天潤雲

TI Cloud Inc.
天润云股份有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 2167)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the "**Board**") of directors (the "**Directors**") of TI Cloud Inc. (the "**Company**" or "**TI Cloud**") is pleased to announce the audited consolidated results of the Company and its subsidiaries and consolidated affiliated entities (collectively, the "**Group**") for the year ended December 31, 2022 (the "**Reporting Period**"), together with comparative figures for the same period of 2021. These annual results have been reviewed by the audit committee of the Company (the "**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

	Year ended December 31,		
	2022 ***RMB' in thousands, except percentages***	2021 *RMB' in thousands, except percentages*	Year-on-year change
Revenue	**383,244**	401,897	(4.6%)
Revenue (excluding revenue from education industry)	**341,972**	294,096	16.3%
Gross profit	**184,943**	182,703	1.2%
Gross profit margin	**48.3%**	45.5%	–
(Loss)/Profit before tax	**(7,772)**	18,486	(142.0%)
(Loss)/Profit for the period	**(7,374)**	17,818	(141.4%)
Adjusted net profit (a non-IFRS measure)*	**4,071**	37,346	(89.1%)

* 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 2022 (being RMB11.4 million for the year ended December 31, 2022 and RMB19.5 million for the year ended December 31, 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**")

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year of 2022, despite multiple waves of the COVID-19 pandemic and the severe and complex international situation, 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 for the year ended December 31, 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 4.6% from RMB401.9 million in 2021 to RMB383.2 million in 2022, primarily due to a significant decrease in the revenue from clients from the education industry, 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. Our revenue from education industry accounted for 10.8% of our total revenue in 2022, representing a decrease of 61.7% compared with 2021. Despite the decrease from the education industry, our revenue from clients in other industries increased by 16.3% from RMB294.1 million in 2021 to RMB342.0 million in 2022.

Technology is at the heart of our solutions. In 2022, we continued to strengthen our technology leadership and established a new regional R&D center in Chengdu. We built a strong research and development team of 225 employees as of December 31, 2022, representing 47.2% of our total workforce, increasing by 6.6% from 211 as of December 31, 2021. Our total research and development expenses in 2022 were RMB78.6 million, representing 20.5% of our total revenue. In 2022, we maintained rapid product iteration and rolled out releases approximately on a weekly basis, at the same time achieving 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 42 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 2022, we served a total number of 3,071 SaaS clients, increasing by 14.9% from 2,673 in 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 2022, our SaaS client retention rate and dollar-based net retention rate for all SaaS clients were 76.1% and 92.9%, respectively, compared to 78.4% and 103.5% in 2021. The decreases primarily reflected a significant decrease in the revenue from clients from the education industry which were adversely affected by regulations that crack down on after-school tutoring services on academic subjects in China's compulsory education system. In 2022, our SaaS client retention rate and dollar-based net retention rate for SaaS clients (excluding clients from the education industry) were 76.1% and 113.4%, respectively.

We invested heavily in the enhancement of our solutions based on AI and cloud, among which the size of the Group's AI team has an year-on-year growth of over 100%. In 2022, our AI team further improved the intelligent customer services, intelligent agent assistant, intelligent quality inspection and other products, while enhancing NLP capabilities to optimize our ContactBot solutions that focuses on text bots and voice bots. Through our R&D efforts, we continue to advance and leverage cloud, AI and communication technology, to balance between the need to maintain stable, uninterrupted operations in large scale and to achieve quick iteration in response to evolving business needs and technological developments.

BUSINESS OVERVIEW

As a life-cycle AI-driven SaaS cloud platform for customer contact solutions, we independently developed and achieved the deep integration of "AI, Cloud and Communication" technologies. In recent years, we have focused on the AI and cloud transformation in the field of customer contact solutions in China. Recently, leveraging on our robust technology capabilities and professional products and services, we won the "2022 CEIA China Enterprise IT Awards" for "Best Customer Service SaaS Provider" and "Best Call Center Service Provider."

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 allow our clients to flexibly adjust the number of agent seats according to their changing business needs. We provide our SaaS model through recurring subscription.

VPC model

We also deliver our solutions in virtual private clouds (VPC), which, as a special category of public cloud, are isolated private clouds hosted within a public cloud environment and accessed exclusively by one user. Leveraging our extensive industry know-how and deep understanding of industry trends, we help enterprises with stringent security requirements, primarily large state-owned enterprises and multinational companies, deploy highly customizable solutions on the cloud computing platform of their choice. In the deployment process, we provide customization services to tailor-make customer contact functionalities in virtual private clouds for our VPC clients. VPC model is project-based and the fee for each contract varies significantly depending on the requirements specification and level of customization needed.

Other Services and Product Sales

We also generate revenue from other services and product sales, which consist of provision of services and sale of goods ancillary to our customer contact solutions to satisfy certain ad hoc request from our existing clients. Goods sold primarily included telecommunication equipment, and services provided primarily included certain telecommunication services, such as use of phone numbers.

Our Offerings

We offer three types of customer contact solutions to empower our clients in a variety of business scenarios, namely Intelligent Contact Center Solutions, Agile Agent Solutions and ContactBot Solutions.

The following table sets forth a breakdown of our revenue by type of solutions in absolute amount and as a percentage of our total revenue for the periods indicated.

	Year ended December 31,			
	2022		2021	
	RMB	***%***	*RMB*	*%*
	(RMB in thousands, except percentage)			
Total revenue:				
Intelligent Contact Center Solutions	**316,327**	**82.5%**	332,984	82.8%
Agile Agent Solutions	**49,948**	**13.0%**	51,322	12.8%
ContactBot Solutions	**8,638**	**2.3%**	7,730	1.9%
Other services and product sales	**8,331**	**2.2%**	9,861	2.5%
Total	**383,244**	**100.0%**	401,897	100.0%

Intelligent Contact Center Solutions

Our Intelligent Contact Center Solutions help businesses migrate their contact center functions to the cloud. The solutions allow contact center agents hired by our clients and seated in physical contact centers to efficiently interact with clients across multiple channels using desktops. We support contact center agents with intelligent tools and functions to drive efficient and effective customer interactions. Our Intelligent Contact Center Solutions are popular among businesses who want to digitalize their sales, marketing, customer service and other business functions.

Agile Agent Solutions

Our Agile Agent Solutions, designed as a mobile application, empower clients' employees other than contact center agents (such as car salespersons, retail store assistants and after-school program tutors) to contact customers at any time in any location. It enables businesses to track and manage each interaction, which significantly increases visibility of business activities and uses data-based analytics to support decision-making. Our Agile Agent Solutions, readily accessible via our proprietary mobile app, enable salespersons to create and convert sales leads on a unified platform when they are on the go and empower businesses to conveniently track and evaluate sales activities.

