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Many Idea Cloud Holdings Limited
多想雲控股有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 6696)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Many Idea Cloud Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2023, together with the comparative figures for the six months ended 30 June 2022, as follows:

FINANCIAL HIGHLIGHTS

| | For the six months ended 30 June | |
|----------------------------------|---|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Revenue | 287,607 | 198,356 |
| Gross profit | 54,665 | 65,102 |
| Profit before income tax expense | 23,259 | 25,098 |
| Profit for the period | 20,475 | 19,482 |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

| | | As of the six months ended 30 June | |
|---|-------|---------------------------------------|------------------------|
| | | 2023 | 2022 |
| | Notes | RMB'000 (Unaudited) | RMB'000 (Unaudited) |
| Revenue | 5 | 287,607 | 198,356 |
| Cost of revenue | | (232,942) | (133,254) |
| Gross profit | | 54,665 | 65,102 |
| Other revenue | 6 | 4,114 | 3,185 |
| Other gains and losses | 7 | (1,059) | (2,596) |
| Selling and marketing expenses | | (3,914) | (3,279) |
| Administrative expenses | | (11,635) | (9,884) |
| Provision for impairment loss on trade receivables and other financial assets, net | 9 | (18,469) | (16,331) |
| Finance costs | 8 | (443) | (5,859) |
| Listing expenses | 9 | – | (5,240) |
| Profit before income tax expense | 9 | 23,259 | 25,098 |
| Income tax expense | 10 | (2,784) | (5,616) |
| Profit for the period | | 20,475 | 19,482 |
| Profit for the year attributable to: | | | |
| Owners of the Company | | 20,493 | 19,495 |
| Equity attributable to non-controlling interests | | (18) | (13) |
| | | 20,475 | 19,482 |
| Profit for the period | | 20,475 | 19,482 |
| Other comprehensive income, net of tax | | | |
| Items that will not be reclassified to profit or loss: | | | |
| Fair value changes on financial assets at fair value through other comprehensive income | | – | – |
| Other comprehensive income for the period | | – | – |
| Total comprehensive income for the period | | 20,475 | 19,482 |
| Total comprehensive income for the period attributable to: | | | |
| Owners of the Company | | 20,493 | 19,495 |
| Equity attributable to non-controlling interests | | (18) | (13) |
| | | 20,475 | 19,482 |
| Earnings per share attributable to the ordinary shareholder of the Company (RMB) | | | |
| – Basic and diluted | 12 | 0.026 | 0.031 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

| | | 30 June 2023 | 31 December 2022 |
|--|--------------|-------------------------|---------------------|
| | | RMB'000 | RMB'000 |
| | <i>Notes</i> | (Unaudited) | (Audited) |
| Non-current assets | | | |
| Property, plant and equipment | | 1,317 | 1,531 |
| Right-of-use assets | | 2,971 | 4,411 |
| Intangible assets | 13 | 98,633 | 106,134 |
| Financial assets at fair value through other comprehensive income | | 10 | – |
| Deferred tax assets | | 12,975 | 9,836 |
| Prepayments, deposits and other receivables | | 13,650 | 13,650 |
| | | <hr/> | <hr/> |
| Total non-current assets | | 129,556 | 135,562 |
| Current assets | | | |
| Trade receivables | 14 | 167,071 | 155,577 |
| Prepayments, deposits and other receivables | | 376,473 | 78,794 |
| Contract costs | | 165 | 41 |
| Other financial assets | | 17,390 | 17,390 |
| Cash and cash equivalents | | 119,366 | 329,188 |
| | | <hr/> | <hr/> |
| Total current assets | | 680,465 | 580,990 |
| | | <hr/> | <hr/> |
| Total assets | | 810,021 | 716,552 |
| Current liabilities | | | |
| Trade payables | 15 | 27,363 | 22,585 |
| Other payables and accruals | | 22,936 | 19,594 |
| Contract liabilities | | 128,270 | 28,179 |
| Borrowings | | 30,041 | 32,052 |
| Lease liabilities | | 2,868 | 3,159 |
| Amounts due to directors | | – | – |
| Amounts due to related parties | | – | – |
| Convertible bonds – liability component | 16 | – | 37,187 |
| Convertible bonds – conversion option derivative | 16 | – | – |
| Income tax payable | | 32,771 | 28,077 |
| | | <hr/> | <hr/> |
| Total current liabilities | | 244,249 | 170,833 |
| | | <hr/> | <hr/> |
| Net current assets | | 436,216 | 410,157 |
| | | <hr/> | <hr/> |
| Total assets less current liabilities | | 565,772 | 545,719 |
| | | <hr/> | <hr/> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued

