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TI Cloud Inc.
天潤云股份有限公司

(incorporated in the Cayman Islands with limited liability)
(Stock Code: 2167)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED JUNE 30, 2022**

The board (the “**Board**”) of directors (the “**Directors**”) of TI Cloud Inc. (the “**Company**” or “**TI Cloud**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries and consolidated affiliated entities (collectively, the “**Group**”) for the six months ended June 30, 2022 (the “**Reporting Period**”), together with comparative figures for the same period of 2021. These interim results have been reviewed by the Company’s Audit Committee.

In this announcement, “**we**”, “**us**” and “**our**” refer to the Company (as defined above) and where the context otherwise requires, the Group (as defined above).

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2022 <i>RMB’ in thousands, except percentages (unaudited)</i>	2021 <i>RMB’ in thousands, except percentages (unaudited)</i>	Year-on- year change
Revenue	192,604	208,728	(7.7%)
Revenue (excluding revenue from education industry)	172,523	138,928	24.2%
Gross profit	91,890	95,708	(4.0%)
Gross profit margin	47.7%	45.9%	-
(Loss)/Profit before tax	(3,937)	18,442	(121.3%)
(Loss)/Profit for the period	(3,745)	16,184	(123.1%)
Adjusted net profit (a non-IFRS measure)*	5,758	25,640	(77.5%)

* We define adjusted net profit (a non-IFRS measure) as net profit for the period adjusted by adding back one-off listing expenses as a result of the listing of the Group on the Main Board of the Stock Exchange in June 2022 (being RMB9.5 million for the six months ended June 30, 2022 and RMB9.5 million for the six months ended June 30, 2021). Shareholders and potential investors of the Company should note that the adjusted net profit is not a measure required by, or presented in accordance with, the International Financial Reporting Standards (the “**IFRSs**”).

BUSINESS REVIEW

During the first half of 2022, facing the multiple waves of pandemic and uncertain macroeconomic environment, we are committed to our mission of “making customer contact a better experience, with improved efficiency,” and concentrated on providing cloud-native, secure and reliable customer contact solutions for our clients. While our financial performance during the first half of 2022 was affected by regulatory changes related to the education industry and the COVID-19 pandemic, our overall operations and financial position are sound and stable.

Looking back at the Reporting Period, our revenue decreased by 7.7% from RMB208.7 million for the six months ended June 30, 2021 to RMB192.6 million for the six months ended June 30, 2022 primarily due to a significant decrease in the revenue from education companies, which was partially offset by an increase in the revenue from clients in other industries. In July 2021, the Chinese government issued the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (《關於進一步減輕義務教育階段學生作業負擔和校外培訓負擔的意見》) (the “**Opinion**”), which contains high-level policy directives about requirements and restrictions related to, among others, institutions providing after-school tutoring services on academic subjects in China’s compulsory education system. The Opinion, related rules and regulations, and the accompanying enforcement measures had a material adverse impact on the results of operations of a significant number of our clients from the education industry. As a result, our revenue from clients in the education industry decreased significantly since August 2021. The decreasing trend gradually stabilized in the first half of 2022, during which revenue from the education industry accounted for 10.4% of our total revenue. Despite the decrease from the education industry, our revenue from clients in other industries increased by 24.2% from RMB138.9 million for the six months ended June 30, 2021 to RMB172.5 million for the six months ended June 30, 2022.

Technology is at the heart of our solutions. In the first half of 2022, we continued to strengthen our technology leadership and established a regional research and development center in Chengdu. We built a strong research and development team of 253 employees as of June 30, 2022, representing 49.9% of our total workforce, increasing by 28.4% from 197 as of June 30, 2021. Our total research and development expenses for the first half of 2022 were RMB36.2 million, representing 18.8% of our total revenue. In the first half of 2022, we rolled out releases approximately on a weekly basis and at the same time achieved 99.99% uptime (calculated as the percentage of time our system is available and operational for a client in a given month). Our platform has been operating free from overall system failures for more than 36 months.

We have built a broad, high-quality and loyal client base across diverse industries, including technology, insurance, automobile, education, healthcare, banking, manufacturing and logistics, to name a few. In the first half of 2022, we served a total number of 2,658 clients, increasing by 8.4% from 2,453 in the first half of 2021. We strive to cultivate long-term relationships with our clients and evaluate our performance using client retention rate (calculated as the percentage of our existing clients in the immediately preceding period who remain our clients in the current period) and dollar-based net retention rate (calculated by (i) first identifying the clients who subscribed to our solutions in both the benchmark period and the period before and (ii) then using the total revenue attributable to the identified clients in the benchmark period as the numerator and the total revenue attributable to the same group of clients in the preceding period as the denominator) on a regular basis. In the first half of 2022, our SaaS client retention rate and dollar-based net retention rate for all SaaS clients was 74.7% and 80.7%, respectively, compared to 76.8% and 113.6% in the first half of 2021. The decreases primarily reflected a significant decrease in the revenue from education companies which were adversely affected by regulations that crack down on after-school tutoring services on academic subjects in China's compulsory education system. In the first half of 2022, our SaaS client retention rate and dollar-based net retention rate for SaaS clients (excluding clients from the education industry) was 75.0% and 107.4%, respectively.

BUSINESS OVERVIEW

We offer a broad array of cloud-native customer contact solutions, which are communication solutions that enable enterprises to engage in multi-channel customer interactions. Our solutions, rooted in our cloud-native, secure and reliable platform, empower businesses to create exceptional customer communication experience and intelligize their way of conducting sales, marketing, customer service and other business functions.