ContactBot Solutions

Our ContactBot Solutions utilize practical AI applications to automate routine and repetitive duties traditionally handled by clients' human agents. With real-time automatic speech recognition (ASR) and natural language processing (NLP) capabilities, our ContactBot is able to engage in multimodal intelligent interactions. Clients can use both text-based and voice-based intelligent virtual agents which are trained to fit their business needs. Our text-based ContactBot (TextBot) is developed using advanced machine learning techniques, including deep learning, BERT model and other advanced AIGC model. Our voice-based ContactBot (VoiceBot) is designed to engage in multi-round dialogues with human-like voice and can guide the conversation and answer customers' questions fluently.

BUSINESS OUTLOOK

As we enter into 2023, with the easing of restrictions on the COVID-19 epidemic in China, and the rise of ChatGPT-based artificial intelligence dialogue robots and large-scale model technology, the customer contact industry has ushered in new development opportunities and technological revolutions. We are well-positioned as an AI-driven full-cycle customer contact solutions provider. We will continue to implement the following strategies to capture growing market opportunities and further strengthen our market leading position:

- Continue to maintain our leadership in technology by focusing on the deep integration of "AI, Cloud and Communication" technologies. Actively explore the latest AIGC technology at home and abroad, deepen our layout in intelligent customer service, ContactBot and other aspects and continue to implement the application upgrade of "AI+ customer contact solutions" With the growing demand by enterprise clients for intelligent, efficient and comprehensive customer contact solutions to satisfy their needs for seamless user experiences and the development of the latest AIGC technology, we anticipate that a broad range of usage scenarios will become automated, further enhancing the commercial value of customer contact solutions.

- Continue to optimize and expand the portfolio of solutions to provide better products and service experience for corporate clients. By this approach, we aim to achieve sustained and healthy growth of SaaS subscribers, increase user engagement and record a high net dollar retention. We have successfully built three product innovation and R&D centers in Beijing, Nanjing and Chengdu. Looking ahead to the year of 2023, the focus is to further improve the R&D efficiency in the Group's overall customer contact solution products;

- Effectively strengthen our sales and marketing capabilities. As we continued to build our sales and marketing team in the years of 2021 and 2022, we have basically completed the sales coverage of the major areas with high development potential in China. In the future, we will continue to expand our coverage in Bohai Rim, East China, Pearl River Delta and Chengdu-Chongqing regions to enhance our sales capabilities outside of tier-1 cities and scale up our presence in a cost-effective manner; and

- Selectively pursue strategic acquisitions and investments to expand market position and influence.

As Chinese enterprises are increasingly willing to migrate to the cloud, we believe there is a high demand to replace legacy on-premise systems with intelligent customer contact solutions. Although we face increasing competition in the customer contact solutions market, we will continue to develop our robust technological capabilities, go-to-market strategies, and expand our broad and high-quality client base to improve our competitiveness in the industry.

FINANCIAL REVIEW

Revenue

Our revenue decreased by 4.6% from RMB401.9 million in 2021 to RMB383.2 million in 2022, primarily due to impact from education industry, which was partially offset by the revenue growth from other industries.

Revenue by industry

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

	For the Year Ended December 31,				
	2022		2021		
	RMB'000	***Percentage of total***	*RMB'000*	*Percentage of total*	Year-on-Year change
Total revenue (excluding education industry)	**341,972**	**89.2%**	294,096	73.2%	16.3%
Revenue from education industry	**41,272**	**10.8%**	107,801	26.8%	(61.7%)
Total	**383,244**	**100%**	401,897	100%	(4.6%)

Revenue by businesses

In 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.

	For the Year Ended December 31,				
	2022		2021		
	RMB'000	***Percentage of total***	*RMB'000*	*Percentage of total*	Year-on-Year change
SaaS solutions	**350,942**	**91.6%**	370,738	92.2%	(5.3%)
Intelligent Contact Center Solutions	**304,513**	**79.4%**	319,958	79.6%	(4.8%)
Agile Agent Solutions	**37,791**	**9.9%**	43,050	10.7%	(12.2%)
ContactBot Solutions	**8,638**	**2.3%**	7,730	1.9%	11.7%
VPC solutions	**23,971**	**6.2%**	21,298	5.3%	12.6%
Other services and product sales	**8,331**	**2.2%**	9,861	2.5%	(15.5%)
Total	**383,244**	**100%**	401,897	100%	(4.6%)

In 2022, we generated a revenue of RMB350.9 million from the SaaS model, representing a decrease by 5.3% from RMB370.7 million in 2021. In the same period, we served a total number of 3,071 clients under the SaaS model, increasing by 14.9% from 2,673 in 2021. In the same period, our SaaS clients on average subscribed for 132,235 agent seats per month, increasing by 6.3% from 124,350 in 2021 primarily due to our overall business growth.

In 2022, we generated a revenue of RMB24.0 million from the VPC model among which RMB11.8 million were derived from our Intelligent Contact Center Solutions and RMB12.2 million were derived from our Agile Agent Solutions, representing an increase by 12.6% from RMB21.3 million in 2021. In the same period, we served 23 VPC clients, decreasing from 24 in 2021. Due to the COVID-19 pandemic in the second half of 2022, certain milestones of VPC projects were delayed, which affected the growth rate of revenue.

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.

	For the Year Ended December 31,				
	2022		2021		
	RMB'000	***Percentage of total***	*RMB'000*	*Percentage of total*	Year-on-Year change
SaaS solutions	**309,699**	**90.6%**	263,759	89.7%	17.5%
Intelligent Contact Center Solutions	**277,186**	**81.1%**	236,327	80.4%	17.4%
Agile Agent Solutions	**24,725**	**7.2%**	21,070	7.2%	17.4%
ContactBot Solutions	**7,788**	**2.3%**	6,362	2.2%	22.4%
VPC solutions	**23,971**	**7.0%**	20,489	7.0%	16.0%
Other services and product sales	**8,302**	**2.4%**	9,848	3.3%	(15.7%)
Total revenue (excluding education industry)	**341,972**	**100%**	294,096	100%	16.3%

Cost of sales

Our cost of sales decreased by 9.5% from RMB219,194 million in 2021 to RMB198,301 million in 2022. The decrease was partially driven by the decrease in revenue, and partially due to better internal cost control and cost optimization.

The following table sets forth our cost of sales by nature both in absolute amount and as a percentage of our total cost of sales for the periods indicated.

	For the Year Ended December 31,				
	2022		2021		
	RMB'000	***Percentage of total***	*RMB'000*	*Percentage of total*	Year-on-Year change
Cost of Sales:					
Cost of services provided	**196,281**	**99.0%**	216,535	98.8%	(9.4%)
Telecommunication infrastructure expenses	**167,556**	**84.5%**	192,976	88.0%	(13.2%)
Cloud infrastructure expenses	**11,970**	**6.0%**	9,912	4.5%	20.8%
Internet data center lease expenses	**4,296**	**2.2%**	3,458	1.6%	24.2%
Depreciation expenses	**300**	**0.2%**	344	0.2%	(12.8%)
Employee benefit expenses	**4,787**	**2.4%**	6,752	3.1%	(29.1%)
Subcontract fee	**7,237**	**3.6%**	2,744	1.3%	163.7%
Others	**135**	**0.1%**	349	0.1%	(61.3%)
Cost of products sold	**2,020**	**1.0%**	2,659	1.2%	(24.0%)
Total	**198,301**	**100%**	219,194	100%	(9.5%)

The following table sets forth our cost of sales by businesses both in absolute amount and as a percentage of our total revenue for the periods indicated.

