024, primarily due to expenses incurred relating to an early termination of an office lease in the three months ended March 31, 2023.

Finance Costs

Our finance costs remained relatively stable at RMB2.2 million in the three months ended March 31, 2024 compared to RMB2.2 million in the three months ended March 31, 2023.

Loss for the Period

As a result of the foregoing, we recorded a loss of RMB98.3 million in the three months ended March 31, 2023 and a loss of RMB148.0 million in the three months ended March 31, 2024.

Adjusted Net Loss (non-IFRS Measure) for the Period

As a result of the foregoing, our adjusted net loss (non-IFRS measure) decreased from RMB30.7 million in the three months ended March 31, 2023 to RMB24.2 million in the three months ended March 31, 2024.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

Revenue

Our total revenue increased by 16.3% from RMB1,147.3 million in 2022 to RMB1,334.0 million in 2023, primarily due to the increase in revenue generated from our APaaS solutions attributable to more customer demands and MPaaS products attributable to the growth of QCDN business, partially offset by the decrease in revenue generated from DPaaS business due to our strategic adjustment.

MPaaS

Revenue from our MPaaS products increased by 11.4% from RMB875.0 million in 2022 to RMB974.5 million in 2023, attributable to increases in revenue from QCDN and Dora, partially offset by the decreases in revenue from Kodo and interactive live streaming products.

Specifically, the increase in revenue from our MPaaS products was mainly attributable to increases in (i) revenue from QCDN from RMB488.9 million in 2022 to RMB628.4 million in 2023 due to heightened customer demand, particularly from certain major customers which had increased business needs due to substantial viewing traffic for their videos, including Customer H, Customer-Supplier Group I and Customer-Supplier Group J, which was driven by our enhanced product offering and services catered to their particular distribution needs; and (ii) revenue from our Dora from RMB15.2 million in 2022 to RMB31.2 million in 2023 as we enhanced product offering catered to the market demand for AI capabilities. The increase in revenue from our QCDN and Dora was partially offset by decreases in (i) revenue from Kodo from RMB320.4 million in 2022 to RMB297.8 million in 2023 as a result of some Kodo customers upgraded to use our APaaS visual networking solution, as well as some of our Kodo customers reduced procurement, for example, by archiving old data and transferring it to a storage mode with less frequent access and higher latency, and (ii) revenue from interactive live streaming products from RMB50.5 million in 2022 to RMB17.2 million in 2023 as we scaled down our business with certain customers such as Customer A due to less favorable commercial terms offered, and some of our customers using interactive live streaming products switched to our APaaS solutions.

APaaS

Revenue from our APaaS solutions increased by 45.0% from RMB194.0 million in 2022 to RMB281.4 million in 2023, mainly attributable to the increase in revenue from our video marketing, and to a lesser extent, our visual networking. Our revenue from video marketing increased as we commercialized some of our video marketing solutions and generated significant revenue from solutions such as interactive marketing, and revenue from some of our existing solutions such as enterprise live streaming also increased. Revenue from our visual networking also increased due to higher market use of various cameras. We also provided more value-added service for APaaS customers, resulting in the increase in the average contribution per APaaS customer from RMB98.6 thousand in 2022 to RMB108.3 thousand in 2023. The number of our APaaS customers increased from 1,967 in 2022 to 2,597 in 2023. We had 161 new APaaS customers in 2023, who contributed to RMB39.4 million of our APaaS revenue in aggregate and with average contribution of RMB245.0 thousand in 2023.

Others

Revenue from our other services remained relatively stable at RMB78.3 million and RMB78.1 million in 2022 and 2023, respectively.

Cost of Sales

Our cost of sales increased by 14.7% from RMB918.6 million in 2022 to RMB1,053.7 million in 2023, primarily due to (i) the increase in network and bandwidth costs from RMB563.7 million in 2022 to RMB645.7 million in 2023 mainly driven by the growth of our QCDN business, (ii) the increase in server and storage costs from RMB132.6 million in 2022 to RMB173.7 million in 2023 as a result of the increase in the costs of hardware for all-in-one server business, (iii) the increase in technical service fees from RMB35.7 million in 2022 to RMB63.1 million in 2023 mainly driven by text services fees with the business expansion, and (iv) the increase in internet data center rack costs from RMB92.1 million in 2022 to RMB101.0 million in 2023 as a result of growth of our internet data hosting services as part of our other business.

Gross Profit and Gross Margin

Our gross profit increased by 22.6% from RMB228.6 million in 2022 to RMB280.2 million in 2023. Our overall gross margin increased from 19.9% in 2022 to 21.0% in 2023.

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

Other Income and Gains

Our other income and gains increased by 57.9% from RMB19.5 million in 2022 to RMB30.9 million in 2023, primarily due to (i) the increase in government grants of RMB7.2 million mainly in relation to additional input value-added tax credit; and (ii) the increase in bank interest income of RMB4.0 million, mainly because of the increase in the bank interest rate.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 5.7% from RMB147.5 million in 2022 to RMB139.1 million in 2023, primarily due to the decrease in staff cost from RMB118.3 million in 2022 to RMB104.1 million in 2023 as a result of the decrease in the number of our sales and marketing personnel from 177 as of December 31, 2022 to 137 as of December 31, 2023 as we continued to streamline our sales team structure. Our selling and marketing expenses as a percentage of our total revenue decreased from 12.9% in 2022 to 10.4% in 2023.

Administrative Expenses

Our administrative expenses increased by 22.2% from RMB111.2 million in 2022 to RMB135.8 million in 2023, primarily due to (i) the increase in staff cost from RMB50.2 million in 2022 to RMB76.3 million in 2023 mainly due to the increase in share-based payments of RMB25.1 million, and (ii) the increase in **[REDACTED]** expenses from nil in 2022 to RMB18.6 million in 2023 in relation to our proposed **[REDACTED]**, partially offset by the decrease in severance payment from RMB36.6 million in 2022 to RMB9.2 million in 2023 as less staff redundancy was made in 2023.

Research and Development Costs

Our research and development costs remained relatively stable at RMB128.0 million in 2023 compared to RMB128.7 million in 2022.

Fair Value Changes on Financial Assets at Fair Value through Profit or Loss, Net

We recorded net fair value gains on financial assets measured at fair value through profit or loss of RMB30.9 million and net fair value losses of RMB54.7 million in 2022 and 2023, respectively, primarily due to the decreased market valuation of some of our investments during the periods.

Fair Value Changes of Convertible Redeemable Preferred Shares

Our fair value loss on convertible redeemable preferred shares increased by 86.2% from RMB83.8 million in 2022 to RMB156.1 million in 2023, as a result of changes in the fair value of the convertible redeemable preferred shares issued by us to **[REDACTED]** Investors as the valuation of our Company increased.

Impairment Loss on Financial Assets

Our impairment loss on financial assets, mainly trade receivables, increased by 42.8% from RMB8.2 million in 2022 to RMB11.8 million in 2023, primarily as we made more provision for impairment loss in line with business growth.

Other Expenses

Our other expenses decreased by 56.1% from RMB3.6 million in 2022 to RMB1.6 million in 2023, primarily due to the decrease in foreign exchange loss from RMB2.5 million in 2022 to RMB1.0 million in 2023.

Finance Costs

Our finance costs remained relatively stable at RMB8.2 million in 2023 compared to RMB8.7 million in 2022.

Loss for the Year

As a result of the foregoing, we recorded a loss of RMB212.8 million in 2022 and a loss of RMB324.1 million in 2023.

Adjusted Net Loss (non-IFRS Measure) for the Year

As a result of the foregoing, our adjusted net loss (non-IFRS measure) decreased slightly from RMB118.7 million in 2022 to RMB115.6 million in 2023.

Year Ended December 31, 2022 Compared to Year Ended December 31, 2021

Revenue

Our total revenue decreased by 22.0% from RMB1,471.0 million in 2021 to RMB1,147.3 million in 2022, primarily due to the decrease in revenue generated from our MPaaS products, partially offset by the increase in revenue generated from APaaS solutions attributable to our expanding APaaS business in line with industry development and market demand. Since we officially launched APaaS business in September 2021, we strategically focused on the operations of our APaaS business. During the Track Record Period, most of our APaaS customers were upgraded from our MPaaS customers that have scenario needs.