Our cloud-based solutions, developed in-house by our research and development team, primarily consist of three offerings, serving a broad range of use cases:

- *Intelligent Contact Center Solutions.* Designed to replace legacy on-premise systems, our Intelligent Contact Center Solutions help businesses migrate their contact center functions to the cloud.
- *Agile Agent Solutions.* Our Agile Agent Solutions are designed to facilitate customer contact activities outside physical contact centers, which are unserved by pureplay contact center solutions.
- *ContactBot Solutions.* Our ContactBot Solutions utilize practical AI applications to automate routine and repetitive duties traditionally handled by clients' human agents.

We deliver solutions with large capacity and high availability in Software as a Service (SaaS) model and Virtual Private Cloud (VPC) model. Our three types of solutions may be deployed via either the SaaS model or the VPC model:

- *SaaS model.* Using our cloud-native customer contact services delivered through the SaaS model, our clients can establish their own customer contact functions without any up-front investment in software or hardware. Services delivered through the SaaS model are deployed in public clouds, which allows our clients to flexibly adjust the number of agent seats according to their changing business needs.
- *VPC model.* VPC solutions combine the scalability and convenience of public cloud computing with the data isolation of private cloud computing, thereby affording greater security. We help our clients deploy highly customizable solutions on the cloud computing platform of their choice, leveraging our extensive industry know-how and deep understanding of industry trends.

BUSINESS OUTLOOK

Although the recovery of economy is currently facing many risks and challenges, the general growth trend of high-quality SaaS solutions and the cloud-based customer contact solutions industry in China remains unchanged. The short-term challenges we faced during the first half of 2022 strengthened our confidence to create long-term value for clients and shareholders in changing environments.

Looking ahead, we will continue to leverage our existing strengths and carry out the following strategies to capture growing market opportunities and further solidify our market position:

- Maintain our leadership in technology. In particular, further upgrade our system architecture and strengthen our artificial intelligence (“AI”) capabilities;
- Continue to optimize and expand our portfolio of solutions;
- Strategically expand our client base and deepen client relationship;
- Efficiently strengthen our sales and marketing capabilities;
- Explore opportunities in overseas markets; and
- Selectively pursue strategic acquisitions and investments.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

Our revenue decreased by 7.7% from RMB208.7 million for the six months ended June 30, 2021 to RMB192.6 million for the six months ended June 30, 2022, primarily due to a significant decrease in the revenue from education companies, which was partially offset by an increase in the revenue from clients in other industries.

Revenue by industry

The following table sets forth a breakdown of our revenue by industry for the periods indicated.

	Six months ended June 30,		2021		Year-on-year change
	2022				
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>	
	<i>(unaudited)</i>	<i>of total</i>	<i>(unaudited)</i>	<i>of total</i>	
Total revenue (excluding education industry)	172,523	89.6%	138,928	66.6%	24.2%
Revenue from education industry	20,081	10.4%	69,800	33.4%	(71.2%)
Total	<u>192,604</u>	<u>100.0%</u>	<u>208,728</u>	<u>100.0%</u>	<u>(7.7%)</u>

Revenue by businesses

In the first half of 2022, we derived our revenue from providing (i) SaaS solutions, (ii) VPC solutions and (iii) other services and product sales. The following table sets forth a breakdown of our revenue by businesses for the periods indicated.

	Six months ended June 30,		2021		Year-on-year change
	2022				
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>	
	<i>(unaudited)</i>	<i>of total</i>	<i>(unaudited)</i>	<i>of total</i>	
SaaS solutions	167,670	87.1%	190,478	91.3%	(12.0%)
Intelligent Contact Center Solutions	143,602	74.6%	164,338	78.7%	(12.6%)
Agile Agent Solutions	19,525	10.1%	22,084	10.6%	(11.6%)
ContactBot Solutions	4,543	2.4%	4,056	1.9%	12.0%
VPC solutions	21,761	11.3%	12,819	6.1%	69.8%
Other services and product sales	3,173	1.6%	5,431	2.6%	(41.6%)
Total	<u>192,604</u>	<u>100.0%</u>	<u>208,728</u>	<u>100.0%</u>	<u>(7.7%)</u>

In the first half of 2022, we generated a revenue of RMB167.7 million from the SaaS model, representing a decrease by 12.0% from RMB190.5 million for the first half of 2021. In the same period, we served a total number of 2,507 clients under the SaaS model, increasing by 14.7% from 2,185 in the first half of 2021. In the same period, our SaaS clients on average subscribed for 123,584 agent seats per month, increasing by 17.8% from 104,925 in the first half of 2021.

In the first half of 2022, we generated a revenue of RMB21.8 million from the VPC model, representing an increase by 69.8% from RMB12.8 million for the first half of 2021. In the same period, we served 20 VPC clients, increasing from 13 in the first half of 2021.

Revenue (excluding education industry) by businesses

The following table sets forth a breakdown of our revenue (excluding revenue from the education industry) for the periods indicated.

	Six months ended June 30,		2021		Year-on-year change
	2022		2021		
	<i>RMB'000</i>	<i>Percentage</i>	<i>RMB'000</i>	<i>Percentage</i>	
	<i>(unaudited)</i>	<i>of total</i>	<i>(unaudited)</i>	<i>of total</i>	
SaaS solutions	147,595	85.6%	121,497	87.5%	21.5%
Intelligent Contact Center Solutions	129,636	75.1%	108,591	78.2%	19.4%
Agile Agent Solutions	13,827	8.0%	9,552	6.9%	44.8%
ContactBot Solutions	4,132	2.4%	3,354	2.4%	23.2%
VPC solutions	21,761	12.6%	12,010	8.6%	81.2%
Other services and product sales	3,167	1.8%	5,421	3.9%	(41.6%)
	<u>172,523</u>	<u>100.0%</u>	<u>138,928</u>	<u>100.0%</u>	<u>24.2%</u>
Total revenue (excluding education industry)	172,523	100.0%	138,928	100.0%	24.2%

Cost of sales

Our cost of sales decreased by 10.9% from RMB113.0 million for the six months ended June 30, 2021 to RMB100.7 million for the six months ended June 30, 2022. The decrease was partially driven by the decrease of our revenue for the same period, and partially due to the implementation of more effective cost control measures in relation to the major cost items of our SaaS solutions.