	For the Year Ended December 31,				
	2022		2021		
	RMB'000	***Percentage of total***	*RMB'000*	*Percentage of total*	Year-on-Year change
Cost of Sales:					
SaaS solutions	**180,967**	**47.2%**	203,503	50.6%	(11.1%)
VPC solutions	**12,159**	**3.2%**	9,845	2.4%	23.5%
Other services and product sales	**5,175**	**1.4%**	5,846	1.5%	(11.5%)
Total	**198,301**	**51.7%**	219,194	54.5%	(9.5%)

Gross profit and gross profit margin

As a result of the foregoing, we recorded (i) a gross profit of RMB182,703 million and RMB184,943 million in 2021 and 2022, respectively, and (ii) a gross profit margin of 45.5% and 48.3% in 2021 and 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.

	For the Year Ended December 31,			
	2022		2021	
	RMB'000		*RMB'000*	
Gross profit and gross profit margin:				
SaaS solutions	**169,975**	**48.4%**	167,235	45.1%
VPC solutions	**11,812**	**49.3%**	11,453	53.8%
Other services and product sales	**3,156**	**37.9%**	4,015	40.7%
Total	**184,943**	**48.3%**	182,703	45.5%

Other income and gains

Our other income and gains increased by 116.7% from a gain of RMB8,287 million in 2021 to a gain of RMB17,960 million in 2022, primarily due to an increase in government grant and an increase in bank interest income.

The following table sets forth a breakdown of the components of our other income and gains in absolute amount and as a percentage of our total other income and gains for the periods indicated.

	For the Year Ended December 31,			
	2022		2021	
	RMB'000	***Percentage of total***	*RMB'000*	*Percentage of total*
Other Income:				
Bank interest income	**3,480**	**19.4%**	819	9.9%
Investment income from financial investments at fair value through profit or loss	**2,078**	**11.6%**	2,211	26.7%
Investment income from financial investments at amortised cost	**153**	**0.9%**	–	–
Government grant	**11,701**	**65.2%**	4,689	56.6%
Others	**40**	**0.2%**	10	0.1%
Gains:				
Fair value gains on financial investments at fair value through profit or loss	**506**	**2.8%**	474	5.7%
Gain on disposal of equity investments designated at fair value through other comprehensive income	**–**	**–**	81	1.0%
Gain on disposal of property, plant and equipment	**–**	**–**	3	0.0%
Gain on early termination of a lease	**2**	**–**	–	–
Total	**17,960**	**100%**	8,287	100%

Selling and distribution expenses

Our selling and distribution expenses increased by 24.9% from RMB71.3 million in 2021 to RMB89.1 million in 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 December 31, 2021 to 152 as of December 31, 2022, (ii) an increase in promotion and advertising expenses as a result of increased online and offline advertising activities, and (iii) an increase in commission expenses.

Administrative expenses

Our administrative expenses decreased by 16.1% from RMB43.0 million in 2021 to RMB36.0 million in 2022, primarily due to a decrease in listing expenses.

Research and development expenses

Our research and development expenses increased by 46.1% from RMB53.8 million in 2021 to RMB78.6 million in 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 December 31, 2021 to 225 as of December 31, 2022.

The following table sets forth a breakdown of the major components of our research and development expenses both in absolute amount and as a percentage of revenue for the periods indicated.

	For the Year Ended December 31,			
	2022		2021	
	RMB'000	***Percentage of total***	*RMB'000*	*Percentage of total*
Research and Development Expenses:				
Employee benefit expenses	**71,525**	**18.7%**	48,318	12.0%
Depreciation of property, plant and equipment	**1,007**	**0.3%**	1,292	0.3%
Others	**6,107**	**1.6%**	4,230	1.1%
Total	**78,639**	**20.5%**	53,840	13.4%

Impairment losses on financial assets

Our impairment losses on financial assets increased by 38.1% from RMB3.4 million in 2021 to RMB4.7 million in 2022, primarily attributable to the conservative measure adopted by us to increase the ratio of provisions for bad debts.

Other expenses and losses

We recorded other expenses and losses of RMB1,541 thousand in 2022, which primarily represented net foreign exchange differences.

Finance cost

Our finance costs represent interest expenses on our lease liabilities and bank borrowings. Our finance costs amounted to RMB636 thousand and RMB627 thousand in 2021 and 2022, respectively.

(Loss)/Profit for the year

As a result of the foregoing, we generated a profit of RMB17.8 million in 2021 and a loss of RMB7.4 million in 2022. The net loss in 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 46.1% as compared to the same period in the previous year; and (iii) an increase in selling and distribution expenses of 24.9% as compared to the same period in the previous year.

Adjusted net profit (a non-IFRS measure)

To supplement our audited consolidated 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 2021 and 2022 adjusted by adding back one-off listing expenses incurred during the corresponding financial year. 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 RMB4.1 million in 2022, as compared to an adjusted net profit of RMB37.3 million in 2021. The decrease in adjusted net profit 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.

	Year ended December 31,		
	2022	2021	Year-on-
	RMB'000	*RMB'000*	year change
Reconciliation of net profit and adjusted net profit			
(Loss)/Profit for the period	**(7,374)**	17,818	(141.4%)
Add:			
Listing expenses	**11,445**	19,528	(41.4%)
Adjusted net profit	**4,071**	37,346	(89.1%)

Contract assets

Our contract assets increased by 102.1% from RMB2.2 million as of December 31, 2021 to RMB4.5 million as of December 31, 2022. The increase resulted from the increase in the ongoing provision of our VPC solutions.

Financial investments at fair value through profit of loss

Our financial investments at fair value through profit or loss increased by 30.9% from RMB31.2 million as of December 31, 2021 to RMB40.9 million as of December 31, 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.

In 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 RMB341.7 million as of December 31, 2022. As of December 31, 2022, we had no outstanding borrowings.

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

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
Net cash (used in)/generated from operating activities	**(13,066)**	36,675
Net cash (used in)/generated from investing activities	**(207,246)**	128,788
Net cash (used in)/generated from financing activities	**254,079**	(45,870)
Net increase in cash and cash equivalents	**33,767**	119,593
Cash and cash equivalents at the beginning of the period	**152,545**	32,953
Effects of foreign exchange rate changes, net	**2,094**	(1)
Cash and cash equivalents at the end of the period	**188,406**	152,545

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

In 2022, net cash used in operating activities was RMB13.1 million, which was primarily attributable to our loss before tax of RMB7.8 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of right-of-use assets of RMB7.0 million, impairment of financial assets of RMB4.7 million, interest income of RMB3.5 million and investment income of RMB2.2 million, and (ii) changes in working capital, which primarily comprised of an increase in trade receivables of RMB26.8 million, an increase in trade payables of RMB12.9 million, and an increase in contract costs of RMB10.3 million.