MPaaS

Revenue from our MPaaS products decreased by 36.1% from RMB1,369.6 million in 2021 to RMB875.0 million in 2022, attributable to decreases in revenue from Kodo, QCDN, interactive live streaming products and Dora.

Specifically, (i) revenue from Kodo decreased from RMB650.8 million in 2021 to RMB320.4 million in 2022 primarily because we made a decision to scale down our all-in-one server business, in particular for Kodo private cloud for which we procure all-in-one servers for some customers, because the COVID-19 resurgence in 2022 caused a shortage in supply of certain semiconductor chips which are key components of our all-in-one servers, and therefore a serious supply chain disruption to our all-in-one server business. Specifically, the number of delivery orders for all-in-one servers decreased from 228 in 2021 to 60 in 2022; in addition, in 2022, as the demand for cloud storage was gradually saturated after a rapid growth of investment in cloud storage due to the outbreak of COVID-19 since 2020, the growth in cloud storage slowed down and our customers' demand for Kodo products decreased; (ii) revenue from our QCDN decreased from RMB585.5 million in 2021 to RMB488.9 million in 2022 as a result of the decrease in demand from some of our customers as they scaled down their spending with us. We also scaled down our business with Customer A due to less favorable commercial terms offered by Customer A as we started to put more emphasis on profitability when assessing business relationships with our customers; (iii) revenue from our interactive live streaming products decreased from RMB87.1 million in 2021 to RMB50.5 million in 2022 and revenue from Dora decreased from RMB46.3 million in 2021 to RMB15.2 million in 2022, both as a result of the decrease in revenue from some of our customers and the re-adjustment and slowdown of the audiovisual cloud service PaaS market, and as some of our customers switched to our APaaS solutions.

APaaS

Revenue from our APaaS solutions increased by 679.1% from RMB24.9 million in 2021 to RMB194.0 million in 2022, attributable to increases in revenue from all scenarios. The increase in revenue from our APaaS was primarily because (i) the number of our APaaS customers increased from 1,319 in 2021 to 1,967 in 2022, and (ii) we provided more value-added service for APaaS customers, resulting in the increase in the average contribution per APaaS customer from RMB18.9 thousand in 2021 to RMB98.6 thousand in 2022. Our APaaS business was largely unaffected by the prolonged resurgence of COVID-19 in 2022 and the shortage in supply of certain semiconductor chips which are key components of our all-in-one servers we procured for our customers since our APaaS business was at an early stage of development and therefore registered significant growth and it did not involve any all-in-one servers provided to our customers. A large number of our APaaS customers were MPaaS customers attracted by our APaaS solutions, while some of our APaaS customers are new customers attracted by our one-stop scenario-based audiovisual solutions. We had 53 and 69 new APaaS customers in 2021 and 2022, respectively. The average contribution of our new APaaS customers amounted to RMB8.1 thousand in 2021 and RMB138.7 thousand in 2022. Our APaaS business was at the ramp-up stage in 2021 and after the ramp-up period, we provided more value-added services to our new APaaS customers. Our new APaaS customers in aggregate contributed to RMB9.6 million of our APaaS revenue in 2022. APaaS customers upgraded from MPaaS may continue to use our MPaaS products based on their own demand. 159 and 322 APaaS customers upgraded from MPaaS continued to use our MPaaS products in 2021 and 2022, respectively.

Others

Revenue from our other services remained relatively stable at RMB78.3 million in 2022 compared to RMB76.5 million in 2021.

Cost of Sales

Our cost of sales decreased by 22.1% from RMB1,179.8 million in 2021 to RMB918.6 million in 2022, primarily due to (i) the decrease in server and storage costs from RMB360.1 million in 2021 to RMB132.6 million in 2022 mainly in line with the decrease in our revenue from MPaaS particularly revenue from Kodo, and (ii) the decrease in network and bandwidth costs from RMB622.5 million in 2021 to RMB563.7 million in 2022 mainly driven by the decrease in our revenue from MPaaS, partially offset by the increase in Internet data center rack costs from RMB60.2 million in 2021 to RMB92.1 million in 2022 mainly in relation to the increase in internet data hosting services which is one of our other cloud services.

Gross Profit and Gross Margin

Our gross profit decreased by 21.5% from RMB291.2 million in 2021 to RMB228.6 million in 2022. Our overall gross margin remained relatively stable at 19.8% and 19.9% in 2021 and 2022, respectively.

Our gross margin of MPaaS remained relatively stable at 17.3% in 2022 compared to 17.9% in 2021. Our gross margin of APaaS increased from 26.1% in 2021 to 28.3% in 2022 primarily because after the initial ramp-up period, we were able to meet higher demand from the APaaS market and provide value-added services, including packaged services and a low-code platform.

Other Income and Gains

Our other income and gains increased by 10.3% from RMB17.7 million in 2021 to RMB19.5 million in 2022, primarily due to the increase in the bank interest income of RMB0.9 million, mainly because of the increase in our bank deposit in 2022.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 23.6% from RMB193.0 million in 2021 to RMB147.5 million in 2022, primarily due to (i) the decrease in our staff cost from RMB138.9 million in 2021 to RMB118.3 million in 2022 as a result of the decrease in the number of our sales and marketing personnel from 281 as of December 31, 2021 to 177 as of December 31, 2022 attributable to our cost control efforts and the resulted personnel adjustment, during which we made redundant of 84 staff members as a result of reduction of sales team members for the DPaaS and Kodo businesses and sales team restructuring, and (ii) the decrease in our promotional expenses from RMB26.6 million in 2021 to RMB11.3 million in 2022 and the decrease in our office and travel expenses from RMB15.5 million in 2021 to RMB8.2 million in 2022 as we held fewer promotional activities and had less travelling attributable to the COVID-19 resurgence in China in 2022.

Administrative Expenses

Our administrative expenses decreased by 7.0% from RMB119.5 million in 2021 to RMB111.2 million in 2022, primarily due to (i) the decrease in consulting and other professional service expenses from RMB40.8 million in 2021 to RMB12.1 million in 2022 mainly in relation to our previous listing attempt on NASDAQ in 2021, and (ii) the decrease in staff cost from RMB56.8 million in 2021 to RMB50.2 million in 2022 as a result of the decrease in the number of our administrative personnel from 69 as of December 31, 2021 to 62 as of December 31, 2022, partially offset by the increase in severance payment from RMB10.1 million in 2021 to RMB36.6 million in 2022 because we downsized our team in 2022 in a cost control effort.

Research and Development Costs

Our research and development costs decreased by 10.2% from RMB143.4 million in 2021 to RMB128.7 million in 2022, primarily due to the decrease in staff cost from RMB123.9 million in 2021 to RMB116.2 million in 2022 as a result of (i) the decrease in the number of our research and development personnel from 254 as of December 31, 2021 to 172 as of December 31, 2022 as we made redundant of 76 staff members as a result of reduction of R&D team members for the DPaaS business and to optimize our R&D structure, and (ii) the decrease in R&D related service fees from RMB7.2 million to RMB1.5 million.

Fair Value Gains on Financial Assets at Fair Value through Profit or Loss, Net

We recorded net fair value gains on financial assets measured at fair value through profit or loss of RMB37.2 million and RMB30.9 million in 2021 and 2022, primarily due to the increased market valuation of some of our investments.

Fair Value Changes of Convertible Redeemable Preferred Shares

We recorded a fair value loss of convertible redeemable preferred shares of RMB96.5 million in 2021 and RMB83.8 million in 2022, as a result of changes in the fair value of the convertible redeemable preferred shares issued by us to **[REDACTED]** Investors.

Impairment Loss on Financial Assets

Our impairment loss on financial assets, mainly trade receivables, increased by 72.9% from RMB4.8 million in 2021 to RMB8.2 million in 2022, primarily because we made more provisions for trade receivables in 2022.