Gross profit and gross profit margin

As a result of the foregoing, we recorded (i) a gross profit of RMB95.7 million and RMB91.9 million for the six months ended June 30, 2021 and the six months ended June 30, 2022, respectively, and (ii) a gross profit margin of 45.9% and 47.7% for the six months ended June 30, 2021 and the six months ended June 30, 2022, respectively. The increase in the gross profit margin was primarily due to the implementation of more effective cost control measures in relation to the major cost items of our SaaS solutions.

The following table sets forth a breakdown of our gross profit and gross profit margin by businesses for the periods indicated.

	2022 <i>RMB'000</i> <i>(unaudited)</i>		2021 <i>RMB'000</i> <i>(unaudited)</i>	
Gross profit and gross profit margin:				
SaaS solutions	82,382	49.1%	85,165	44.7%
VPC solutions	8,134	37.4%	8,324	64.9%
Other services and product sales	1,374	43.3%	2,219	40.9%
	<hr/>	<hr/>	<hr/>	<hr/>
Total	91,890	47.7%	95,708	45.9%
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Other income and gains

Our other income and gains increased by 22.0% from a gain of RMB3.0 million for the six months ended June 30, 2021 to a gain of RMB3.6 million for the six months ended June 30, 2022, primarily due to an increase in investment income from fair value gains on financial investments at fair value through profit or loss and an increase in bank interest income.

Selling and distribution expenses

Our selling and distribution expenses increased by 28.3% from RMB32.0 million for the six months ended June 30, 2021 to RMB41.1 million for the six months ended June 30, 2022. The increase was primarily due to (i) an increase in employee benefit expenses as a result of an increase in sales and marketing staff headcount from 134 as of June 30, 2021 to 144 as of June 30, 2022, and (ii) an increase in promotion and advertising expenses as a result of increased online and offline advertising activities.

Administrative expenses

Our administrative expenses decreased by 13.6% from RMB22.7 million for the six months ended June 30, 2021 to RMB19.6 million for the six months ended June 30, 2022, primarily due to a decrease in professional service fees.

Research and development expenses

Our research and development expenses increased by 62.9% from RMB22.2 million for the six months ended June 30, 2021 to RMB36.2 million for the six months ended June 30, 2022, primarily attributable to an increase in employee benefit expenses as a result of an increase in our research and development headcount from 197 as of June 30, 2021 to 253 as of June 30, 2022.

Impairment losses on financial assets

Our impairment losses on financial assets decreased by 28.6% from RMB3.0 million for the six months ended June 30, 2021 to RMB2.1 million for the six months ended June 30, 2022, primarily attributable to a special provision made against trade receivables from clients in the education industry in 2021.

Other expenses and losses

We recorded other expenses and losses of RMB108 thousand for the six months ended June 30, 2022, which primarily represent net foreign exchange differences.

Finance costs

We recorded finance costs of RMB333 thousand for the six months ended June 30, 2022, which primarily represent interest expenses on our lease liabilities.

(Loss)/Profit for the period

As a result of the foregoing, we generated a profit of RMB16.2 million for the six months ended June 30, 2021 and a loss of RMB3.7 million for the six months ended June 30, 2022. The net loss for the six months ended June 30, 2022 was primarily due to (i) one-off listing expenses as a result of the listing of the Group on the Main Board of the Stock Exchange in June 2022; (ii) an increase in research and development expenses of 62.9% as compared to the same period in the previous year; and (iii) an increase in selling and distribution expenses of 28.3% as compared to the same period in the previous year.

Adjusted net profit (a non-IFRS measure)

To supplement our unaudited consolidated interim results that are presented in accordance with IFRS, we also use adjusted net profit as an additional measure, which is not required by, or presented in accordance with, IFRS. The Board considers that the presentation of adjusted net profit (a non-IFRS measure) would facilitate comparisons of operating performance from period to period and comparisons with other comparable companies with similar business operations by eliminating the potential impact of certain unusual, non-recurring and/or non-operating items. The adjusted net profit is defined as net profit for the period adjusted by adding back one-off listing expenses as a result of the listing of the Group on the Main Board of the Stock Exchange in June 2022. However, the presentation of this non-IFRS measure is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS.

The adjusted results should not be viewed on a stand-alone basis or as a substitute for results under the IFRS. We recorded an adjusted net profit of RMB5.8 million for the six months ended June 30, 2022, as compared to an adjusted net profit of RMB25.6 million for the six months ended June 30, 2021. The decrease was mainly attributable to the increase in research and development expenses and selling and distribution expenses.

The following table reconciles our adjusted net profit for the period presented to the most directly comparable financial measure calculated and presented under IFRS.

	Six months ended June 30,		<i>Year-on-year change</i>
	2022	2021	
	<i>RMB'000</i>	<i>RMB'000</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Reconciliation of net profit and adjusted net profit (Loss)/Profit for the period	(3,745)	16,184	(123.1%)
<i>Add:</i>			
Listing expenses	9,503	9,456	0.5%
Adjusted net profit	<u>5,758</u>	<u>25,640</u>	<u>(77.5%)</u>

Contract Assets

Our contract assets increased by 558.8% from RMB2.2 million as of December 31, 2021 to RMB14.6 million as of June 30, 2022. The increase resulted from the increase in the ongoing provision of our VPC solutions.

Financial investments at fair value through profit or loss

Our financial investments at fair value through profit or loss increased by 78.2% from RMB31.2 million as of December 31, 2021 to RMB55.6 million as of June 30, 2022, which was primarily due to our purchase of wealth management products.