In 2021, net cash generated from operating activities was RMB36.7 million, which was primarily attributable to our profit before tax of RMB18.5 million, as adjusted by (i) non-cash items, which primarily comprised of depreciation of right-of-use assets of RMB6.2 million, impairment of financial assets of RMB3.4 million, depreciation of property, plant and equipment of RMB1.8 million, and equity-settled share-based payment expense of RMB1.2 million, and (ii) changes in working capital, which primarily comprised of (a) a decrease in trade receivables of RMB7.8 million, primarily in line with our business growth, (b) an increase in other payables and accruals of RMB6.2 million, which was primarily due to the provision of payable listing expenses, and (c) an increase in prepayments, other receivables and other assets of RMB5.9 million, which was primarily due to prepayments of certain expenses in connection with the Global Offering.

Net Cash (Used in)/Generated from Investing Activities

In 2022, net cash used in investing activities was RMB207.2 million, which was primarily attributable to payments of RMB493.7 million for purchases of financial investments at fair value through profit or loss, which were partially offset by proceeds of RMB501.8 million from disposal/maturity of financial investments at fair value through profit or loss.

In 2021, net cash generated from investing activities was RMB128.8 million, which was primarily attributable to the proceeds of RMB552.7 million from disposal/maturity of financial investments at fair value through profit or loss, which were partially offset by payments of RMB430.0 million for purchase of financial investments at fair value through profit or loss.

Net Cash (Used in)/Generated from Financing Activities

In 2022, net cash generated from financing activities was RMB254.1 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.

In 2021, net cash used in our financing activities was RMB45.9 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, partially offset by new bank borrowings of RMB10.5 million.

Significant Investments Held

During the year ended December 31, 2022, we subscribed for wealth management products and structured deposit products using our surplus cash reserves generated from daily operations. For details, please refer to the announcement of the Company dated September 5, 2022.

Saved as disclosed above, the Group did not make or hold any significant investments during the year ended December 31, 2022.

Future Plans for Material Investments and Capital Assets

Save as disclosed in this announcement, as of December 31, 2022, we did not have any other plans for material investments and capital assets.

Material Acquisitions and/or Disposals of Subsidiaries and Affiliated Companies

On December 15, 2022 (after trading hours), TI Cloud (HK) Limited (the "**Purchaser**") (a wholly-owned subsidiary of the Company), the Company, Beijing T&I Net Communication Co., Ltd. (北京天潤融通科技股份有限公司), Agora Inc., Beijing Yisimobo Network Technology Co., Ltd. (北京億思摩博網絡科技有限公司), Beijing Yizhang Yunfeng Technology Co., Ltd. (北京易掌雲峰科技有限公司) (the "**Target Company**") and AKKO NET LIMITED (the "**Vendor**") entered into an equity transfer agreement, pursuant to which the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the entire equity interest in the Target Company at an initial consideration of approximately US$14.6 million (approximately HK$113.7 million) (the "**Acquisition**"), subject to the adjustments. Upon completion of the Acquisition that took place on February 1, 2023, the Target Company became an indirect wholly-owned subsidiary of the Company.

For details of the Acquisition, please refer to the announcement of the Company dated December 15, 2022.

Save for the Acquisition disclosed above, we did not have any material acquisitions and/or disposals of subsidiaries and affiliated companies for the year ended December 31, 2022.

Environmental, Social and Governance

We are committed to promoting corporate social responsibility and sustainable development and integrating it into all major aspects of our business operations.

While our business operations do not produce pollutants that directly affect the environment, we have implemented internal policies to reduce our environmental impact and carbon footprint, such as sending daily energy-saving reminders to employees, which urge them to turn off indoor lights, electronic equipment and air conditioning in time after leaving the meeting room and before getting off work; imposing temperature controls for air conditioning; and setting up a wastebasket to recycle paper that can be reused (such as those with only one side used).

We are committed to corporate responsibility projects, both through charitable endeavors and by extending the benefits of our ecosystem to the society at large. We have been continuously dedicating ourselves to the development of social and public welfare undertakings. By building staff volunteer teams, we encourage and organize our employees to participate in various voluntary activities. We also keep close ties with the public and continuously strive to improve people's well-being. Since 2020, the Company has donated around RMB551,600 for charity and other purposes.

We are committed to cultivating a collaborative company culture that inspires teamwork. We value the contribution of each employee in different roles and strive to provide a fair and balanced compensation scheme that provides proper incentives.

Our Board of Directors has the collective responsibility for formulating, adopting and reviewing our environmental, social and corporate governance ("**ESG**") vision, policy and target, and evaluating, determining and addressing our ESG-related risks at least once a year. In 2022, our Board of Directors engaged an independent third party to evaluate our ESG risks and review our existing strategy, target and internal controls.

Employee and Remuneration Policy

The following table sets forth the numbers of our employees dedicated to our business and operations categorized by function as of December 31, 2022.

Function	**Number of Employees**	**% of Total**
Research and development	225	47.2%
Sales	152	31.9%
Operations	73	15.3%
Management	27	5.7%
Total	477	100.0%

As required by laws and regulations in China, we participate in government statutory employee benefit plans, including social insurance funds, namely a pension contribution plan, a medical insurance plan, an unemployment insurance plan, a work-related injury insurance plan and a maternity insurance plan, and a housing provident fund. We are required under PRC law to contribute to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time.

We continuously invest in the training and career development of our employees. We have established a comprehensive training and development system covering corporate culture, employee rights and responsibilities, job performance, technical skills and safety management. We also support the health and well-being of our employees by, among other measures, offering free annual health checkups.