As at 30 June 2023

| | | 30 June 2023 | 31 December 2022 |
|---|-------------|-------------------------|---------------------|
| | <i>Note</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| Non-current liabilities | | | |
| Lease liabilities | | <u>437</u> | <u>859</u> |
| Total non-current liabilities | | <u>437</u> | <u>859</u> |
| Net assets | | <u>565,335</u> | <u>544,860</u> |
| Equity attributable to owners of the Company | | | |
| Share capital | <i>17</i> | 72 | 72 |
| Reserves | | <u>563,768</u> | <u>543,275</u> |
| | | <u>563,840</u> | <u>543,347</u> |
| Equity attributable to non-controlling interests | | <u>1,495</u> | <u>1,513</u> |
| Total equity | | <u>565,335</u> | <u>544,860</u> |

NOTES TO INTERIM FINANCIAL INFORMATION

30 June 2023

1. GENERAL INFORMATION

(a) General information

Many Idea Cloud Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 10 June 2021, as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) since 9 November 2022.

The registered office of the Company is located at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands. Its principal place of business is 12/F., ERKE Group Mansion, 11 Guanyin Shan Hualian Road, Siming District, Xiamen, Fujian Province, the People’s Republic of China (the “**PRC**”).

The Company is an investment holding company and the Group, comprising the Company and its subsidiaries, is principally engaged in the provision of content marketing, digital marketing, public relations event planning services, media advertising services and Software as a Service (the “**SaaS**”) interactive marketing services in the PRC.

The ultimate controlling parties of the Group are Mr. Liu Jianhui (“**Mr. Liu**”) and his spouse, Ms. Qu Shuo (“**Ms. Qu**”), who are the executive director/the Chairman and the executive director of the board of directors of the Company (the “**Controlling Shareholders**”), respectively.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

(a) Adoption of new or amended HKFRSs – effective 1 January 2022

| | |
|---|--|
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Definition of Accounting Estimates |
| Amendments to HKAS 8 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |
| Amendments to HKAS 12 | Disclosure of Accounting Policies |

None of these new or amended HKFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any new or amended HKFRSs that are not yet effective for the current accounting period.

(b) New or amended HKFRSs that have been issued but not yet effective

The following new or amended HKFRSs, potentially relevant to the Group’s financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group’s current intention is to apply these changes on the date they become effective.

| | |
|----------------------------|--|
| HK Interpretation 5 (2022) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ¹ |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current ¹ |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ¹ |

¹ Effective for annual periods beginning on or after 1 January 2024.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) – Continued

(b) New or amended HKFRSs that have been issued but not yet effective – Continued

Further details about those HKFRSs that are not yet effective and are expected to be applicable to the Group are as follows:

HK Interpretation 5 (2022), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause and Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of liability, and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of ‘settlement’ to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

HK Int 5 (2022) was revised as a consequence of the Amendments to HKAS 1 revised in December 2022. The revision to HK Int 5 (2022) updates the wording in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and does not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revisions in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 1, Non-current Liabilities with Covenants

The amendments clarify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. An entity is required to disclose information about these covenants in the notes to the financial statements.

The directors of the Company do not anticipate that the application of the amendments in the future will have material impact on the consolidated financial statements.

3. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations (hereinafter collectively referred to as the “HKFRS”) and the disclosure requirement of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“the Listing Rules”).

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the financial assets at fair value through other comprehensive income and conversion option portion of convertible bonds, which are measured at fair value as explained in the accounting policies set out below.

3. BASIS OF PREPARATION – Continued

(c) Functional and presentation currency

The consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company. Items included in the financial statements of each of the group’s entities are measured using the currency of the primary economic environment in which the entity operates. All values in the consolidated financial statements are rounded to the nearest thousand except when otherwise indicated.

4. SEGMENT INFORMATION

Operating segments

The Group is principally engaged in provision of content marketing services, digital marketing services, public relations event planning services, media advertising services and SaaS interactive marketing services in the PRC.