Financial Position, Liquidity and Capital Resources

We have adopted a prudent treasury management policy. To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by our senior management to finance our operations and mitigate the effects of fluctuations in cash flows.

For the six months ended June 30, 2022, we funded our cash requirements principally from cash generated from financing activities through the Global Offering and cash generated from operating activities. Our cash and cash equivalents represent cash and bank balances. We had cash and cash equivalents of RMB362.9 million as of June 30, 2022. As of June 30, 2022, we had no outstanding borrowings.

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

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	(25,809)	3,429
Net cash (used in)/generated from investing activities	(22,258)	108,324
Net cash (used in)/generated from financing activities	258,382	(42,444)
Net increase in cash and cash equivalents	210,315	69,309
Cash and cash equivalents at the beginning of the period	152,545	32,953
Effects of foreign exchange rate changes, net	49	24
Cash and cash equivalents at the end of the period	<u>362,909</u>	<u>102,286</u>

Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from operating activities and the net proceeds received from the Global Offering. We currently do not have any other plans for material additional external financing.

Net Cash (Used in)/Generated from Operating Activities

For the six months ended June 30, 2022, net cash used in operating activities was RMB25.8 million, which was primarily attributable to our loss before tax of RMB3.9 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of right-of-use assets of RMB3.2 million, impairment of financial assets of RMB2.1 million, and investment income of RMB1.2 million, and (ii) changes in working capital, which primarily comprised of an increase in trade receivables of RMB35.5 million, an increase in trade payables of RMB14.6 million, and an increase in contract assets of RMB12.6 million.

For the six months ended June 30, 2021, net cash generated from operating activities was RMB3.4 million, which was primarily attributable to our profit before income tax of RMB18.4 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of right-of-use assets of RMB3.0 million, impairment of financial assets of RMB3.0 million, and equity-settled share-based payment expense of RMB1.2 million, and (ii) changes in working capital, which primarily comprised of an increase in trade receivables of RMB25.1 million, an increase in trade payables of RMB10.1 million, an increase in prepayments, other receivables and other assets of RMB3.9 million, and a decrease in other payables and accruals of RMB1.7 million.

Net Cash (Used in)/Generated from Investing Activities

For the six months ended June 30, 2022, net cash used in investing activities was RMB22.3 million, which was primarily attributable to payments of RMB368.0 million for purchases of financial investments at fair value through profit or loss, which were partially offset by proceeds of RMB345.2 million from disposal/maturity of financial investments at fair value through profit or loss.

For the six months ended June 30, 2021, net cash generated from investing activities was RMB108.3 million, which was primarily attributable to the proceeds of RMB221.2 million from disposal/maturity of financial investments at fair value through profit or loss, which were partially offset by payments of RMB120.0 million for purchase of financial investments at fair value through profit or loss.

Net Cash (Used in)/Generated from Financing Activities

For the six months ended June 30, 2022, net cash generated from financing activities was RMB258.4 million, which was primarily attributable to net proceeds of RMB252.1 million from issue of shares and decrease in pledged time deposits for borrowings of RMB21.0 million, partially offset by repayment of borrowings of RMB11.0 million

For the six months ended June 30, 2021, net cash used in financing activities was RMB42.4 million, which was primarily attributable to dividend of a subsidiary paid to the then shareholders of RMB28.9 million and increase in pledged time deposits for bank borrowings of RMB21.0 million.

Significant Investments Held

The Group did not make or hold any significant investments during the six months ended June 30, 2022.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this announcement and the Prospectus, as of June 30, 2022, we did not have other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

As of June 30, 2022, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies for the six months ended June 30, 2022.

Employee and Remuneration Policy

The following table sets forth the numbers of our employees categorized by function as of June 30, 2022.

Function	Number of Staff	% of Total
Research and development	253	49.9%
Sales	144	28.4%
Operations	77	15.2%
Management	33	6.5%
Total	507	100.0%

As required by laws and regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including, among other things, pension, medical insurance, unemployment insurance, maternity insurance, on-the-job injury insurance and housing fund plans through a PRC government-mandated benefit contribution plan. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our staff, up to a maximum amount specified by the local government from time to time.

The Company also has a pre-IPO employee share incentive plan.

Foreign Exchange Risk

We conduct our businesses mainly in Renminbi (“RMB”). Foreign exchange risk arises when future commercial transactions or recognized financial assets and liabilities are denominated in a currency that is not the respective functional currency of our entities. During the six months ended June 30, 2022, exchange gains and losses from foreign currency transactions denominated in a currency other than the functional currency were insignificant. The Board does not expect that the fluctuation of RMB exchange rate and other foreign exchange fluctuations will have a material impact on the business operations of the Group. The Group currently has no hedging policy with respect to foreign exchange risks. Therefore, the Group has not entered into any hedging transactions to manage potential fluctuation in foreign currencies.

Contingent Liabilities

As of June 30, 2022, we did not have any material contingent liabilities or guarantees.

Important events after the end of the period

Save as disclosed in this announcement and as of the date of this announcement, there were no other significant events that might affect the Group since June 30, 2022.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended June 30, 2022*

	<i>Notes</i>	2022 RMB'000 (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
REVENUE	<i>5</i>	192,604	208,728
Cost of sales		<u>(100,714)</u>	<u>(113,020)</u>
Gross profit		91,890	95,708
Other income and gains		3,613	2,961
Selling and distribution expenses		(41,071)	(32,004)
Administrative expenses		(19,592)	(22,684)
Research and development expenses		(36,204)	(22,222)
Impairment losses on financial assets		(2,132)	(2,987)
Other expenses and losses		(108)	(31)
Finance costs		<u>(333)</u>	<u>(299)</u>
PROFIT/(LOSS) BEFORE TAX	<i>6</i>	(3,937)	18,442
Income tax credit/(expense)	<i>7</i>	<u>192</u>	<u>(2,258)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>(3,745)</u>	<u>16,184</u>
EARNINGS/(LOSS) PER SHARE			
Basic and diluted (RMB)	<i>9</i>	<u>(2.49) cents</u>	<u>10.79 cents</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
PROFIT/(LOSS) FOR THE PERIOD	<u>(3,745)</u>	<u>16,184</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss not to be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of the financial statements of the Company	<u>(784)</u>	<u>(12)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	<u>(784)</u>	<u>(12)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	<u><u>(4,529)</u></u>	<u><u>16,172</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of June 30, 2022