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. Throughout the period from the Listing Date and up to December 31, 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 December 31, 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 December 31, 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

	Notes	**Year ended December 31, 2022** *RMB'000*	2021 *RMB'000*
REVENUE	*5*	**383,244**	401,897
Cost of sales		**(198,301)**	(219,194)
Gross profit		**184,943**	182,703
Other income and gains	*5*	**17,960**	8,287
Selling and distribution expenses		**(89,102)**	(71,335)
Administrative expenses		**(36,039)**	(42,977)
Research and development expenses		**(78,639)**	(53,840)
Impairment losses on financial assets		**(4,727)**	(3,423)
Other expenses and losses		**(1,541)**	(293)
Finance costs	*7*	**(627)**	(636)
PROFIT/(LOSS) BEFORE TAX	*6*	**(7,772)**	18,486
Income tax credit/(expense)	*8*	**398**	(668)
PROFIT/(LOSS) FOR THE YEAR		**(7,374)**	17,818
EARNINGS/(LOSS) PER SHARE			
Basic and diluted (RMB)	*10*	**(4.55) cents**	11.88 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended December 31, 2022

	Year ended December 31,	
	2022	2021
	RMB'000	*RMB'000*
PROFIT/(LOSS) FOR THE YEAR	**(7,374)**	17,818
OTHER COMPREHENSIVE INCOME		
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the financial statements of the Company	**9,500**	153
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**9,500**	153
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,126**	17,971

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As of December 31, 2022

	Notes	**December 31, 2022** ***RMB'000***	December31, 2021 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**2,464**	3,611
Right-of-use assets		**10,897**	7,781
Other intangible assets		**2,462**	2,971
Prepayments, other receivables and other assets		**53,378**	–
Deferred tax assets		**1,170**	707
Total non-current assets		**70,371**	15,070
CURRENT ASSETS			
Trade receivables	*11*	**87,146**	64,388
Contract assets	*12*	**4,474**	2,214
Contract costs	*13*	**10,273**	–
Prepayments, other receivables and other assets		**14,291**	12,695
Prepaid tax		**27**	2,286
Financial investments		**40,886**	31,227
Pledged deposits		**–**	21,293
Cash and cash equivalents		**341,669**	152,545
Total current assets		**498,766**	286,648
CURRENT LIABILITIES			
Trade payables	*14*	**28,644**	15,740
Contract liabilities	*15*	**29,598**	22,716
Other payables and accruals		**28,535**	22,862
Interest-bearing bank borrowings		**–**	10,520
Lease liabilities		**6,668**	5,281
Tax payable		**622**	419
Total current liabilities		**94,067**	77,538
NET CURRENT ASSETS		**404,699**	209,110
TOTAL ASSETS LESS CURRENT LIABILITIES		**475,070**	224,180
NON-CURRENT LIABILITIES			
Lease liabilities		**3,425**	2,709
Total non-current liabilities		**3,425**	2,709
Net assets		**471,645**	221,471
EQUITY			
Share capital		**114**	98
Reserves		**471,531**	221,373
Total equity		**471,645**	221,471

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2022

	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Share-based payment reserve *RMB'000*	Reserve funds *RMB'000*	Exchange fluctuation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
At 1 January 2022	98	–	95,790	58	27,324	153	98,048	221,471
Loss for the year	–	–	–	–	–	–	(7,374)	(7,374)
Other comprehensive income for the year:								
Exchange differences on translation of the financial statements of the Company	–	–	–	–	–	9,500	–	9,500
Total comprehensive income for the year	–	–	–	–	–	9,500	(7,374)	2,126
Issue of shares	16	263,732	–	–	–	–	–	263,748
Share issue expenses	–	(15,748)	–	–	–	–	–	(15,748)
Equity-settled share-based payment arrangements	–	–	–	48	–	–	–	48
Transfer from retained profits	–	–	–	–	175	–	(175)	–
At 31 December 2022	114	247,984*	95,790*	106*	27,499*	9,653*	90,499*	471,645

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2021

	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 1 January 2021	–	94,618	–	1,851	27,132	–	104,401	228,002
Profit for the year	–	–	–	–	–	–	17,818	17,818
Other comprehensive income for the year: Exchange differences on translation of the financial statements of the Company	–	–	–	–	–	153	–	153
Total comprehensive income for the year	–	–	–	–	–	153	17,818	17,971
Issue of shares	98	–	–	–	–	–	–	98
Equity-settled share-based payment arrangements	–	–	1,230	–	–	–	–	1,230
Vesting of share incentives as granted	–	1,172	(1,172)	–	–	–	–	–
Disposal of equity investments designated at fair value through other comprehensive income, net of tax	–	–	–	(1,851)	–	–	1,851	–
Transfer from retained profits	**–**	**–**	**–**	**–**	**192**	**–**	**(192)**	**–**
Dividends of a subsidiary declared to the then shareholders	–	–	–	–	–	–	(25,830)	(25,830)
At 31 December 2021	98	95,790*	58*	–*	27,324*	153*	98,048*	221,471

* These reserve accounts comprise the consolidated reserves of RMB471,531,000 (2021: RMB221,373,000) in the consolidated statements of financial position as at 31 December 2022.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended December 31, 2022

	Notes	2022	2021
		RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before tax		**(7,772)**	18,486
Adjustments for:			
Finance costs	7	**627**	636
Interest income	5	**(3,480)**	(819)
Investment income	5	**(2,231)**	(2,211)
Fair value gains on financial investments at fair value through profit or loss	5	**(506)**	(474)
Gain on disposal of equity investments designated at fair value through other comprehensive income	5	**–**	(81)
Loss/(gain) on disposal/write-off of property, plant and equipment	5,6	**56**	(3)
Gain on early termination of a lease	5	**(2)**	–
Depreciation of property, plant and equipment	6	**1,451**	1,810
Depreciation of right-of-use assets	6	**7,017**	6,171
Amortisation of other intangible assets	6	**569**	566
Impairment of financial assets	6	**4,727**	3,423
Write-off of prepayments	6	**–**	184
Equity-settled share-based payment expense		**48**	1,230
		504	28,918
Decrease/(increase) in trade receivables		**(26,821)**	7,804
Increase in contract assets		**(2,894)**	(2,257)
Increase in contract costs		**(10,273)**	–
Increase in prepayments, other receivables and other assets		**(3,134)**	(5,942)
Increase in trade payables		**12,904**	1,816
Increase in contract liabilities		**6,882**	4,583
Increase in other payables and accruals		**4,424**	6,244
Effect of foreign exchange rate changes, net		**3,572**	138
Cash generated from/(used in) operations		**(14,836)**	41,304
Interest paid		**(627)**	(636)
Corporate income tax refunded/(paid)		**2,397**	(3,993)
Net cash flows from/(used in) operating activities		**(13,066)**	36,675

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the year ended December 31, 2022

	2022	2021
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	**1,775**	526
Purchases of property, plant and equipment	**(372)**	(2,282)
Proceeds from disposal of property, plant and equipment	**12**	3
Decrease in prepayments for property, plant and equipment	**–**	347
Purchases of other intangible assets	**(60)**	(759)
Prepayments for other intangible assets	**(858)**	–
Prepayments for investments	**(51,862)**	–
Purchases of time deposits with original maturity over three months	**(148,959)**	–
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	**(493,700)**	(430,000)
Proceeds from disposal/maturity of financial investments at fair value through profit or loss	**501,778**	552,695
Purchase of financial investments at amortised cost	**(15,000)**	–
Net cash flows from/(used in) investing activities	**(207,246)**	128,788
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares, net of direct share issue expense	**252,097**	–
Decrease/(increase) in pledged time deposits for bank borrowings	**21,000**	(21,000)
New borrowings	**–**	10,536
Repayment of borrowings	**(10,990)**	–
Principle portion of lease payments	**(8,028)**	(6,548)
Dividends of a subsidiary paid to the then shareholders	**–**	(28,858)
Net cash flows from/(used in) financing activities	**254,079**	(45,870)