Other Expenses

Our other expenses increased by 36.7% from RMB2.7 million in 2021 to RMB3.6 million in 2022, primarily due to the increase in loss from foreign exchange differences of RMB2.3 million.

Finance Costs

Our finance costs increased by 44.7% from RMB6.0 million in 2021 to RMB8.7 million in 2022, primarily due to the increase of RMB3.5 million in interest expenses on bank and other loans further attributable to the increase in our bank borrowings in 2022.

Loss for the Year

As a result of the foregoing, we recorded a loss of RMB219.7 million in 2021 and a loss of RMB212.8 million in 2022.

Adjusted Net Loss (non-IFRS Measure) for the Year

As a result of the foregoing, our adjusted net loss (non-IFRS measure) increased from RMB105.7 million in 2021 to RMB118.7 million in 2022.

DISCUSSION OF CERTAIN KEY CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Property, Plant and Equipment

Our property, plant and equipment are comprised of (i) servers and computer equipment, (ii) leasehold improvements and (iii) office equipment and furniture.

The following table sets forth the key components of our property, plant and equipment as of the dates indicated:

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Servers and computer equipment	224,048	167,275	124,017	115,699
Leasehold improvements	5,516	3,262	2,076	1,555
Office equipment and furniture	1,557	1,274	858	1,133
Total	**231,121**	**171,811**	**126,951**	**118,387**

Our property, plant and equipment decreased from RMB231.1 million as of December 31, 2021 to RMB171.8 million as of December 31, 2022, further decreased to RMB127.0 million as of December 31, 2023 and further to RMB118.4 million as of March 31, 2024, primarily due to the depreciation charges during the relevant periods.

Right-of-use Assets

Our right-of-use assets are comprised of (i) buildings, (ii) servers and computer equipment, and (iii) office equipment and furniture.

The following table sets forth the key components of our right-of-use assets as of the dates indicated:

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Buildings	28,516	19,500	10,177	33,657
Servers and computer equipment	12,826	5,879	2,094	251
Office equipment and furniture	1,807	734	398	77
Total	**43,149**	**26,113**	**12,669**	**33,985**

Our right-of-use assets decreased from RMB43.1 million as of December 31, 2021 to RMB26.1 million as of December 31, 2022, and further to RMB12.7 million as of December 31, 2023, primarily due to the depreciation charges during the relevant periods. Our right-of-use assets increased from RMB12.7 million as of December 31, 2023 to RMB34.0 million as of March 31, 2024, primarily because we renewed certain lease agreement in the period.

Financial Assets at FVTPL

Our financial assets at FVTPL are comprised of investments in unlisted entities. Our financial assets at FVTPL increased from RMB121.7 million as of December 31, 2021 to RMB152.9 million as of December 31, 2022, but decreased to RMB98.2 million as of December 31, 2023 and further decreased to RMB89.4 million as of March 31, 2024, primarily due to the fluctuation in the fair value of investments in unlisted entities.

We monitor and control the investment risks associated with our portfolio of investments in unlisted entities with a comprehensive set of internal policies and guidelines. Our corporate strategy management center is responsible for proposing, analyzing and evaluating potential investment in such unlisted entities. Our corporate strategy management center is also responsible for monitoring our investments. There are members from our Board and senior management, as well as our finance department, who have extensive experience in managing the financial aspects of companies' operations. In particular, Mr. Han Bin, our chief financial officer, has around 15 years of experience in capital market and investment management. Mr. Zhang Yuanhao, head of our finance department, has over 10 years of experience in the finance industry. Our Board determines our investment strategies and strives to ensure our investment in unlisted entities complies with relevant laws and regulations. Prior to making any material investments in unlisted entities or modifying our existing investment portfolio, the proposal shall be reviewed and approved by our Board.

Our investment strategy related to such unlisted entities focuses on controlling the financial risks, while generating desirable investment returns. To control our risk exposure, we make investment decisions related to unlisted entities after thoroughly considering a number of factors, including but not limited to macro-economic environment, general market conditions, financial performance of the unlisted entities, the expected profit or potential loss of the investment, and our own working capital conditions.

Upon the **[REDACTED]**, we intend to continue our investments in unlisted entities strictly in accordance with our internal policies and guidelines, and to the extent that an investment in unlisted entities is a notifiable transaction under Chapter 14 of the Listing Rules, we will comply with the relevant requirements under Chapter 14 of the Listing Rules, including the announcement, reporting and/or shareholders' approval requirements, if applicable.

Inventories

Our inventories consist of (i) hard disks and fittings and (ii) servers for sale. The value of our inventories accounted for 6.4%, 7.1%, 4.1% and 1.2% of our total current assets as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively.

The following table sets forth a summary of our inventory balances as of the dates indicated:

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hard disks and fittings	24,398	23,795	5,628	4,324
Servers for sale	19,565	15,293	20,163	3,199
Total	**43,963**	**39,088**	**25,791**	**7,523**

Our inventory decreased from RMB44.0 million as of December 31, 2021 to RMB39.1 million as of December 31, 2022, further to RMB25.8 million as of December 31, 2023 and further to RMB7.5 million as of March 31, 2024, mainly because we sold certain inventories.

The following table sets forth an aging analysis of our inventory as of the dates indicated:

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	43,963	33,955	19,790	2,036
1-2 years	–	5,133	4,890	2,238
2-3 years	–	–	1,111	3,249
	43,963	39,088	25,791	7,523

As of the Latest Practicable Date, RMB1.3 million, or 17.1% of our inventories as of March 31, 2024, had been used, consumed or sold subsequent to March 31, 2024. We believe there is no material recoverability issue for our inventories and sufficient provision has been made because (i) net realizable value of our inventories exceeded cost of inventories as of the end of each year during the Track Record Period, (ii) the prices at which we acquired the inventories were at or below market prices of the inventories as of the Latest Practicable Date and (iii) we expected to sell half of our inventory as of March 31, 2024 in the remaining of 2024.

The following table sets forth our inventory turnover days for the periods indicated.

	Year ended December 31,			Three months ended March 31,
	2021	2022	2023	2024
Inventory turnover days(1)	8	16	11	6

Note:

(1) Calculated based on the average balance of inventory divided by the cost of sales for the relevant year multiplied by the number of days in the relevant period. Average balance of inventory is calculated as the sum of the beginning balance and ending balance for the relevant period divided by two.

Our inventory turnover days are relatively short as we are primarily a PaaS provider and inventory is not significant in our operation.

Trade and Notes Receivables

Trade and notes receivables represent outstanding amounts due from our customers for our products and services performed in the ordinary course of business. A trade and notes receivable is recorded when we have an unconditional right to receive consideration. Trade and notes receivables are generally due for settlement within one year and therefore are all classified as current. Notes receivables are bank acceptance bills aged within six months.

Our trade and notes receivables decreased from RMB260.6 million as of December 31, 2021 to RMB191.2 million as of December 31, 2022, primarily due to the decrease in revenue derived from our MPaaS. Our trade and notes receivables increased from RMB191.2 million as of December 31, 2022 to RMB285.1 million as of December 31, 2023 and further to RMB305.2 million as of March 31, 2024, primarily due to the expansion of our business and the increase in our revenue, partially attributable to the increase in the proportion of revenue from the Kodo business to which our Company granted a slightly longer credit period. The fluctuation in our trade and notes receivables was generally in line with the changes in our revenue during the Track Record Period. We generally grant a credit period of 30 to 90 days to our customers. Therefore, our balance of trade and notes receivables at the end of each reporting period generally corresponds to the revenue earned within the 90 days before. We granted a credit period of up to 180 days to certain large customers with strong bargaining power for sizable Kodo projects. For example, two of our top five customers in the three months ended March 31, 2024, Customer N and Customer-Supplier Group O, were granted a credit period of 180 days.