The information reported to the board of directors of the Company, being the chief operating decision maker (“CODM”), for the purpose of resource allocation and performance assessment, does not contain discrete operating segment’s financial information, and the CODM reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

Substantially all of the Group’s revenues from external customers during the periods ended 30 June 2023 and the six months ended 30 June 2022 were attributed to the PRC, and the related activities of the Group that generated the relevant revenue were conducted in the PRC.

The geographical location of non-current assets (excluding deferred tax assets and financial assets) is based on the physical location of the assets. For the periods ended 30 June 2023 and the six months ended 30 June 2022, all of the Group’s non-current assets (excluding deferred tax assets and financial assets) are located in the PRC.

Information about major customers

During the six months ended 30 June 2023 and the six months ended 30 June 2022, the Group’s customers accounting for 10% or more of its total revenue are as follows:

| | For the six months ended 30 June | |
|------------|-------------------------------------|--------------------------------|
| | 2023 RMB’000 (Unaudited) | 2022 RMB’000 (Unaudited) |
| Customer A | 48,985 | N/A |
| Customer B | 35,546 | N/A |
| Customer C | 33,392 | N/A |
| Customer D | N/A | 23,617 |
| Customer E | N/A | 20,314 |

5. REVENUE

Revenue represents the net invoiced value of services rendered and earned by the Group.

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Integrated Marketing Services | | |
| – Content marketing services | 130,142 | 102,617 |
| – Digital marketing services | 91,896 | 47,713 |
| – Public relations event planning services | 7,825 | 5,659 |
| – Media advertising services | 37,250 | 25,779 |
| | <u>267,113</u> | <u>181,768</u> |
| SaaS Interactive Marketing Services | 20,494 | 16,588 |
| | <u>287,607</u> | <u>198,356</u> |
| Timing of revenue recognition | | |
| At a point in time | 9,700 | 14,935 |
| Transferred over time | 277,907 | 183,421 |
| | <u>287,607</u> | <u>198,356</u> |

The Group has applied the practical expedient to its sales contracts for content marketing services, digital marketing services, public relations event planning services, media advertising services and SaaS interactive marketing services, and therefore the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for content marketing services, digital marketing services, public relations event planning services, media advertising services and SaaS interactive marketing services that had an original expected duration of one year or less.

6. OTHER REVENUE

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Government grants (<i>Note i</i>) | 2,295 | 941 |
| Bank interest income | 398 | 881 |
| Interest income on other financial assets | – | – |
| Additional value-added tax (“VAT”) input deduction (<i>Note ii</i>) | 1,420 | 1,363 |
| Gain on early termination of lease | – | – |
| Others | 1 | – |
| | <u>4,114</u> | <u>3,185</u> |

6. OTHER REVENUE – Continued

Notes:

- (i) Government grants mainly represent grants received from the PRC local government authority as subsidies to the Group for:
- (a) enhancement of high quality development in culture and creative industries; and
 - (b) sustainable business development with high technology and advanced technology.
- (ii) Additional VAT input deductions were recognised in profit or loss due to the VAT reform. In accordance with VAT Reformation Article No. 39, the Group is eligible for VAT credits of 10% weighted VAT input deduction from 1 April 2019 to 31 December 2022 upon meeting all applicable criteria; According to Announcement No. 1 2023 of the Ministry of Finance and the State Taxation Administration, the Group is eligible for VAT credit with a weighted deduction of 5% on VAT input from 1 January 2023 to 31 December 2023.

7. OTHER GAINS AND LOSSES

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Net exchange losses | (1,059) | (3,356) |
| Gain on fair value changes on convertible bond – conversion option derivative (Note 16) | – | 760 |
| | <u>(1,059)</u> | <u>(2,596)</u> |

8. FINANCE COSTS

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Interest expenses on bank borrowings | 845 | 141 |
| Interest expenses on loan from third parties | – | 758 |
| Interest expenses on loan from a shareholder | – | 1,461 |
| Imputed interest expenses on convertible bonds (Note 16) | (645) | 3,335 |
| Interest expenses on lease liabilities | 92 | 164 |
| Others | 151 | – |
| | <u>443</u> | <u>5,859</u> |