	2022	2021
	RMB'000	*RMB'000*
NET INCREASE IN CASH AND CASH EQUIVALENTS	**33,767**	119,593
Cash and cash equivalents at beginning of year	**152,545**	32,953
Effect of foreign exchange rate changes, net	**2,094**	(1)
CASH AND CASH EQUIVALENTS AT END OF YEAR	**188,406**	152,545
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**188,406**	147,545
Non-pledged short term deposits with original maturity of less than three months when acquired	**–**	5,000
Cash and cash equivalents as stated in the statement of cash flows	**188,406**	152,545
Non-pledged time deposits with original maturity over three months when acquired	**153,263**	–
Cash and cash equivalents as stated in the statement of financial position	**341,669**	152,545

NOTES TO THE FINANCIAL INFORMATION
31 December 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 30 June 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 year, 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 then subsidiaries now comprising the Group underwent a reorganisation (the "Reorganisation"), pursuant to which the Company became the holding company of the then companies now comprising the Group on 12 May 2021. As the Reorganisation mainly involved inserting new holding companies and has not resulted in any change of economic substance, the financial statements for the year ended 31 December 2021 has been presented as a continuation of the existing companies as if the Reorganisation had been completed at 1 January 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 year ended 31 December 2021 include the results and cash flows of all of the then companies comprising the Group, as if the group structure immediately after the completion of the Reorganisation had been in existence throughout the year ended 31 December 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 year. As part of the Reorganisation, on 12 May 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, including an exclusive consulting services agreement, an exclusive purchase option agreement, equity pledge agreements, a voting proxy agreement, spousal consents as well as powers of attorney, 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

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

Basis of consolidation

The financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The nature and the impact of the revised IFRSs that are applicable to the Group 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* (the "Conceptual Framework") 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 1 January 2022. As there were no business combinations during the year, 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 as determined by *IAS 2 Inventories*, 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 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, 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 no 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 1 January 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 from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Accounting for companies governed under the contractual arrangements as subsidiaries

The Company does not directly or indirectly hold any equity interests in T&I Net Communication and its subsidiaries. Nevertheless, under the contractual arrangements as detailed in note 2.1 to the financial statements, the directors of the Company determine that the Group has the power to govern the financial and operating policies of T&I Net Communication so as to obtain benefits from its activities. As such, T&I Net Communication is accounted for as a subsidiary of the Group for accounting purposes.

Research and development costs

Development expenses incurred on the Group's products and services are capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, the Group's intention to complete and the Group's ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. Determining the amounts to be capitalised requires management to make assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. During the year, all expenses incurred for research and development activities were expensed when incurred.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on the ageing for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults, the historical default rates are adjusted. At the end of the year, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in notes 11 and 12 to the financial statements, respectively.

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the year. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The Group had no deferred tax assets relating to recognised tax losses at 31 December 2022 (2021: Nil). The amount of unrecognised tax losses at 31 December 2022 were RMB54,501,000 (2021: RMB4,619,000).

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

	2022 ***RMB'000***	2021 *RMB'000*
Mainland China	**383,139**	401,897
Hong Kong	**105**	–
	383,244	401,897

The revenue information above is based on the locations of the customers.

(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 (2021: Mainland China).

Information about major customers

During the year, there was no customer individually accounted for more than 10% of the Group's revenue (2021: Nil).

5. REVENUE, OTHER INCOME AND GAINS

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

	2022	2021
	RMB'000	*RMB'000*
SaaS solutions	**350,942**	370,738
VPC solutions	**23,971**	21,298
Other services and product sales	**8,331**	9,861
	383,244	401,897

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

	2022	2021
	RMB'000	*RMB'000*
Transfer over time:		
SaaS solutions	**350,942**	370,738
VPC solutions	**21,827**	14,396
Other services and product sales	**5,924**	5,892
	378,693	391,026
Transfer at a point in time:		
VPC solutions	**2,144**	6,902
Other services and product sales	**2,407**	3,969
	4,551	10,871
	383,244	401,897

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period:

	2022	2021
	RMB'000	*RMB'000*
SaaS solutions	**21,757**	17,152
VPC solutions	**282**	504
Other services and product sales	**677**	477
	22,716	18,133

Information about the Group's performance obligations is summarised below:

SaaS solutions

The performance obligation is satisfied over time as services are rendered and payment is generally due within 90 days from the billing date, except for small-sized customers where payment in advance is normally required.

VPC solutions

The performance obligation of customisation services is satisfied over time as services are rendered or at a point of time, i.e., upon acceptance of customised services by customers, and payment is generally due within 30 days from the date of acceptance. The performance obligation of providing software licences is satisfied at a point in time, i.e., upon acceptance of software by customers, and payment is generally due within 30 days from the date of acceptance. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Other services and product sales

The performance obligation of other services is satisfied over time as services are rendered and payment is generally due within 90 days from the billing date. The performance obligation of product sales is satisfied upon delivery of the products and payment is generally due within 30 days from delivery, except for small-sized customers where payment in advance is normally required.

With respect to the ongoing contracts with customers available as of the end of the year that are expected to be recognised as revenue, they are further analysed into:

	2022	2021
	RMB'000	*RMB'000*
Amounts of contracts with customers in respect of VPC solutions expected to be recognised as revenue within one year attributable to the remaining unsatisfied or partially satisfied performance obligations	**2,000**	6,567
Amounts of contracts with customers in respect of SaaS solutions, other services and product sales expected to be recognised as revenue within one year	**27,967**	22,434
	29,967	29,001

An analysis of the Group's other income and gains is as follows:

	2022	2021
	RMB'000	*RMB'000*
Other income		
Bank interest income	**3,480**	819
Investment income from financial investments at amortised cost	**153**	–
Investment income from financial investments at fair value through profit or loss	**2,078**	2,211
Government grant*	**11,701**	4,689
Others	**40**	10
	17,452	7,729
Gains		
Fair value gains on financial investments at fair value through profit or loss	**506**	474
Gain on disposal of equity investments designated at fair value through other comprehensive income	**–**	81
Gain on disposal of property, plant and equipment	**–**	3
Gain on early termination of a lease	**2**	–
	508	558
	17,960	8,287

* Various government grants during the year were mainly attributable to the Group's development in software industry, contributions to the district where the Group's primary business operates and successful listing of the Company's shares on the Stock Exchange, as well as additional value-added tax deductibles. There are no unfulfilled conditions or contingencies relating to these government grants.