The following table sets forth our trade and notes receivables as of the dates indicated:

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	273,258	211,164	305,719	333,431
Notes receivables	–	–	3,400	–
Less: Impairment	(12,673)	(19,921)	(24,063)	(28,182)
	260,585	191,243	285,056	305,249

The loss allowance for impairment of trade and notes receivables is accounted for as impairment losses on financial assets in the Consolidated Statements of Profit and Loss, amounting to RMB4.3 million, RMB7.2 million, RMB9.7 million, and RMB4.1 million in 2021, 2022, 2023, and the three months ended March 31, 2024, respectively. The loss allowance for impairment of trade and notes receivables representing 0.3%, 0.6%, 0.7%, and 1.2% of our revenue in 2021, 2022, 2023, and the three months ended March 31, 2024, respectively, which did not have a material impact on the Consolidated Statements of Profit and Loss during the Track Record Period.

We normally allow a credit period of 30 to 90 days to our customers. The following table sets forth an aging analysis of our trade and notes receivables based on the invoice date and net of loss allowance as of the dates indicated:

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 90 days	187,746	153,835	214,309	232,148
90 days - 6 months	66,626	24,879	54,727	48,817
6-12 months	5,313	9,858	14,497	23,227
1-2 years	900	2,671	1,523	1,057
	260,585	191,243	285,056	305,249

We regularly review our customers' payment history and also review the aging of our trade and notes receivables on a monthly basis. We believe our credit control policy is appropriate.

The following table sets forth our trade and notes receivables turnover days for the years indicated:

	Year ended December 31,			Three months ended March 31,
	2021	2022	2023	2024
Trade and notes receivables turnover days[(1)]	55	77	71	84

Note:

(1) Calculated based on the average of the beginning and ending trade and notes receivables balances (before impairment) divided by total revenue for the relevant period and multiplied by the number of days in the relevant period.

Our trade and notes receivables turnover days increased from 55 days in 2021 and to 77 days in 2022, primarily because of the relatively large beginning balance of our trade receivables in 2022 as well as some of our customers requested longer credit term during the COVID-19 pandemic. Our trade and notes receivables turnover days remained relatively stable at 71 days in 2023. Our trade and notes receivables turnover days increased from 71 days in 2023 to 84 days in the three months ended March 31, 2024, primarily due to our business expansion and the increase in contribution from our Kodo business which had a slightly longer collection period.

As of the Latest Practicable Date, RMB212.0 million, or 63.6% of our total trade receivables before impairment as of March 31, 2024, had been subsequently settled.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables consist of (i) prepayments, (ii) prepaid **[REDACTED]** expenses, (iii) purchase rebates receivable, (iv) deferred assets, (v) recoverable value-added tax, and (vi) deposits and other receivables. As of December 31, 2021, 2022, 2023 and March 31, 2024, our prepayments, deposits and other receivables amounted to RMB31.0 million, RMB19.6 million, RMB28.4 million and RMB20.9 million, respectively.

The following table sets forth the key components of our prepayments, deposits and other receivables as of the dates indicated.

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments	13,908	5,826	11,105	8,831
Prepaid **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Purchase rebates receivable	9,682	1,531	2,248	1,558
Deferred assets	232	1,523	1,530	2,090
Recoverable value-added tax	–	2,390	497	494
Deposits and other receivables	7,128	8,364	8,043	5,501
Total	**30,950**	**19,634**	**28,448**	**20,878**

Prepayments decreased from RMB13.9 million as of December 31, 2021 to RMB5.8 million as of December 31, 2022, primarily due to the decrease in the prepayments for purchases of servers. Prepayments increased from RMB5.8 million as of December 31, 2022 to RMB11.1 million as of December 31, 2023, primarily due to the increase in prepayment for software procurement. Prepayments decreased from RMB11.1 million as of December 31, 2023 to RMB8.8 million as of March 31, 2024, primarily due to the decrease in the prepayments for purchases of servers.

Our purchase rebates receivable decreased from RMB9.7 million as of December 31, 2021 to RMB1.5 million as of December 31, 2022 as we made a decision to scale down business associated with hardware. Our purchase rebates receivable slightly increased from RMB1.5 million as of December 31, 2022 to RMB2.2 million as of December 31, 2023, primarily due to the increase in network and bandwidth procurement. Our purchase rebates receivable decreased from RMB2.2 million as of December 31, 2023 to RMB1.6 million as of March 31, 2024, primarily due to the settlement of purchase rebates by suppliers.

Our deferred assets amounted to RMB0.2 million, RMB1.5 million and RMB1.5 million as of December 31, 2021, 2022, and 2023, respectively. Our deferred assets remained relatively stable at RMB1.5 million as of December 31, 2022 and 2023. Our deferred assets increased from RMB1.5 million as of December 31, 2023 to RMB2.1 million as of March 31, 2024.

Our recoverable value-added tax increased from nil as of December 31, 2021 to RMB2.4 million as of December 31, 2022 due to the decrease in our revenue in 2022. Our recoverable value-added tax decreased from RMB2.4 million as of December 31, 2022 to RMB0.5 million as of December 31, 2023 due to the utilization of value-added tax deductibles during the year. Our recoverable value-added tax remained relatively stable at RMB0.5 million as of March 31, 2024.

Deposits and other receivables increased from RMB7.1 million as of December 31, 2021 to RMB8.4 million as of December 31, 2022 primarily due to the increase in rental deposits. Deposits and other receivables slightly decreased from RMB8.4 million as of December 31, 2022 to RMB8.0 million as of December 31, 2023. Deposits and other receivables decreased from RMB8.0 million as of December 31, 2023 to RMB5.5 million as of March 31, 2024, primarily because a deposit of RMB2.0 million was collected in the three months ended March 31, 2024.

Trade Payables

Trade payables remain relatively stable at RMB148.7 million as of December 31, 2021 compared to RMB144.1 million as of December 31, 2022. Trade payables increased from RMB144.1 million as of December 31, 2022 to RMB231.0 million as of December 31, 2023. Trade payables remained relatively stable at RMB230.4 million as of March 31, 2024. See Note 23 to the Accountant's Report in Appendix I for further details.

The following table sets forth an aging analysis of our trade payables as of the dates indicated:

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 6 months	148,507	142,317	226,506	223,718
6-12 months	–	1,419	3,277	5,289
Over 1 year	179	322	1,173	1,371
	148,686	144,058	230,956	230,378

The following table sets forth the turnover days of our trade payables for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2021	**2022**	**2023**	**2024**
Trade payables turnover days[(1)]	44	58	65	76

Note:

(1) Calculated based on the average of the beginning and ending trade payables balances, divided by total cost of sales for the relevant period, multiplied by the number of days in the relevant period.

Our trade payables turnover days increased from 44 days in 2021 to 58 days in 2022, primarily because our cost of sales decreased in 2022 while trade payables remained stable primarily because of our improved cash management. Our trade payables turnover days increased from 58 days in 2022 to 65 days in 2023 and further to 76 days in the three months ended March 31, 2024 because of our better utilization of credit term provided by suppliers.

As of the Latest Practicable Date, RMB179.0 million, or approximately 77.7% of our trade payables as of March 31, 2024 had been settled.

Other Payables and Accruals

Our other payables and accruals consist of (i) payroll payables, (ii) accrued expenses, (iii) accrued **[REDACTED]** expenses, (iv) other tax payables, (v) payable for repurchase of vested share options, and (vi) deposits and other payables. As of December 31, 2021, 2022, 2023 and March 31, 2024, our other payables and accruals amounted to RMB85.7 million, RMB72.0 million, RMB70.2 million and RMB78.0 million, respectively.