9. PROFIT BEFORE INCOME TAX EXPENSE

The Group's profit before income tax expense is arrived at after charging:

| | For the six months ended 30 June | |
|---|-------------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Auditors' remuneration | – | – |
| Amortisation of intangible assets included in <i>(Note 13)</i> : | | |
| – Administrative expenses | 19 | 14 |
| – Cost of revenue | 6,336 | 5,575 |
| – Selling and marketing expenses | 41 | 31 |
| – Research and development costs | 1,105 | 495 |
| | <u>7,501</u> | <u>6,115</u> |
| Cost of revenue <i>(Note)</i> | 232,942 | 133,254 |
| Cost of inventories recognised as expenses | 1,668 | 2,459 |
| Depreciation charged: | | |
| – Property, plant and equipment | 339 | 320 |
| – Right-of-use assets | 1,440 | 1,439 |
| Employee costs | 11,285 | 11,880 |
| Listing expenses | – | 5,240 |
| Provision of impairment loss recognised on trade receivables, net <i>(Note 14)</i> | 18,469 | 16,331 |
| Provision of impairment loss recognised on other financial assets | – | – |
| | <u>18,469</u> | <u>16,331</u> |
| Research costs | 3,941 | 4,783 |
| Short-term leases expenses | 818 | 619 |

Note: Cost of revenue includes RMB3,267,000 (six months ended 30 June 2022: RMB3,448,000) of employee costs, RMB759,000 (six months ended 30 June 2022: RMB578,000) of short-term leases expenses, RMB1,668,000 (six months ended 30 June 2022: RMB2,459,000) of costs of inventories recognised as expenses, which are also included in the respective total amounts disclosed above for each of these types of expenses respectively.

10. INCOME TAX EXPENSE

The amount of income tax expense in the consolidated statements of profit or loss and other comprehensive income represents:

| | As of the six months ended 30 June | |
|---|---------------------------------------|--------------------------------|
| | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited) |
| Current tax – PRC Enterprise Income Tax (the “PRC EIT”) | | |
| For the period | 5,898 | 9,692 |
| Under-provision in prior years | 25 | 36 |
| Deferred tax | | |
| For the period | (3,139) | (4,112) |
| Income tax expense | <u>2,784</u> | <u>5,616</u> |

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Company incorporated in the Cayman Islands and the Company’s subsidiary incorporated in the BVI are not subject to any income tax.

Hong Kong Profits Tax for the Company’s subsidiary incorporated in Hong Kong has been provided at the rate of 16.5% on the estimated taxable profits, if any.

Pursuant to the income tax rules and regulations of the PRC, the provision for PRC EIT of the subsidiaries of the Group is calculated based on the statutory tax rate of 25%, except for the below subsidiaries, which are entitled to a preferential tax rate according to the Enterprise Income Tax Preference Policies issued by the State Taxation Administration.

According to “Notice of the Ministry of Finance and the State Taxation Administration on Preferential Enterprise Income Tax Policies for Special Economic Development Zones of Kashgar and Khorgos in Xinjiang” (the “**Notice**”), a subsidiary of the Group located in Xinjiang, the PRC was entitled to the exemption from the EIT for 5 years since its operation in 2022. According to the approval from the PRC government, this exemption will end on 31 December 2027.

According to “Announcement of Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China”, a subsidiary of the Group, located in Xinjiang and not subjected to the exemption from the EIT According to the “**Notice**”, was entitled to a preferential tax rate of 15% since 1 January 2021.

According to “Announcement on the Implementation of Preferential Income Tax Policies for Micro and Small Enterprises and Individual Industrial and Commercial Households”, since 1 January 2022, for certain subsidiaries of the Group located in the PRC, if their annual taxable profits do not exceed RMB1 million, only 12.5% of such amount is taxable at a tax rate of 20%; while if their annual taxable profits do exceed RMB1 million but less than RMB3 million, only 25% of such amount is taxable with a tax rate of 20%. However, if their annual taxable profits do exceed RMB3 million, the whole amount will be taxable at the tax rate of 25%.

According to Announcement No. 6 2023 of the Ministry of Finance and the State Taxation Administration, small low-profit enterprises with an annual taxable income not exceeding RMB1 million shall be included in the taxable income at a reduced rate of 25% and pay EIT at the rate of 20%.