	<i>Notes</i>	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>10</i>	3,139	3,611
Right-of-use assets		10,509	7,781
Other intangible assets		2,678	2,971
Other receivables and other assets		403	–
Deferred tax assets		923	707
		<hr/>	<hr/>
Total non-current assets		17,652	15,070
CURRENT ASSETS			
Trade receivables	<i>11</i>	97,990	64,388
Contract assets		14,585	2,214
Prepayments, other receivables and other assets		7,734	12,695
Prepaid tax		36	2,286
Financial investments at fair value through profit or loss		55,640	31,227
Pledged deposits		–	21,293
Cash and cash equivalents		362,909	152,545
		<hr/>	<hr/>
Total current assets		538,894	286,648
CURRENT LIABILITIES			
Trade payables	<i>12</i>	30,351	15,740
Contract liabilities		22,737	22,716
Other payables and accruals		27,423	22,862
Interest-bearing bank borrowings		–	10,520
Lease liabilities		6,522	5,281
Tax payable		617	419
		<hr/>	<hr/>
Total current liabilities		87,650	77,538
NET CURRENT ASSETS		<hr/> 451,244 <hr/>	<hr/> 209,110 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 468,896 <hr/>	<hr/> 224,180 <hr/>
NON-CURRENT LIABILITIES			
Lease liabilities		3,691	2,709
		<hr/>	<hr/>
Total non-current liabilities		3,691	2,709
		<hr/>	<hr/>
Net assets		465,205	221,471
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	<i>13</i>	114	98
Reserves		465,091	221,373
		<hr/>	<hr/>
Total equity		465,205	221,471
		<hr/> <hr/>	<hr/> <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2022

	Note	Share capital <i>RMB'000</i>	Share premium account <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Share-based payment reserve <i>RMB'000</i>	Reserve funds <i>RMB'000</i>	Exchange fluctuation reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total <i>RMB'000</i>
At January 1, 2022 (audited)		98	-	95,790	58	27,324	153	98,048	221,471
Loss for the period (unaudited)		-	-	-	-	-	-	(3,745)	(3,745)
Other comprehensive loss for the period:									
Exchange differences on translation of the financial statements of the Company (unaudited)		-	-	-	-	-	(784)	-	(784)
Total comprehensive loss for the period (unaudited)		-	-	-	-	-	(784)	(3,745)	(4,529)
Issue of shares (unaudited)	13	16	248,222	-	-	-	-	-	248,238
Equity-settled share-based payment arrangements (unaudited)		-	-	-	25	-	-	-	25
At June 30, 2022 (unaudited)		<u>114</u>	<u>248,222*</u>	<u>95,790*</u>	<u>83*</u>	<u>27,324*</u>	<u>(631)*</u>	<u>94,303*</u>	<u>465,205</u>

* These reserve accounts comprise the consolidated reserves of RMB465,091,000 in the consolidated statement of financial position as at June 30, 2022 (December 31, 2021: RMB221,373,000 (audited)).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

For the six months ended June 30, 2021

	Notes	Share capital RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income RMB'000	Reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Total RMB'000
At January 1, 2021 (audited)		-	94,618	-	1,851	27,132	-	104,401	228,002
Profit for the period (unaudited)		-	-	-	-	-	-	16,184	16,184
Other comprehensive loss for the period:									
Exchange differences on translation of the financial statements of the Company (unaudited)		-	-	-	-	-	(12)	-	(12)
Total comprehensive income for the period		-	-	-	-	-	(12)	16,184	16,172
Issue of shares (unaudited)	13	98	-	-	-	-	-	-	98
Equity-settled share-based payment arrangements (unaudited)		-	-	1,201	-	-	-	-	1,201
Vesting of share incentives as granted (unaudited)		-	1,172	(1,172)	-	-	-	-	-
Disposal of equity investments designated at fair value through other comprehensive income (unaudited)		-	-	-	(1,851)	-	-	1,851	-
Dividends of a subsidiary declared to the then shareholders (unaudited)	8	-	-	-	-	-	-	(25,830)	(25,830)
At June 30, 2021 (unaudited)		<u>98</u>	<u>95,790</u>	<u>29</u>	<u>-</u>	<u>27,132</u>	<u>(12)</u>	<u>96,606</u>	<u>219,643</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2022

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	(3,937)	18,442
Adjustments for:		
Finance costs	333	299
Interest income	(567)	(114)
Investment income	(1,199)	(682)
Fair value gains on financial investments at fair value through profit or loss	(413)	(529)
Gain on disposal of equity investments designated at fair value through other comprehensive income	–	(81)
Loss/(gain) on disposal/write-off of property, plant and equipment	16	(3)
Gain on early termination of right-of-use assets and lease liabilities	(2)	–
Depreciation of property, plant and equipment	773	910
Depreciation of right-of-use assets	3,220	2,991
Amortisation of other intangible assets	293	269
Impairment of financial assets	2,132	2,987
Equity-settled share-based payment expense	25	1,201
	<u>674</u>	<u>25,690</u>
Increase in trade receivables	(35,498)	(25,136)
Increase in contract assets	(12,607)	(509)
Decrease/(increase) in prepayments, other receivables and other assets	1,710	(3,864)
Increase in trade payables	14,611	10,056
Increase in contract liabilities	21	659
Increase/(decrease) in other payables and accruals	3,552	(1,701)
Effect of foreign exchange rate changes, net	(363)	82
	<u>(27,900)</u>	<u>5,277</u>
Cash generated from/(used in) operations	(27,900)	5,277
Interest paid	(333)	(299)
Corporate income tax refunded/(paid)	2,424	(1,549)
	<u>(25,809)</u>	<u>3,429</u>
Net cash flows from/(used in) operating activities	(25,809)	3,429