The following table sets forth the key components of our other payables and accruals as of the dates indicated:

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Payroll payables	66,753	55,975	50,098	57,641
Accrued expenses	11,532	9,263	11,285	9,336
Accrued **[REDACTED]** expenses	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Other tax payables	6,470	2,594	3,342	3,723
Repurchase of vested share options	–	2,259	–	–
Deposits	221	747	326	326
Other payables	741	1,198	1,074	1,124
Total	**85,717**	**72,036**	**70,237**	**77,967**

Payroll payables decreased from RMB66.8 million as of December 31, 2021 to RMB56.0 million as of December 31, 2022 primarily due to the decrease in the number of our employees from 631 as of December 31, 2021 to 438 as of December 31, 2022. Payroll payables decreased from RMB56.0 million as of December 31, 2022 to RMB50.1 million as of December 31, 2023 primarily because of the further decrease in the number of employees to 390 as of December 31, 2023 as well as decrease in bonus payables. Payroll payables increased from RMB50.1 million as of December 31, 2023 to RMB57.6 million as of March 31, 2024, primarily due to the increase in bonus payable as of March 31, 2024.

Accrued expenses primarily include payables for consulting and other professional service fees, marketing expenses, office expenses and staff reimbursements. Accrued expenses decreased from RMB11.5 million as of December 31, 2021 to RMB9.3 million as of December 31, 2022 primarily due to the decrease in payables for consulting and other professional service fees, marketing expenses and staff reimbursements for travelling expenses attributable to the COVID-19 pandemic. Accrued expenses increased from RMB9.3 million as of December 31, 2022 to RMB11.3 million as of December 31, 2023, primarily due to the increase in payables for marketing expenses. Accrued expenses decreased from RMB11.3 million as of December 31, 2023 to RMB9.3 million as of March 31, 2024 primarily due to the settlement of consulting and other professional service fees in the three months ended March 31, 2024.

Accrued **[REDACTED]** expenses in relation to our **[REDACTED]** amounted to **[REDACTED]**, **[REDACTED]**, **[REDACTED]** and **[REDACTED]** as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively.

Other tax payables primarily include individual income tax and value-added tax payables. Other tax payables decreased from RMB6.5 million as of December 31, 2021 to RMB2.6 million as of December 31, 2022 primarily due to the decrease in value-added tax payables attributable to the decrease in our revenue. Other tax payables increased from RMB2.6 million as of December 31, 2022 to RMB3.3 million as of December 31, 2023 and further to RMB3.7 million as of March 31, 2024 primarily due to the increase in value-added tax payables attributable to the increase in our revenue.

Deposits and other payables primarily include deposit payables. Deposits and other payables increased from RMB1.0 million as of December 31, 2021 to RMB1.9 million as of December 31, 2022 primarily due to the increase in customer deposits. Deposits and other payables decreased from RMB1.9 million as of December 31, 2022 to RMB1.4 million as of December 31, 2023 primarily due to the repayment of deposits to suppliers. Deposits and other payables remained stable at RMB1.5 million as of March 31, 2024.

Contract Liabilities

Our contract liabilities represent the consideration we received before the related revenue was recognized under our contract agreements with customers.

We recorded contract liabilities of RMB125.9 million, RMB105.4 million, RMB115.2 million and RMB107.4 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively, generally in line with the changes in revenue in the same periods.

As of the Latest Practicable Date, RMB48.9 million, or approximately 45.6% of our contract liabilities as of March 31, 2024 had been recognized as revenue.

RELATED PARTY TRANSACTIONS

Set out below are our balances with related parties as of the dates indicated.

Outstanding balances with related parties

	As of December 31,			As of March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due from related parties:				
Trade				
Entities controlled by the ultimate holding company of the investor who has significant influence over our Company	8,669	5,242	4,293	5,567
Entities which are significantly influenced by our Group	5,570	5,639	5,600	5,600
Entity which is significantly influenced by Mr. Xu[1]	295	1,672	2,188	2,199
Impairment	(604)	(1,589)	(3,652)	(3,929)
	13,930	10,964	8,429	9,437
Non-trade				
Entity which is significantly influenced by our Group[2]	2,000	2,000	–	–
Due to related parties:				
Trade				
Entities controlled by an investor who has significant influence over our Company	115,768	42,726	19,755	15,515
Entities which are significantly influenced by our Group	10,123	11,453	11,604	11,246
	125,891	54,179	31,359	26,761

Notes:

(1) The entity is Beijing Kongji Technology Co., Ltd. ("**Beijing Kongji**"), a start-up company invested by Mr. Xu. Mr. Xu controls 16.11% of the equity interest of Beijing Kongji and acts as one of its five directors. In accordance with accounting rules, Beijing Kongji is significantly influenced by our shareholder and executive Director, Mr. Xu.

(2) The entity is Beijing Taiwu Network Technology Co., Ltd. ("**Beijing Taiwu**"). Qiniu Information holds 30% of the equity interest of Beijing Taiwu. On March 25, 2020, Qiniu Information provided a loan of RMB2.0 million which is unsecured, interest-free and repayable on demand to Beijing Taiwu to support its business operation. Beijing Taiwu repaid the loan in October 2023.

We enter into transactions with our related parties from time to time. Our Directors are of the view that each of the related party transactions set out in Note 35 to the Accountants' Report in Appendix I was conducted in the ordinary course of business on an arm's length basis and with normal commercial terms between the relevant parties. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or cause our historical results to become non-reflective of our future performance.

INDEBTEDNESS AND CONTINGENT LIABILITIES

The following table sets forth the components of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current					
Interest-bearing bank and other borrowings	115,111	175,514	201,890	213,793	188,086
Convertible redeemable preferred shares	2,672,314	3,006,655	3,215,039	3,332,247	3,360,538
Lease liabilities	14,870	11,929	7,537	11,754	12,743
	2,802,295	3,194,098	3,424,466	3,557,794	3,561,367
Non-current					
Interest-bearing bank and other borrowings	19,004	3,290	–	–	–
Lease liabilities	13,984	7,011	2,508	21,849	18,567
	32,988	10,301	2,508	21,849	18,567
Total	**2,835,283**	**3,204,399**	**3,426,974**	**3,579,643**	**3,579,934**

Interest-bearing Bank and Other Borrowings

The following table sets forth a breakdown of our interest-bearing bank and other borrowings as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2021	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current					
Secured bank loans	50,000	130,000	198,600	213,793	188,086
Unsecured bank loans	50,000	29,800	–	–	–
Secured current portion of long-term other loan	15,111	15,714	3,290	–	–
Total	**115,111**	**175,514**	**201,890**	**213,793**	**188,086**
Non-current					
Secured other loan	19,004	3,290	–	–	–
Total	**134,115**	**178,804**	**201,890**	**213,793**	**188,086**

Interest-bearing bank and other borrowings mainly arise from secured and unsecured bank loans and secured borrowings, which are primarily used for our day-to-day operations and to manage our cashflow. Loan agreements in respect of our borrowings from commercial banks in the PRC during the Track Record Period contained standard covenants that restricted us on, among others, the use of borrowed funds and we are required to notify and/or obtain prior written consent from the banks upon, among others, occurrence of merger, acquisition, split-up, investment in a joint venture, change of business scope, sale or disposal of material assets, corporate reorganization, significant external investments, undertaking of additional debt financing, material litigation or winding-up or bankruptcy or reduction in registered capital. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, we had not breached any material covenant under the loan agreements, nor defaulted on any loan repayment. Our bank loans increased during the Track Record Period as we intended to take advantage of the low bank borrowing interest rate offered to us. Our secured other loan represents our finance lease obligations in relation to our servers.

As of the Latest Practicable Date, we had unutilized banking facilities of RMB223.6 million. Except for incurring additional bank borrowings from time to time in the ordinary course of business, we currently have no material external debt financing plan before or shortly after the **[REDACTED]**.

Convertible Redeemable Preferred Shares

Our convertible redeemable preferred shares amounted to RMB2,672.3 million, RMB3,006.7 million, RMB3,215.0 million, RMB3,332.2 million and RMB3,360.5 million as of December 31, 2021, 2022, 2023, March 31, 2024 and July 31, 2024, respectively. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the **[REDACTED]**, after which we will return to a net assets position from a net liabilities position. For further details on the convertible redeemable preferred shares, see Note 28 to the Accountants' Report in Appendix I to this document.