10. INCOME TAX EXPENSE – Continued

According to “Notice on Preferential Corporate Income Tax Policy of Hainan Free Trade Port”, a subsidiary of the Group located in Hainan, the PRC was entitled to a preferential tax rate of 15%.

The weighted average applicable tax rate was 11.97% (six months ended 30 June 2022: 22.38%).

11. DIVIDENDS

There were no dividends paid or declared by the Company for the six months ended 30 June 2023 and 2022.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

| | For the six months ended 30 June | |
|--|-------------------------------------|---------------------|
| | 2023 (Unaudited) | 2022 (Unaudited) |
| Profit for the period attributable to owners of the Company for the purpose of computation of basic earnings and diluted earnings per share (<i>RMB'000</i>) | <u>20,493</u> | <u>19,495</u> |
| Weighted average number of ordinary shares for the purpose of computation of basic and diluted earnings per share | <u>800,000,000</u> | <u>638,597,088</u> |
| Basic and diluted earnings per share (<i>RMB</i>) | <u>0.026</u> | <u>0.031</u> |

For the purpose of computing basic and diluted earnings per share, ordinary shares issued in the Group Reorganisation are assumed to have been issued and allocated on 1 January 2021.

For the purpose of calculating the weighted average number of ordinary shares, the number of shares has taken the Capitalisation Issue into account as the Capitalisation Issue is deemed to be effective since 1 January 2021 and the shares issued during the Group Reorganisation are treated as if they had been in effect and issued on 1 January 2021.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the six months ended 30 June 2023 is based on the below:

- Weighted average number of ordinary shares used to calculate the basic earnings per share for the six months ended 30 June 2022 is 637,538,159 (including Capitalisation Issue of 595,244,490, 1 share issued at the date of incorporation of the Company and 42,293,668 ordinary shares issued on 16 November 2021);
- 2,461,841 ordinary shares issued on 24 January 2022;
- The shares of the Company were listed on the Stock Exchange on 9 November 2022, whereby 160,000,000 new shares were issued by the Company.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six months ended 30 June 2023 and 2022.

13. INTANGIBLE ASSETS

| | Computer Software RMB'000 | Licenses RMB'000 | Total RMB'000 |
|--|--|-----------------------------|--------------------------|
| (Unaudited) | | | |
| Cost | | | |
| As at 1 January 2023 | 102,903 | 23,321 | 126,224 |
| Additions | | | |
| – Externally acquired | – | – | – |
| As at 30 June 2023 | 102,903 | 23,321 | 126,224 |
| Accumulated amortisation and impairment | | | |
| As at 1 January 2023 | 12,705 | 7,385 | 20,090 |
| Charged during the year | 5,169 | 2,332 | 7,501 |
| As at 30 June 2023 | 17,874 | 9,717 | 27,591 |
| Net book value | | | |
| As at 1 January 2023 | 90,198 | 15,936 | 106,134 |
| As at 30 June 2023 | 85,029 | 13,604 | 98,633 |
| (Unaudited) | | | |
| Cost | | | |
| As at 1 January 2022 | 71,221 | 23,321 | 94,542 |
| Additions | | | |
| – Externally acquired | 31,682 | – | 31,682 |
| As at 31 December 2022 | 102,903 | 23,321 | 126,224 |
| Accumulated amortisation and impairment | | | |
| As at 1 January 2022 | 4,211 | 2,721 | 6,932 |
| Charged during the year | 8,494 | 4,664 | 13,158 |
| As at 31 December 2022 | 12,705 | 7,385 | 20,090 |
| Net book value | | | |
| As at 1 January 2022 | 67,010 | 20,600 | 87,610 |
| As at 31 December 2022 | 90,198 | 15,936 | 106,134 |

The Group's computer software with a carrying amount of RMB85,029,000 (as at 31 December 2022: RMB90,198,000) will be fully amortised in 9.92 years (as at 31 December 2022: 9.75 years).

The Group's licenses with a carrying amount of RMB13,604,000 (as at 31 December 2022: RMB15,936,000) will be fully amortised in 3.42 years (as at 31 December 2022: 4.42 years).

14. TRADE RECEIVABLES

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|--|---|---|
| Trade receivables | 231,261 | 201,298 |
| Less: Provision for impairment loss recognised | <u>(64,190)</u> | <u>(45,721)</u> |
| | <u>167,071</u> | <u>155,577</u> |

The Group's trading terms with customers are mainly on credit. The credit terms are generally 180 days.