6. PROFIT/(LOSS) BEFORE TAX

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

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Cost of services provided		**196,281**	216,535
Cost of products sold		**2,020**	2,659
Depreciation of property, plant and equipment*		**1,451**	1,810
Depreciation of right-of-use assets*		**7,017**	6,171
Amortisation of other intangible assets		**569**	566
Lease payments not included in the measurement of lease liabilities*		**2,224**	1,650
Auditor's remuneration		**1,800**	–
Listing expenses		**11,445**	19,528
Employee benefit expense (excluding directors' and chief executive's remuneration):*			
Wages and salaries		**139,068**	106,098
Equity-settled share-based payment expense		**48**	1,230
Pension scheme contributions (defined contribution scheme)**		**13,135**	10,181
		152,251	117,509
Impairment of financial assets:			
Impairment of trade receivables	*11*	**4,063**	3,026
Impairment of contract assets	*12*	**634**	320
Impairment of financial assets included in prepayments, other receivables and other assets		**30**	77
		4,727	3,423
Loss on disposal/write-off of property, plant and equipment***		**56**	–
Penalties and late fees***		**186**	54
Foreign exchange differences, net***		**1,299**	55
Write-off of prepayments***		**–**	184

* The amounts of the following expenses are included in the cost of services provided:

	2022	2021
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**300**	344
Depreciation of right-of-use assets	**2,087**	1,850
Lease payments not included in the measurement of lease liabilities	**2,209**	1,608
Employee benefit expense	**4,787**	6,752

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

*** These items are included in "Other expenses and losses" in the consolidated statements of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Interest on lease liabilities	**521**	538
Interest on bank borrowings	**106**	98
	627	636

8. 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.

Hong Kong

The Hong Kong profits tax rate is 16.5% during the year. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of assessable profits of the Group's subsidiary incorporated in Hong Kong, TI Cloud (HK) Limited, arising in Hong Kong are taxed at 8.25% and its remaining assessable profits are taxed at 16.5% during the year ended 31 December 2022. No provision for Hong Kong profits tax has been made for the year ended 31 December 2021 as the Group did not generated any assessable profits arising in Hong Kong during the year ended 31 December 2021.

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 ("CIT") at a rate of 25% on the taxable income. During the year, T&I Net Communication was entitled to a preferential tax rate of 15% 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 preferential tax rates of 2.5% of the taxable income within RMB1,000,000, and 5% of the taxable income between RMB1,000,000 and RMB3,000,000, for the year ended 31 December 2022, because they were regarded as "small-scaled minimal profit enterprises", one of the criteria of which is with annual taxable income no more than RMB3,000,000 during the corresponding year.

	2022 *RMB'000*	2021 *RMB'000*
Current tax charged for the year		
Hong Kong	**6**	–
Mainland China	**59**	865
Deferred tax credited for the year	**(463)**	(197)
Total tax charge/(credit) for the year	**(398)**	668

A reconciliation of the tax expense applicable to profit/(loss) before tax at the statutory rates for the countries/jurisdictions in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit/(loss) before tax		
Cayman Islands	**(10,664)**	(13,858)
Hong Kong	**78**	–
Mainland China	**2,814**	32,344
	(7,772)	18,486
Tax at the statutory tax rate		
Cayman Islands	**–**	–
Hong Kong	**13**	–
Mainland China	**703**	8,086
	716	8,086
Lower tax rates enacted by relevant authorities	**(562)**	(3,503)
Expenses not deductible for tax	**1,092**	1,594
Additional deductible allowance for research and development expenses	**(9,407)**	(5,500)
Tax losses utilised from previous periods	**(11)**	(9)
Tax losses not recognised	**7,774**	–
Tax charge/(credit) at the Group's effective rate	**(398)**	668

9. DIVIDENDS

There was no dividend proposed, declared or paid by the Group for the year ended 31 December 2022. The Group's dividends for the year ended 31 December 2021 of RMB25,830,000 (RMB0.5 for each of 51,660,000 ordinary shares) were declared by T&I Net Communication to its shareholders prior to the completion of the Reorganisation.

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic loss per share amount for the year ended 31 December 2022 is based on the loss for the year ended 31 December 2022 attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 162,164,557 in issue during the year ended 31 December 2022.

The calculation of the basic earnings per share amount for the year ended 31 December 2021 is based on the profit for the year ended 31 December 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 financial statements has been effective from 1 January 2021.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

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

	2022	2021
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company	**(7,374)**	17,818

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year	**162,164,557**	150,000,000

11. TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**95,853**	69,381
Impairment	**(8,707)**	(4,993)
	87,146	64,388

The Group's trading terms with its customers are mainly on credit, except for small-sized customers, where payment in advance is normally required. The credit period is generally 30 days to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. Trade receivables are settled in accordance with the terms of the respective contracts. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**64,817**	49,353
4 to 12 months	**20,497**	13,955
1 to 2 years	**1,832**	1,080
	87,146	64,388

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

	2022	2021
	RMB'000	*RMB'000*
At beginning of year	**4,993**	4,090
Impairment losses *(note 6)*	**4,063**	3,026
Amount written off as uncollectible	**(349)**	(2,123)
At end of year	**8,707**	4,993

The increase in the loss allowance during the year ended 31 December 2022 was mainly due to the increase in the loss allowance of RMB3,196,000 as a result of an increase in gross amount of trade receivables aged over one year.

The increase in the loss allowance during the year ended 31 December 2021 was mainly due to the increase in the loss allowance of RMB1,508,000 as a result of a specific provision made against an aggregate gross amount of trade receivables within the same industry.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the specifically identifiable circumstances attributable to individual customers and ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2022

	Ageing			
	Within 1 year	**1 to 2 years**	**Over 2 years**	**Total**
Expected credit loss rate	**3.12%**	**65.97%**	**100.00%**	**9.08%**
Gross carrying amount (RMB'000)	**88,058**	**5,383**	**2,412**	**95,853**
Expected credit losses (RMB'000)	**2,744**	**3,551**	**2,412**	**8,707**

As at 31 December 2021

	Ageing			
	Within 1 year	1 to 2 years	Over 2 years	Total
Expected credit loss rate	3.40%	64.82%	100.00%	7.20%
Gross carrying amount (RMB'000)	65,534	3,070	777	69,381
Expected credit losses (RMB'000)	2,226	1,990	777	4,993

12. CONTRACT ASSETS

	2022 *RMB'000*	2021 *RMB'000*
Contract assets arising from services relating to VPC solutions	**4,583**	2,534
Impairment	**(109)**	(320)
	4,474	2,214

Contract assets are initially recognised for revenue earned from services relating to VPC solutions as the receipt of consideration is conditional on successful completion of the projects. Upon completion of services rendered and/or acceptance by the customers, the amounts recognised as contract assets are reclassified to trade receivables.

The increase in contract assets for the year ended 31 December 2022 and 2021 was the result of the increase in the ongoing services relating to VPC solutions at 31 December 2022 and 2021, respectively.