Lease Liabilities

We lease properties to operate our business and our lease liabilities relate to the lease of our office premises and servers. Our lease liabilities decreased from RMB28.9 million as of December 31, 2021 to RMB18.9 million as of December 31, 2022, and further decreased to RMB10.0 million as of December 31, 2023, primarily attributable to the lease payments made. Our lease liabilities increased from RMB10.0 million as of December 31, 2023 to RMB33.6 million as of March 31, 2024, primarily because we renewed certain lease agreement during the period. Our lease liabilities decreased from RMB33.6 million as of March 31, 2024 to RMB31.3 million as of July 31, 2024 primarily due to the lease payments made.

The following table sets forth our lease liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2021	**2022**	**2023**	**2024**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current	14,870	11,929	7,537	11,754	12,743
Non-current	13,984	7,011	2,508	21,849	18,567
Total	**28,854**	**18,940**	**10,045**	**33,603**	**31,310**

Except as disclosed above and apart from normal trade and other payables, and due to related parties, as of July 31, 2024, being the latest practicable date for determining our indebtedness, we did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, hire purchase commitments, guarantees or contingent liabilities.

Since July 31, 2024 and up to the date of this document, there has not been any material change in our indebtedness and contingent liabilities, and our Directors confirm that we did not have any external financing plans as of the Latest Practicable Date. Our Directors do not foresee any potential difficulty in obtaining bank facilities should the need arise.

Contingent Liabilities

As of the Latest Practicable Date, we did not have any material contingent liabilities.

Net Current Liabilities

The following table sets forth selected information from our current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31,	As of July 31,
	2021	2022	2023	2024	2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)
Current assets					
Inventories	43,963	39,088	25,791	7,523	6,797
Trade and notes receivables	260,585	191,243	285,056	305,249	405,039
Prepayments, deposits and other receivables	30,950	19,634	28,448	20,878	19,529
Financial assets at fair value through profit or loss	–	–	50	50	–
Amounts due from related parties	15,930	12,964	8,429	9,437	8,164
Time deposits	51,187	101,941	107,822	36,879	58,770
Restricted cash	638	1,016	–	–	–
Cash and cash equivalents	285,523	187,404	166,378	236,562	147,791
Total current assets	688,776	553,290	621,974	616,578	646,090
Current liabilities					
Trade payables	148,686	144,058	230,956	230,378	292,641
Other payables and accruals	85,717	72,036	70,237	77,967	75,919
Deferred revenue	1,663	228	90	90	90
Contract liabilities	125,938	105,360	115,225	107,375	108,362
Interest-bearing bank and other borrowings	115,111	175,514	201,890	213,793	188,086
Convertible redeemable preferred shares	2,672,314	3,006,655	3,215,039	3,332,247	3,360,538
Amounts due to related parties	125,891	54,179	31,359	26,761	27,831
Lease liabilities	14,870	11,929	7,537	11,754	12,743
Total current liabilities	3,290,190	3,569,959	3,872,333	4,000,365	4,066,210
Net current liabilities	(2,601,414)	(3,016,669)	(3,250,359)	(3,383,787)	(3,420,120)

We had net current liabilities of RMB2,601.4 million, RMB3,016.7 million, RMB3,250.4 million, RMB3,383.8 million and RMB3,420.1 million as of December 31, 2021, 2022, 2023, March 31, 2024 and July 31, 2024, respectively.

Our net current liabilities as of December 31, 2021, 2022, 2023, March 31, 2024 and July 31, 2024 were primarily due to convertible redeemable preferred shares. Convertible redeemable preferred shares amounted to RMB2,672.3 million, RMB3,006.7 million, RMB3,215.0 million, RMB3,332.2 million and RMB3,360.5 million as of December 31, 2021, 2022, 2023, March 31, 2024 and July 31, 2024, respectively. Our convertible redeemable preferred shares will be re-designated from liabilities to equity as a result of the automatic conversion into ordinary shares upon the **[REDACTED]** and we will return to a net assets position from a net liabilities position. For further details of the convertible redeemable preferred shares, see Note 28 to the Accountants' Report in Appendix I to this document.

We believe that our net current liabilities position will improve with net cash inflows generated from operating activities with the growth of our business. We also plan to improve our net current liabilities position by: (i) leveraging our industry leading position to negotiate for more favorable contractual terms with our customers and suppliers, (ii) continuing to closely monitor our liquidity position to ensure that it is in line with our business operations and expansion plan, (iii) properly managing the level of our cash and current assets to ensure the availability of sufficient cash flows to meet any planned or unexpected cash requirements arising from our operations, (iv) better managing the collection of our accounts receivables by setting up an accounts receivables team in our finance department which will be responsible for reconciling and collecting receivables from our customers, and (v) assigning designated personnel to liaise with different customers, and performing monthly reconciliation of receivables and follow up with the customers.

Our net current liabilities increased from RMB3,383.8 million as of March 31, 2024 to RMB3,420.1 million as of July 31, 2024, primarily due to a decrease of RMB88.8 million in cash and cash equivalents, (ii) an increase of trade payables of RMB62.3 million, and (iii) an increase in convertible redeemable preferred shares of RMB28.3 million, partially offset by (i) an increase of trade and notes receivables of RMB99.8 million, and (ii) a decrease of RMB25.7 million in interest-bearing bank and other borrowings.

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

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

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

LIQUIDITY AND CAPITAL RESOURCES

We have historically funded our cash requirements principally from **[REDACTED]** from our business operations, bank borrowings, issuance of preferred shares. After the **[REDACTED]**, we intend to finance our future capital requirements through cash generated from our business operations and bank borrowings, together with the **[REDACTED]** from the **[REDACTED]**. We do not anticipate any changes to the availability of financing to fund our operations in the future.

We had cash and cash equivalents of RMB285.5 million, RMB187.4 million, RMB166.4 million and RMB236.6 million as of December 31, 2021, 2022, 2023 and March 31, 2024, respectively.

Consolidated Statements of Cash Flows

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

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

Net Cash Flows From/(Used In) Operating Activities

We derive our cash inflows from operations principally from the receipts in respect of the sales of our products and services. Our cash outflows from operations are principally payments for cost of sales including network and bandwidth costs, server and storage costs, selling and marketing expenses, administrative expenses and research and development costs.

Cash generated from operations reflects our profit or loss before income tax, adjusted for (i) the cash flow effects of certain items, including impairment losses on financial assets, depreciation of property, plant and equipment and right-of-use assets, share-based payments, finance costs, bank interest income, gain or losses on fair value changes of convertible redeemable preferred shares and financial assets at fair value through profit or loss, and (ii) the effects of changes in our working capital.

We have made improvements in managing operating cashflows during the Track Record Period. Our net cashflows used in operating activities decreased from RMB91.5 million in 2021 to RMB71.3 million in 2022 and decreased significantly to RMB3.8 million in 2023. We plan to focus on developing our business in China, and will expand overseas in a timely manner. See paragraph headed "Business – Our Development Strategies – Accelerate overseas business expansion to create new business growth points" in this document for further details. We plan to further improve our profitability by acquiring more new customers and upgrade more existing customers to use APaaS solutions with an aim to raise customer contribution, in order to expand our market share and gain market reputation. In addition, we conducted a general review of the industry landscape and our customer portfolio to identify those that may have less favourable commercial terms or a negative impact on our profit margin. We intend to negotiate an improvement in commercial terms with them or to scale down the cooperation with these customers and instead focus our resources on customers which contribute to the improvement of our profitability. During the Track Record Period, we have engaged in friendly negotiation with certain customers with less favourable commercial terms and increased pricing of our products or solutions offered to them. For those that we failed to come to a consensus, we gradually scaled down/terminated such business relationship if we are of the view that the commercial terms are not acceptable to us but we would maintain close contact with such customers to explore future business opportunities. To improve and refine our management of working capital, we will continue to leverage our industry leading position to negotiate for more favorable contractual terms with our customers and suppliers. We also performed regular credit review on our customers and would reduce the credit terms granted to those who have been assessed as having relatively high risk of bad debts. We expect to continue to improve our operating cashflows with the improvement in our operational performance and profitability and our cashflow management measures.