An ageing analysis, based on the date of rendering services, which approximates the respective revenue recognition dates (before impairment), as of the end of the reporting period is as follows:

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|--|---|---|
| 1 to 6 months | 116,638 | 123,725 |
| More than 6 months but less than 12 months | 49,589 | 27,702 |
| More than 1 year but less than 2 years | 46,967 | 37,024 |
| More than 2 years | <u>18,067</u> | <u>12,847</u> |
| | <u>231,261</u> | <u>201,298</u> |

Movements in the Group's provision for impairment on trade receivables are as follows:

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|---|---|---|
| At the beginning of the year/period | 45,721 | 21,387 |
| Provision for impairment loss on trade receivables, net | <u>18,469</u> | <u>24,334</u> |
| | <u>64,190</u> | <u>45,721</u> |

15. TRADE PAYABLES

| | As at 30 June 2023 <i>RMB'000</i> (Unaudited) | As at 31 December 2022 <i>RMB'000</i> (Audited) |
|------------------------------------|---|---|
| Trade payables (<i>Note (a)</i>) | <u>27,363</u> | <u>22,585</u> |

15. TRADE PAYABLES – Continued

Note:

- (a) An ageing analysis of trade payables as at the reporting date, based on the invoice dates, is as follows:

| | As at 30 June 2023 RMB'000 (Unaudited) | As at 31 December 2022 RMB'000 (Audited) |
|--|--|--|
| Within 6 months | 26,247 | 16,423 |
| More than 6 months but less than 12 months | 237 | 400 |
| More than 1 year but less than 2 years | 216 | 5,100 |
| More than 2 years | 663 | 662 |
| | <u>27,363</u> | <u>22,585</u> |

The Group's trade payables are non-interest bearing and generally have payment terms of 30–90 days.

16. CONVERTIBLE BONDS

As at 30 June 2023, the Company issued convertible bond 1 (“CB 1”), convertible bond 2 (“CB 2”), convertible bond 3 (“CB 3”) and convertible bond 4 (“CB 4”).

CB 1

On 26 January 2022, the Company issued 8% convertible bonds with an aggregate principal amount of USD5,000,000 (equivalent to approximately RMB31,750,000). Each bond entitles the holder to convert them into the Company's ordinary share at a conversion price of USD4.4569 per share, which is subject to adjustment on the capitalisation issue of the Company. The Company fully repaid the principal amount and interest in January 2023.

CB 1 contains two components: liability component and conversion option derivative. The effective interest rate of the liability component on initial recognition is 18.29% per annum. A valuation on the conversion option derivative of the convertible bonds was performed by an independent qualified valuer on the CB 1 issuance date and on 31 December 2022. The Black-Scholes option pricing model and Binomial Tree option pricing model were used in the valuations respectively.

CB 2

On 26 January 2022, the Company issued 8% convertible bonds with an aggregate principal amount of USD1,000,000 (equivalent to approximately RMB6,350,000). Each bond entitles the holder to convert them into Company's ordinary share at a conversion price of USD4.4569 per share (subject to adjustment on capitalisation issue of the Company) and matured on 25 January 2023.

CB 2 contains two components: liability component and conversion option derivative. The effective interest rate of the liability component on initial recognition is 18.29% per annum. A valuation on the conversion option derivative of the convertible bonds was performed by an independent qualified valuer on the CB 2 issuance date and on 15 November 2022. The Black-Scholes option pricing model was used in the valuation.

The CB 2 was early redeemed on 15 November 2022.

16. CONVERTIBLE BONDS – Continued

CB 3

On 24 January 2022, the Company issued 8% convertible bonds with an aggregate principal amount of USD600,000 (equivalent to approximately RMB3,810,000). Each bond entitles the holder to convert them into Company's ordinary share at a conversion price of USD4.4682 per share (subject to adjustment on capitalisation issue of the Company) and matured on 23 January 2023.

CB 3 contains two components: liability component and conversion option derivative. The effective interest rate of the liability component on initial recognition is 17.81% per annum. A valuation on the conversion option derivative of the convertible bonds was performed by an independent qualified valuer on the CB 3 issuance date and on 16 November 2022. The Black-Scholes option pricing model was used in the valuation.

The CB 3 was early redeemed on 16 November 2022.