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)*For the six months ended June 30, 2022*

	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	860	114
Purchases of property, plant and equipment	(322)	(1,105)
Proceeds from disposal of property, plant and equipment	5	3
Decrease in prepayments for property, plant and equipment	–	347
Purchases of other intangible assets	–	(460)
Proceeds from disposal of equity investments designated at fair value through other comprehensive income	–	8,258
Purchases of financial investments at fair value through profit or loss	(368,000)	(120,000)
Proceeds from disposal/maturity of financial investments at fair value through profit or loss	345,199	221,167
	<u>(22,258)</u>	<u>108,324</u>
Net cash flows from/(used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of share issue expense	252,095	–
Decrease/(increase) in pledged time deposits for borrowings	21,000	(21,000)
New borrowings	–	10,536
Repayment of borrowings	(10,990)	–
Principal portion of lease payments	(3,723)	(3,122)
Dividends of a subsidiary paid to the then shareholders	–	(28,858)
	<u>258,382</u>	<u>(42,444)</u>
Net cash flows from/(used in) financing activities		
NET INCREASE IN CASH AND CASH EQUIVALENTS	210,315	69,309
Cash and cash equivalents at beginning of period	152,545	32,953
Effect of foreign exchange rate changes, net	49	24
	<u>362,909</u>	<u>102,286</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD		
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	<u>362,909</u>	<u>102,286</u>
Cash and cash equivalents as stated in the interim condensed consolidated statement of financial position and the statement of cash flows	<u>362,909</u>	<u>102,286</u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

As of June 30, 2022

1. CORPORATE INFORMATION

TI Cloud Inc. (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands on 31 March 2021. The ordinary shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) with effect from June 30, 2022. The registered office of the Company is located at the offices of ICS Corporate Services (Cayman) Limited, 3-212 Governors Square, 23 Lime Tree Bay Avenue, P.O. Box 30746, Seven Mile Beach, Grand Cayman KY1-1203, Cayman Islands.

During the period, the Company and its subsidiaries (collectively referred to as the “Group”) were principally engaged in the provision of artificial intelligence-based cloud customer contact solution software and related services in Software as a Service (“SaaS”) model and Virtual Private Cloud (“VPC”) model.

2.1 BASIS OF PRESENTATION

In preparation for the initial listing of the shares of the Company on the Main Board of the Stock Exchange, the Company and its subsidiaries now comprising the Group underwent a reorganisation (the “Reorganisation”), pursuant to which the Company became the holding company of the companies now comprising the Group on May 12, 2021. As the Reorganisation mainly involved inserting new holding companies and has not resulted in any change of economic substance, the financial information for the six months ended June 30, 2021 has been presented as a continuation of the existing companies as if the Reorganisation had been completed at January 1, 2021.

The consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the six months ended June 30, 2021 include the results and cash flows of all companies now comprising the Group as if the current group structure had been in existence throughout the six months ended June 30, 2021. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganisation.

Contractual arrangements

Due to regulatory restrictions on foreign ownership in providing telecommunication services in the People’s Republic of China (the “PRC”), the Group’s business was carried out by Beijing T&I Net Communication Technology Co., Ltd. (“T&I Net Communication”), the investment holding and operating company whose shares were indirectly held by the shareholders of the Company prior to the completion of the Reorganisation, as well as its subsidiaries operating in Mainland China during the period. As part of the Reorganisation, on May 12, 2021, TI Cloud (Beijing) Technology Co., Ltd., a wholly-foreign-owned enterprise indirectly owned by the Company, T&I Net Communication and/or the then shareholders of T&I Net Communication entered into a set of contractual arrangements which enable the Company to exercise effective control over T&I Net Communication and obtain substantially all economic benefits of T&I Net Communication. Accordingly, T&I Net Communication has since been effectively controlled by the Company based on the aforementioned contractual arrangements notwithstanding that the Company does not have any direct or indirect equity interest in T&I Net Communication.

2.2 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended June 30, 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s accountants’ report for the year ended December 31, 2021.

The interim condensed consolidated financial information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's accountants' report for the year ended December 31, 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after January 1, 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after January 1, 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after January 1, 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at January 1, 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

- (d) *Annual Improvements to IFRSs 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after January 1, 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the provision of artificial intelligence-based customer contact solution software and related services in SaaS model and VPC model. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

(a) Revenue from external customers

All of the Group's revenue derived from customers were located in Mainland China during the period (June 30, 2021: All (unaudited)).

(b) Non-current assets

All of the Group's non-current assets were located in Mainland China as at the end of the Reporting Period (December 31, 2021: All (audited)).

Information about major customers

During the six months ended June 30, 2022, there was no customer individually accounted for more than 10% of the Group's revenue (June 30, 2021: there was one customer with revenue of approximately RMB22,542,000 individually accounted for more than 10% of the Group's revenue (unaudited)).