In the three months ended March 31, 2024, our net cash used in operating activities amounted to RMB6.3 million. During this period, our operating cash outflows before working capital changes were RMB2.2 million. Our cashflow was further negatively affected by working capital adjustments primarily including (i) an increase in trade and notes receivables of RMB24.3 million, (ii) a decrease in contract liabilities of RMB7.9 million, and (iii) a decrease in amounts due to related parties of RMB4.6 million. This was partially offset by (i) a decrease in inventories of RMB18.4 million, (ii) a decrease in prepayments, deposits and other receivables of RMB8.0 million and (iii) an increase in other payables and accruals of RMB7.3 million.

In 2023, our net cash used in operating activities amounted to RMB3.8 million. During this year, our operating cash inflows before working capital changes were RMB4.4 million. Our cashflow was negatively affected by working capital adjustments primarily including (i) an increase in trade and notes receivables of RMB103.5 million, (ii) a decrease in amounts due to related parties of RMB22.8 million, which were partially offset by (i) an increase in trade payables of RMB86.9 million and (ii) a decrease in inventories of RMB16.9 million.

In 2022, our net cash used in operating activities amounted to RMB71.3 million. During this year, our operating cash outflows before working capital changes were RMB39.3 million. Our cashflow was further negatively affected by working capital adjustments primarily including (i) a decrease in amounts due to related parties of RMB71.7 million primarily due to our payment to a related party and (ii) a decrease in contract liabilities of RMB20.6 million, which were partially offset by (i) a decrease in trade receivables of RMB62.1 million and (ii) a decrease in prepayments, deposits and other receivables of RMB11.3 million.

In 2021, our net cash used in operating activities amounted to RMB91.5 million. During this year, our operating cash outflows before working capital changes were RMB42.0 million. Our cashflow was further negatively affected by working capital adjustments primarily including (i) an increase in trade receivables of RMB102.8 million, (ii) an increase in inventories of RMB34.4 million, and (iii) an increase in prepayments, deposits and other receivables of RMB12.4 million, which were partially offset by (i) an increase in amounts due to related parties of RMB32.1 million, (ii) an increase in contract liabilities of RMB26.5 million, (iii) an increase in other payables and accruals of RMB22.9 million, and (iv) an increase in trade payables of RMB12.7 million.

Net Cash Flows From/(Used In) Investing Activities

Our cash used in investing activities consists primarily of purchase of time deposits, payments for the purchase of property, plant and equipment, purchase of financial assets at fair value through profit and loss, and loans to related parties. Our cash generated from investing activities consists primarily of proceeds from maturity of time deposits, proceeds from redemption of financial assets at fair value through profit or loss, and repayment of loans to related parties.

In the three months ended March 31, 2024, our net cash flows from investing activities were RMB70.0 million, primarily due to proceeds from maturity of time deposits of RMB92.1 million. This was partially offset by purchase of time deposits of RMB21.9 million.

In 2023, our net cash flows used in investing activities were RMB14.9 million, primarily attributable to (i) purchase of time deposits of RMB162.6 million, and (ii) purchase of property, plant and equipment of RMB11.6 million. This was partially offset by proceeds from maturity of time deposits of RMB157.4 million.

In 2022, our net cash flows used in investing activities were RMB62.5 million, primarily attributable to (i) purchase of time deposits of RMB177.6 million, (ii) purchase of financial assets at fair value through profit or loss of RMB25.0 million and (iii) purchase of property, plant and equipment of RMB16.1 million. This was partially offset by (i) proceeds from maturity of time deposits of RMB127.6 million, and (ii) redemption of financial assets at fair value through profit or loss of RMB25.2 million.

In 2021, our net cash flows from investing activities were RMB144.4 million, primarily attributable to (i) proceeds from maturity of time deposits of RMB410.8 million and (ii) proceeds from redemption of financial assets at fair value through profit or loss of RMB40.1 million. This was partially offset by (i) purchase of property, plant and equipment of RMB182.0 million, (ii) purchase of time deposits of RMB63.8 million, and (iii) purchase of financial assets at fair value through profit and loss of RMB60.9 million.

Net Cash Flows From Financing Activities

Our cash from financing activities consists primarily of proceeds from interest-bearing bank and other borrowings. Our cash used in financing activities consists primarily of repayments of interest-bearing bank and other borrowings, repurchase of vested share options and repayment of principal portion of lease liabilities.

In the three months ended March 31, 2024, our net cash flows from financing activities were RMB6.2 million, primarily due to proceeds from interest-bearing bank and other borrowings of RMB45.0 million. This was partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB33.1 million, and (ii) repayment of principal of lease liabilities of RMB3.3 million.

In 2023, our net cash flows used in financing activities were RMB4.7 million, primarily attributable to (i) repayment of interest-bearing bank and other borrowings of RMB185.3 million, (ii) repayment for principal portion of lease liabilities of RMB13.2 million, (iii) interest paid of RMB8.2 million, and (iv) payment of **[REDACTED]** expenses of **[REDACTED]**. This was partially offset by proceeds from interest-bearing bank and other borrowings of RMB208.4 million.

In 2022, our net cash flows from financing activities were RMB20.8 million, primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB159.8 million. This was partially offset by (i) repayment of interest-bearing bank and other borrowings of RMB115.1 million, and (ii) repayment for principal portion of lease liabilities of RMB15.1 million.

In 2021, our net cash flows from financing activities were RMB98.1 million, primarily attributable to proceeds from interest-bearing bank and other borrowings of RMB134.1 million. These were partially offset by (i) repayment for principal portion of lease liabilities of RMB18.0 million, and (ii) repayment of interest-bearing bank and other borrowings of RMB12.0 million.

KEY FINANCIAL RATIOS

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

	For the year ended December 31,			For the three months ended March 31,
	2021	2022	2023	2024
	%	%	%	%
Gross margin	19.8	19.9	21.0	20.6
Adjusted net loss margin (non-IFRS measure)[(1)]	(7.2)	(10.3)	(8.7)	(7.1)

Note:

(1) Represents adjusted net loss (non-IFRS measure) divided by the total revenue for the period indicated.

Our adjusted net loss margin (non-IFRS measure) increased from 7.2% in 2021 to 10.3% in 2022 as our adjusted net loss (non-IFRS measure) slightly increased while our revenue decreased. Our adjusted net loss margin (non-IFRS measure) decreased from 10.3% in 2022 to 8.7% in 2023, primarily due to the increase in our gross margin and the decrease in our expenses, particularly selling and marketing expenses while our revenue increased in 2023. Our adjusted net loss margin (non-IFRS measure) further decreased to 7.1% in the three months ended March 31, 2024 mainly due to the decrease in our expenses, particularly selling and marketing expenses while our revenue increased compared to the same period in 2023.

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of expenditures for fixed assets, comprising property, plant and equipment and right-of-use assets, specifically servers, computer equipment, office equipment and furniture, and leasehold improvements and buildings.

The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,			Three months ended March 31,
	2021	**2022**	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	182,015	16,132	11,611	93
Right-of-use assets	6,536	5,210	4,683	26,868
Total	**188,551**	**21,342**	**16,294**	**26,961**

During the Track Record Period, we funded our capital expenditure mainly from cash generated from our operating activities and bank borrowings. We estimate that our capital expenditures for the year ending December 31, 2024 will be approximately RMB50 million, comprising approximately RMB30 million of right-of-use assets and RMB20 million for purchases of property, plant and equipment. We expect to fund these capital expenditures through a combination of cash generated from our operations, the **[REDACTED]** received from the **[REDACTED]**, and other financings.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

Capital Commitments

Our capital commitments during the Track Record Period primarily related to capital expenditure in respect of the acquisition of property, plant and equipment contracted for. As of December 31, 2021, 2022, 2023, and March 31, 2024, the total amount of our capital expenditure contracted for but not yet provided was nil, RMB1.1 million, nil and RMB0.3 million, respectively.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not have any material off-balance sheet commitments or arrangements.