CB 4

On 27 January 2022, the Company issued 8% convertible bonds with an aggregate principal amount of HKD3,000,000 (equivalent to approximately RMB2,442,000). Each bond entitles the holder to convert them into Company's ordinary share at a conversion price of HKD34.9293 per share (subject to adjustment on capitalisation issue of the Company) and matured on 26 January 2023.

CB 4 contains two components: liability component and conversion option derivative. The effective interest rate of the liability component on initial recognition is 18.12% per annum. A valuation on the conversion option derivative of the convertible bonds was performed by an independent qualified valuer on the CB 4 issuance date and on 24 November 2022. The Black-Scholes option pricing model was used in the valuation.

The CB 4 was early redeemed on 24 November 2022.

CB 1, CB 2, CB 3 and CB 4 (“All CBs”)

Following the release of the results of the Hong Kong Listing Committee hearing regarding the Company's listing (the “**Listing**”) application (“**Pre-listing Conversion Event**”), the holders of all CBs have the right to convert the whole of the outstanding principal amount of the CBs into shares of the Company at the corresponding conversion prices within three business days upon occurrence of such Pre-listing Conversion Event.

In the event that the Pre-listing Conversion Event does not take place and the Listing becomes unconditional (“**Post-Listing Conversion Event**”), together with the Pre-Listing Conversion Event, which is called the (“**Conversion Event**”). The holders of All CBs can convert the whole of the principal amount of the CBs into shares of the Company at the corresponding conversion prices.

The Conversion Event shall only trigger the conversion if and only if it occurs on or before the maturity date of the CBs and conversion shall take place in full at one time and no partial conversion shall take place.

Unless previously redeemed, converted, purchased or cancelled, each CB will be redeemed on the maturity date at its principal amount with accrued and unpaid interest thereon on the maturity date.

16. CONVERTIBLE BONDS – Continued

CB 1, CB 2, CB 3 and CB 4 (“All CBs”) – Continued

The liability component and conversion option derivative recognised in the consolidated statement of financial position were as follows:

| | Liability Component <i>RMB'000</i> | Conversion Option Derivative <i>RMB'000</i> | Total <i>RMB'000</i> |
|--|--|---|--------------------------------|
| (Audited) | | | |
| As at 1 January 2022 | – | – | – |
| Convertible bonds issued | 40,511 | 3,841 | 44,352 |
| Imputed interests (<i>Note 10</i>) | 6,689 | – | 6,689 |
| Gain on fair value changes on convertible bond – conversion option derivative | – | (3,841) | (3,841) |
| De-recognition of convertible bonds on early redemption | (13,996) | – | (13,996) |
| Loss on de-recognition of convertible bonds | 230 | – | 230 |
| Interest paid | (898) | – | (898) |
| Exchange difference | 4,651 | – | 4,651 |
| | <hr/> | <hr/> | <hr/> |
| On 31 December 2022 and 1 January 2023 | 37,187 | – | 37,187 |
| (Unaudited) | | | |
| Imputed interests (<i>Note 10</i>) | (645) | – | (645) |
| De-recognition of convertible bonds on early redemption | (33,813) | – | (33,813) |
| Interest paid | (2,729) | – | (2,729) |
| | <hr/> | <hr/> | <hr/> |
| As at 30 June 2023 | <hr/> – | <hr/> – | <hr/> – |

17. SHARE CAPITAL

| | Number | Amount HKD'000 | Amount RMB'000 |
|--|------------------------------|---------------------|-------------------|
| Ordinary shares of par value of HKD 0.0001 each | | | |
| Authorised | | | |
| 31 December 2021 and 1 January 2022 (<i>Note (i)</i>) | 3,900,000,000 | 390 | 337 |
| Increase in authorised share capital (<i>Note (iv)</i>) | 6,100,000,000 | 610 | 550 |
| | <hr/> | <hr/> | <hr/> |
| On 31 December 2022 and 1 January 2023 | 10,000,000,000 | 1,000 | 887 |
| Increase in authorised share capital | <hr/> – | <hr/> – | <hr/> – |
| On 30 June 2023 | <u>10,000,000,000</u> | <u>1,000</u> | <u>887</u> |
| Issued and fully paid | | | |
| As at 31 December 2021 and 1 January 2022 | 42,293,669 | 4 | 3 |
| Issue of shares (<i>Note (ii)</i>) | 2,461,841 | * | 1 |
| Issuance of shares upon listing (<i>Note (iii)</i>) | 160,000,000 | 16 | 14 |
| Issuance shares for Capitalisation Issue (<i>Note (iii)</i>) | 595,244,490 | 60 | 54 |
| | <hr/> | <hr/> | <hr/> |
| On 31 December 2022 and 1 January 2023 | 800,000,000 | 80 | 72 |
| Issue of shares | <hr/> – | <hr/> – | <hr/> – |
| Issuance shares for Capitalisation Issue | <hr/> – | <hr/> – | <hr/> – |
| On 30 June 2023 | <u>800,000,000</u> | <u>80</u> | <u>72</u> |