5. REVENUE

An analysis of revenue from contracts with customers is as follows:

	For the six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
SaaS solutions	167,670	190,478
VPC solutions	21,761	12,819
Other services and product sales	3,173	5,431
	192,604	208,728

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

	For the six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Transfer over time:		
SaaS solutions	167,670	190,478
VPC solutions	20,301	6,539
Other services and product sales	2,613	2,973
	190,584	199,990
Transfer at a point in time:		
VPC solutions	1,460	6,280
Other services and product sales	560	2,458
	2,020	8,738
	192,604	208,728

6. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services provided	100,271	111,425
Cost of products sold	443	1,595
Impairment of financial assets:		
Impairment of trade receivables	1,896	2,602
Impairment of contract assets	236	308
Impairment of financial assets included in prepayments, other receivables and other assets	—	77
	<u>2,132</u>	<u>2,987</u>
Foreign exchange differences, net	<u>85</u>	<u>—</u>

7. INCOME TAX

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

Cayman Islands

Pursuant to the relevant rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands (June 30, 2021: Nil (unaudited)).

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (June 30, 2021: Nil (unaudited)). The Hong Kong profits tax rate during the period was 16.5% (June 30, 2021: 16.5% (unaudited)).

Mainland China

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations, the entities which operate in Mainland China are subject to corporate income tax at a rate of 25% on the taxable income (June 30, 2021: 25% (unaudited)). During the period, T&I Net Communication was entitled to a preferential tax rate of 15% (June 30, 2021: 15% (unaudited)) because it was accredited as a "High and New Technology Enterprise". In addition, the Group's other subsidiaries operating in Mainland China were entitled to a preferential effective tax rate of 2.5% for the period (June 30, 2021: 2.5% (unaudited)) because they were regarded as "small-scaled minimal profit enterprises" with annual taxable income no more than RMB1,000,000 during the period.

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax charged for the period	24	2,426
Deferred tax credited for the period	(216)	(168)
	<u>(192)</u>	<u>2,258</u>

8. DIVIDENDS

There was no dividend declared by the Group during the six months ended June 30, 2022. During the six months ended June 30, 2021, an interim dividend of RMB0.5 per ordinary share with an aggregate amount of RMB25,830,000 (unaudited) was declared by T&I Net Communication to its then shareholders prior to the completion of the Reorganisation.

9. EARNINGS/(LOSS) PER SHARE

The calculation of the basic loss per share amount for the six months ended June 30, 2022 is based on the loss for the six months ended June 30, 2022 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 150,132,597 in issue during the six months ended June 30, 2022.

The calculation of the basic earnings per share amount for the six months ended June 30, 2021 is based on the profit for the six months June 30, 2021 attributable to ordinary equity holders of the Company, and the number of ordinary shares of 150,000,000 in issue, which is determined based on the assumption that the Reorganisation as detailed in note 2.1 to the interim condensed consolidated financial information has been effective from January 1, 2021.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended June 30, 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the six months ended June 30, 2022 and 2021.

The calculation of basic and diluted earnings/(loss) per share are based on:

	For the six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<u>Earnings/(loss)</u>		
Profit/(loss) attributable to ordinary equity holders of the Company	<u>(3,745)</u>	<u>16,184</u>
	Number of shares	
	For the six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period	<u>150,132,597</u>	<u>150,000,000</u>

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended June 30, 2022, the Group acquired assets at an aggregate cost of RMB322,000 (June 30, 2021: RMB1,105,000 (unaudited)), and disposed of assets with an aggregate net book value of RMB21,000 (June 30, 2021: Nil (unaudited)), resulting in a net loss on disposal of RMB16,000 (June 30, 2021: net gain on disposal of RMB3,000 (unaudited)).

11. TRADE RECEIVABLES

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Trade receivables	104,879	69,381
Impairment	<u>(6,889)</u>	<u>(4,993)</u>
	<u>97,990</u>	<u>64,388</u>

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the billing date and net of loss allowance, is as follows:

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Within 3 months	63,137	49,353
4 to 12 months	32,798	13,955
1 to 2 years	<u>2,055</u>	<u>1,080</u>
	<u>97,990</u>	<u>64,388</u>

12. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the billing date and/or service render date, is as follows:

	June 30, 2022 RMB'000 (Unaudited)	December 31, 2021 RMB'000 (Audited)
Within 3 months	20,472	15,048
4 to 12 months	9,583	460
1 to 2 years	127	232
Over 2 years	<u>169</u>	<u>–</u>
	<u>30,351</u>	<u>15,740</u>

13. SHARE CAPITAL

	June 30, 2022		December 31, 2021	
	USD'000 (Unaudited)	RMB'000 equivalent (Unaudited)	USD'000 (Audited)	RMB'000 equivalent (Audited)
Issued and fully paid:				
174,000,000 (December 31, 2021: 150,000,000) ordinary shares at USD0.0001 each	<u>17</u>	<u>114</u>	<u>15</u>	<u>98</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital		Share premium account	Total
		USD'000	RMB'000	RMB'000	RMB'000
Issue of shares at:					
March 31, 2021 (date of incorporation) (note a)	123,450,000	12	81	–	81
May 19, 2021 (note a)	<u>26,550,000</u>	<u>3</u>	<u>17</u>	<u>–</u>	<u>17</u>
At December 31, 2021 and January 1, 2022 (audited)	150,000,000	15	98	–	98
Issue of shares at June 30, 2022 (note b) (unaudited)	24,000,000	2	16	263,728	263,744
Share issue expenses (unaudited)	<u>–</u>	<u>–</u>	<u>–</u>	<u>(15,506)</u>	<u>(15,506)</u>
At June 30, 2022 (unaudited)	<u>174,000,000</u>	<u>17</u>	<u>114</u>	<u>248,222</u>	<u>248,336</u>

Notes:

- (a) The Company was incorporated in the Cayman Islands on 31 March 2021 with an authorised share capital of USD50,000 divided into 500,000,000 ordinary shares with a par value of USD0.0001 each.