FINANCIAL RISKS DISCLOSURE

Our activities expose us to a variety of financial risks, mainly including interest rate risk, foreign currency risk, credit risk and liquidity risk. Our overall risk management procedures focus on the unpredictability of financial markets and seek to minimize potential adverse effects on our financial performance.

Interest rate risk

Our exposure to the risk of changes in market interest rates relates primarily to our bank borrowings with a floating interest rate. Our policy is to manage our interest cost using a mix of fixed and variable rate debts. As of December 31, 2021, 2022 and 2023, none of our interest-bearing borrowings bore interest at floating rates. Accordingly, as of the end of each of the Track Record Period, we did not have any significant exposure to the interest rate risk in the cash flows.

Foreign currency risk

The functional currency of our Company and our subsidiaries incorporated in Cayman Islands, the British Virgin Islands, Hong Kong, Singapore and Vietnam is USD. We are exposed to foreign currency risk with respect to transactions denominated in currencies other than USD. In addition, in China, we principally conducted business in RMB, which is exposed to foreign currency risk with respect to transactions denominated in currencies other than RMB. Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities denominated in a currency that is not the functional currency of the relevant group entity. As of the end of each of the Track Record Period, we did not have any significant exposure to foreign currency risk.

Credit risk

We only offers credit terms to recognized and creditworthy customers. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis. For further details of our credit risk, see Note 38 to the Accountants' Report in Appendix I.

Liquidity risk

We monitor and maintain a level of cash and cash equivalents deemed adequate by our management to finance the operations and mitigate the effects of fluctuations in cash flows. For further details of our credit risk, see Note 38 to the Accountants' Report in Appendix I.

DIVIDENDS

Our Company is a holding company incorporated in the BVI and re-domiciled and continued in the Cayman Islands. We do not have a pre-determined dividend payout ratio. Any dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restriction and other factors our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our Memorandum of Association and Articles of Association and the Cayman Companies Act. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our Cayman Islands legal advisor, under Cayman Islands law, a position of net liabilities or accumulated losses does not necessarily restrict us from declaring and paying dividends to our Shareholders out of either our profit or our share premium account, provided this would not result in our Company being unable to pay its debts as they fall due in the ordinary course of business.

The payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles. As advised by our PRC Legal Advisor, according to PRC laws and regulations, our PRC subsidiaries are permitted to pay dividends out of their accumulated after-tax profits, if any, as determined under PRC accounting standards, upon approval of their respective shareholders, provided that (i) our PRC subsidiaries shall make up their losses of previous years when conducting outward remittance; and (ii) PRC subsidiaries shall make appropriations from their after-tax profits as determined under PRC accounting standards to non-distributable reserve funds. Therefore, our PRC subsidiaries with positive accumulated after-tax profits, having offset losses from previous years and made requisite appropriations to reserve funds, may declare dividends to their respective shareholder(s).

Currently, our Group does not have a fixed dividend policy and does not have a predetermined dividend distribution ratio. During the Track Record Period, we did not declare or pay any dividend.

WORKING CAPITAL CONFIRMATION

Taking into account our cash and cash equivalents, operating cash flows, bank borrowings, the available bank facilities, and the estimated **[REDACTED]** available to us from the **[REDACTED]**, our Directors believe that we have sufficient working capital for our present requirements and for at least the next 12 months from the date of this document.

DISTRIBUTABLE RESERVES

As of March 31, 2024, we had negative retained profits, which were not available for distribution to our shareholders.

[REDACTED] EXPENSES

The total **[REDACTED]** expenses borne or to be borne by us are estimated to be approximately RMB**[REDACTED]** million (equivalent to approximately HK$**[REDACTED]** million) (comprising (i) **[REDACTED]** of approximately RMB**[REDACTED]** million, and (ii) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** million, which consist of fees and expenses of legal advisors and reporting accountants of approximately RMB**[REDACTED]** million and other fees and expenses of approximately RMB**[REDACTED]** million), accounting for approximately **[REDACTED]**% of the gross **[REDACTED]** of the **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, which is the mid-point of the **[REDACTED]** range stated in this document and assuming that the **[REDACTED]** is not exercised. We expect that approximately RMB**[REDACTED]** million has been/will be charged to our statements of profit or loss and other comprehensive income as **[REDACTED]** expenses, in which RMB**[REDACTED]** million and RMB**[REDACTED]** million have been charged for the year ended December 31, 2023 and the three months ended March 31, 2024, respectively, and approximately RMB**[REDACTED]** million will be accounted for as a deduction from equity upon the **[REDACTED]**. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such **[REDACTED]** expenses to have a material adverse impact on our results of operation for the year ending December 31, 2024.

[REDACTED] STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following **[REDACTED]** statement of adjusted consolidated net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the **[REDACTED]** on the consolidated net tangible assets of our Group as of March 31, 2024 as if the **[REDACTED]** had taken place on such date.

The **[REDACTED]** statement of adjusted consolidated net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group as of March 31, 2024 or at any future dates following the **[REDACTED]**. It is prepared based on the audited consolidated net tangible liabilities of our Group as of March 31, 2024 as shown in the Accountants' Report in Appendix I to this document and adjusted as described below.

Consolidated net tangible liabilities of our Group attributable to owners of our Company as of March 31, 2024	Estimated [REDACTED] from the [REDACTED]	Estimated impact related to the reclassification of convertible redeemable preferred shares upon [REDACTED]	[REDACTED] adjusted consolidated net tangible assets attributable to owner of our Company	[REDACTED] adjusted consolidated net tangible assets per Share	
RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB*	*HK$*
(1)	*(2)*	*(3)*		*(4)*	*(5)*

[REDACTED]

Notes:

1. The consolidated net tangible liabilities of our Group attributable to owners of our Company as of March 31, 2024 was based on the consolidated net liabilities attributable to owners of our Company as of March 31, 2024 of RMB**[REDACTED]** set out in the Accountants' Report in Appendix I to this document.

2. The estimated **[REDACTED]** from the **[REDACTED]** are based on the **[REDACTED]** at the **[REDACTED]** of HK$**[REDACTED]** per Share and HK$**[REDACTED]** per Share, after deduction of the **[REDACTED]** and other related expenses payable by our Group (excluding the **[REDACTED]** expenses that have been charged to profit or loss during the Track Record Period) and do not take into account of any Shares which may be issued upon the exercise of the **[REDACTED]** and/or under the **[REDACTED]** Share Plan. The estimated **[REDACTED]** from the **[REDACTED]** are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.91234. No representation is made that the Hong Kong dollar amounts have been, could have been or may be converted to Renminbi, or vice versa, at that rate or any other rates or at all.

3. For the purpose of the **[REDACTED]** financial information, considering the estimated impact related to the reclassification of convertible redeemable preferred shares upon **[REDACTED]**, the **[REDACTED]** adjusted net tangible assets attributable to the owners of our Company will be increased by RMB**[REDACTED]**, being the fair value of the Preferred Shares as at March 31, 2024. Upon the **[REDACTED]** and the completion of the **[REDACTED]**, all the Preferred Shares will be automatically converted into Shares. These Preferred Shares will be reclassified from liabilities to equity. The amount that is reclassified from liabilities to equity will be the fair value of the Preferred Shares on that date of the **[REDACTED]**.

4. The **[REDACTED]** adjusted consolidated net tangible assets attributable to owners of our Company and the amounts per share are arrived at after the adjustments referred to in the preceding paragraphs (note 2 and 3 above) and on the basis that **[REDACTED]** shares were in issue assuming that the automatic conversion of Preferred Shares into ordinary shares, the share subdivision and the **[REDACTED]** had been completed on March 31, 2024.

5. For the purpose of the **[REDACTED]** adjusted net tangible assets, the balances stated in RMB are converted into HK$ at the rate of HK$1.00 to RMB0.91234.

6. No adjustment has been made to the **[REDACTED]** adjusted consolidated net tangible assets to reflect any trading results or other transactions for our Group entered into subsequent to March 31, 2024.

NO MATERIAL ADVERSE CHANGE

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

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there are no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.