The expected timing of recovery or settlement for contract assets as at the end of the reporting period is as follows:

	2022 *RMB'000*	2021 *RMB'000*
Within one year	**4,474**	2,214

The movements in the loss allowance for impairment of contract assets are as follows:

	2022 *RMB'000*	2021 *RMB'000*
At beginning of year	**320**	–
Impairment losses *(note 6)*	**634**	320
Amount written off as uncollectible	**(845)**	–
At end of year	**109**	320

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the specifically identifiable circumstances attributable to individual customers and ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's contract assets using a provision matrix:

	2022 *RMB'000*	2021 *RMB'000*
Expected credit loss rate	**2.38%**	12.63%
Gross carrying amount (RMB'000)	**4,583**	2,534
Expected credit losses (RMB'000)	**109**	320

13. CONTRACT COSTS

Contract costs represent direct and incremental costs incurred in advance of revenue recognition relating to contracts of VPC solutions. Such costs are recognised as cost of sales upon the recognition of the corresponding revenue of customerised services.

14. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the date of services rendered or the billing date, is as follows:

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**19,409**	15,048
4 to 12 months	**8,624**	460
1 to 2 years	**513**	232
Over 2 years	**98**	–
	28,644	15,740

The trade payables are non-interest-bearing and are normally settled on ninety-day terms.

15. CONTRACT LIABILITIES

An analysis of contract liabilities arising from short-term advances received from customers is as follows:

	31 December 2022	31 December 2021	1 January 2021
	RMB'000	*RMB'000*	*RMB'000*
SaaS solutions	**27,572**	21,757	17,152
VPC solutions	**1,631**	282	504
Other services and product sales	**395**	677	477
	29,598	22,716	18,133

The increase in contract liabilities for the year ended 31 December 2022 was mainly due to the increase in short-term advances received from customers in relation to SaaS solutions and VPC solutions at the end of the year. The increase in contract liabilities for the year ended 31 December 2021 was mainly due to the increase in short-term advances received from customers in relation to SaaS solutions and other services and product sales at the end of the year.

16. EVENTS AFTER THE REPORTING PERIOD

(a) On 3 January 2023, the Company granted 912,648 restricted share units to six eligible employees, representing 0.52% per announcement of the issued share capital of the Company as of the date of approval of these financial statements.

(b) On 30 November 2022, T&I Net Communication and Chengdu GoldArmor Technology Inc. ("GoldArmor") entered into a business and asset transfer agreement pursuant to which GoldArmor has conditionally agreed to sell, T&I Net Communication has conditionally agreed to buy, the SaaS business operated by GoldArmor and its related assets at a cash consideration of RMB16,000,000. As at 31 December 2022, the transaction was not completed and the Group has made a partial consideration payment of RMB3,200,000 to GoldArmor according to the terms as stipulated in the business and asset transfer agreement during the year ended 31 December 2022.

Subsequent to the end of the reporting period, on 9 January 2023, the transaction was completed, and on 16 January 2023, the Group has made a further partial consideration payment of RMB5,000,000 to GoldArmor according to the terms as stipulated in the business and asset transfer agreement. As of the date of approval of these financial statements, the Group is in the process of assessing the financial effect of the transaction on the Group's financial statements in 2023.

(c) On 15 December 2022, TI Cloud (HK) Limited ("TI Cloud"), the Company, T&I Net Communication, Agora Inc. ("Agora"), Beijing Yisimobo Network Technology Co., Ltd. Beijing Yizhang Yunfeng Technology Co., Ltd. (the "Target Company") and AKKO NET LIMITED ("AKKO", an indirect wholly-owned subsidiary of Agora) entered into an equity transfer agreement pursuant to which AKKO has conditionally agreed to sell, and TI Cloud has conditionally agreed to buy, the entire equity interest of the Target Company at an initial cash consideration of US$14,600,000 (equivalent to RMB101,700,000), subject to adjustments. As at 31 December 2022, the transaction was not completed and the Group has made a partial consideration payment equivalent to US$7,000,000 (equivalent to RMB48,662,000) to Agora according to the terms as stipulated in the equity transfer agreement during the year ended 31 December 2022.

Subsequent to the end of the reporting period, on 1 February 2023, the transaction was completed, and on 4 February 2023, the Group has made a further partial consideration payment of approximately US$4,816,000 (equivalent to RMB32,449,000) to Agora according to the terms as stipulated in the equity transfer agreement. As of the date of approval of these financial statements, the Group is in the process of assessing the financial effect of the transaction on the Group's financial statements in 2023.

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 December 31, 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 had only held 2 Board meetings throughout the period from the Listing Date and up to December 31, 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 throughout the period from the Listing Date and up to December 31, 2022.

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 throughout the period from the Listing Date and up to December 31, 2022.

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 audited consolidated results of the Group for the year ended December 31, 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.

The figures in respect of the Group's audited consolidated financial statements and the related notes thereto for the year ended December 31, 2022 as set out in this announcement have been agreed to the corresponding amounts set out in the Group's consolidated financial statements for the year ended December 31, 2022, which have been audited by Ernst & Young.

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 December 31, 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

FINAL DIVIDEND

The Board did not recommend the distribution of a final dividend for the year ended December 31, 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 2021, which were fully paid in cash in May 2021.

USE OF PROCEEDS

With the shares listed on the Main Board of the Stock Exchange on the Listing Date, the net proceeds from the Global Offering were approximately HK$255.7 million, after deducting underwriting commissions and offering expenses paid or payable. We received an additional net proceeds of approximately HK$5.0 thousand pursuant to the partial exercise of the over-allotment option as disclosed in the announcement of the Company dated July 24, 2022. The additional net proceeds will be used for the purposes and in the proportion as shown in the Prospectus.

The following table sets forth a summary of the utilization of the net proceeds as of December 31, 2022:

Intended use of net proceeds	**Allocation of net proceeds** *HK$ million*	**Percentage of total net proceeds**	**Amount of net proceeds utilized for the year ended December 31, 2022** *HK$ million*	**Balance of net proceeds unutilized as of December 31, 2022** *HK$ million*	**Intended timetable for use of the unutilized net proceeds**
Used to further enhance our core technologies, optimize existing portfolio of solutions and develop complementary solutions with a goal to satisfy evolving client needs, provide more comprehensive solutions and improve our overall competitiveness in the market of customer contact solutions	191.8	75%	13.6	178.2	Before December 31, 2025
Used over the next five years to further enhance our brand image in the market for customer contact solutions, expand our direct sales team, improve our sales capabilities and increase our marketing efforts	51.1	20%	7.0	44.2	Before December 31, 2025
Used for working capital and general corporate purposes	12.8	5%	6.2	6.6	Before December 31, 2025
Total	255.7	100%	26.8	229.0	

As of December 31, 2022, the amount of the net proceeds which has remained unutilized amounted to approximately HK$229.0 million. There has been no material change or delay in the intended use of net proceeds as previously disclosed in the Prospectus.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual 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 annual report of the Group for the year ended December 31, 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, March 29, 2023

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.