At the date of incorporation, on 31 March 2021, the Company allotted and issued 123,450,000 ordinary shares at USD0.0001 each for an aggregate cash consideration of USD12,345 (equivalent to approximately RMB81,000), credited as fully paid, to entities owned by the directors, which were also the then beneficial shareholders, of T&I Net Communication as well as to a shareholder of T&I Net Communication in proportion to their relative effective equity interest in T&I Net Communication. On May 19, 2021, the Company allotted and issued 26,550,000 ordinary shares at USD0.0001 each for an aggregate consideration of USD2,655 (equivalent to approximately RMB17,000), credited as fully paid, to TI YUN Limited, a company incorporated in the British Virgin Islands and established as a nominee to hold in trust for the ordinary shares of the Company underlying the share incentive plan of the Company. Upon completion of the above share allotments, the effective equity interest of the Company, as represented by the number of ordinary shares of the Company, held by individual shareholders is identical to or no more than the effective equity interest of T&I Net Communication held by the respective shareholder prior to the commencement of the Reorganisation, and the Company effectively exchanged all of the ordinary shares held by each of the shareholders of T&I Net Communication into the ordinary shares of the Company.

- (b) On June 30, 2022, the Company issued 24,000,000 ordinary shares in its initial public offering at HK\$12.85 per share for a total cash consideration, before expenses, of HK\$308,400,000 (equivalent at approximately RMB263,744,000).

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	For the six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Short-term employee benefits	2,091	1,244
Post-employment benefits	136	119
	<u>2,227</u>	<u>1,363</u>

15. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)	(Unaudited)	(Audited)
Financial assets:				
Financial investments at fair value through profit or loss	<u>55,640</u>	<u>31,227</u>	<u>55,640</u>	<u>31,227</u>

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's senior management is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of the Reporting Period, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the senior management.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group's unlisted investments mainly comprise structured deposits and funds. The Group has estimated the fair value of structured deposits by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks, and the fair value of funds by using their respective unadjusted quoted prices in active markets.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value

As at June 30, 2022

	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Unaudited)	Fair value measurement using Significant observable inputs (Level 2) <i>RMB'000</i> (Unaudited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Financial investments at fair value through profit or loss	<u>25,527</u>	<u>30,113</u>	<u>–</u>	<u>55,640</u>

As at December 31, 2021

	Quoted prices in active markets (Level 1) <i>RMB'000</i> (Audited)	Fair value measurement using Significant observable inputs (Level 2) <i>RMB'000</i> (Audited)	Significant unobservable inputs (Level 3) <i>RMB'000</i> (Audited)	Total <i>RMB'000</i> (Audited)
Financial investments at fair value through profit or loss	<u>31,227</u>	<u>–</u>	<u>–</u>	<u>31,227</u>

The Group did not have any financial liabilities measured at fair value as at the end of the Reporting Period (December 31, 2021: Nil (audited)).

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (June 30, 2021: Nil (unaudited)).

16. EVENTS AFTER THE REPORTING PERIOD

On July 27, 2022, the Company allotted and issued 400 additional shares at the offer price of the Company's initial public offering as a result of the partial exercise of the over-allotment option by the joint global coordinators.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was incorporated in the Cayman Islands on March 31, 2021 with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on June 30, 2022 (the “**Listing Date**”).

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company’s corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all shareholders of the Company (the “**Shareholders**”). Throughout the period from the Listing Date up to June 30, 2022, the Company has applied the principles and complied with all the applicable code provisions as set out in Part 2 of the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) except as disclosed below.

Code provision C.5.1 of the Corporate Governance Code provides that board meetings should be held at least four times a year at approximately quarterly intervals. As the Company was only listed on June 30, 2022, the Company did not hold any Board meetings throughout the period from the Listing Date and up to June 30, 2022.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company currently does not have a separate chairman and chief executive officer and Mr. WU Qiang currently performs both roles.

The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company if and when it is appropriate taking into account the circumstances of the Group as a whole. Save as disclosed above, none of the Directors of the Company is aware of any information which would reasonably indicate that the Company has not complied with the code provisions as set out in the Corporate Governance Code for the Reporting Period.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct regarding the Directors’ dealings in the securities of the Company. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code for the Reporting Period.

AUDIT COMMITTEE

The Company has established an audit committee (the “**Audit Committee**”) in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code to monitor the implementation of our risk management policies across our Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The Audit Committee comprises three members, namely Mr. LI Zhiyong, Mr. LI Pengtao and Ms. WENG Yang, with Mr. LI Zhiyong (being our independent non-executive Director with the appropriate professional qualifications) as chair of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended June 30, 2022 with no disagreement and discussed matters with respect to the accounting policies and practices adopted by the Company and internal control system, risk management, financial reporting matters with senior management members.

OTHER BOARD COMMITTEES

In addition to the Audit Committee, the Company has also established a nomination committee and a remuneration committee.

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

During the period from the Listing Date up to June 30, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the Stock Exchange.

INTERIM DIVIDEND

The Board did not recommend the distribution of an interim dividend for the six months ended June 30, 2022. Beijing T&I Net Communication Co., Ltd. (北京天潤融通科技股份有限公司), our variable interest entity in the PRC, declared dividends of RMB25,830,000 to its then shareholders in the first half of 2021, which were fully paid in cash in May 2021.

USE OF PROCEEDS

With the shares listed on the Stock Exchange on the Listing Date, the net proceeds from the Global Offering (following partial exercise of the Over-allotment Option, as defined in the Prospectus) were approximately HK\$255.7 million after deducting underwriting commissions and offering expenses paid or payable. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.ti-net.com.cn. The interim report of the Group for the six months ended June 30, 2022 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders in due course.

By order of the Board
TI Cloud Inc.
Mr. WU Qiang
Chairman of the Board

Hong Kong, August 29, 2022

As of the date of this announcement, the Board comprises Mr. WU Qiang, Mr. PAN Wei, Mr. LI Jin and Mr. AN Jingbo as executive Directors, and Ms. WENG Yang, Mr. LI Pengtao and Mr. LI Zhiyong as independent non-executive Directors.