* Represents amount less than HKD1,000

Notes:

- (i) The Company was incorporated in the Cayman Islands under the *Companies Act* as an exempted company with limited liability on 10 June 2021 with authorised share capital of HKD390,000 divided into 3,900,000,000 shares of HKD0.0001 each. On the date of incorporation, 1 ordinary share of HKD0.0001 was allotted and issued at par by the Company.
- (ii) Pursuant to the resolution of the shareholders, the Company allotted and issued 42,293,668 and 2,461,841 ordinary shares of HKD0.0001 each at par and at USD4.47 (equivalent to approximately RMB28.37), respectively on 16 November 2021 and 24 January 2022.
- (iii) In connection with the Company's issuance of new shares upon Listing, the Company allotted and issued 160,000,000 shares of HKD0.0001 each at a price of HKD1.96 per share on 9 November 2022 as a result of the completion of Listing. The gross proceeds from the issuance of new shares of approximately RMB282,632,000 (equivalent to approximately HKD313,600,000), of which approximately RMB14,000 (equivalent to approximately HKD16,000) was credited to the Company's share capital, and the remaining balance of approximately RMB282,618,000 (equivalent to approximately HKD313,584,000) before deduction of share issuance expenses, was credited to share premium account. The share premium account can be used for the deduction of share issuance expenses. After the share premium account of the Company was credited as a result of the issuance of new shares upon listing, RMB54,000 (equivalent to approximately HKD60,000) was capitalised from the share premium account and applied in paying up in full at par 595,244,490 new shares for allotment and issue to shareholders whose names appear on the register of members of the Company at the close of business on 9 November 2022 in proportion to their respective shareholdings ("**Capitalisation Issue**").
- (iv) On 12 October 2022, the authorised share capital of the Company was increased from HKD390,000 divided into 3,900,000,000 shares to HKD1,000,000 divided into 10,000,000,000 shares by the creation of additional 6,100,000,000 shares which rank pari passu in all respects.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Review

In the first half of 2023, we have shown steady growth in overall revenue, with the proportion of income from major customers continuously increasing. The revenue from the digital marketing services, particularly through Tiktok channel is also growing steadily, paving way for our accelerated development in businesses in the second half of the year.

Outlook

In the second half of 2023, we will focus on the following directions to drive growth: intensifying our efforts on key customers, optimising operational capabilities to assist customers in reducing the cost of customer acquisition, and enhancing our return on investment. In addition, we will also explore various cooperation models such as agency operation, distribution, and dealership to help customers improve their sales through short videos, live streaming, and influencer distribution.

FINANCIAL REVIEW

Overview

We provide integrated marketing solutions services mainly in the PRC to a large base of customers, with particular success in the fast moving consumer goods (“FMCG”), footwear and apparel and real estate industries. Our total revenue consists of revenue from integrated marketing solution services and revenue from SaaS interactive marketing services. Our integrated marketing solution services consist of five types of marketing services, namely (i) content marketing; (ii) digital marketing; (iii) public relations event planning; (iv) media advertising; and (v) SaaS interactive marketing.

During the six months ended 30 June 2023 (the “**Reporting Period**”), our total revenue reached approximately RMB287,607,000, a year-on-year (“**YoY**”) growth of approximately 45.0% (approximately RMB198,336,000 in the same period in 2022). The increase in revenue was mainly due to our continued business expansion and improved reputation among existing and potential customers as well as the launch of the new TikTok distribution channel this year, which has resulted in increased revenue from integrated marketing services and SaaS interactive marketing services.

Revenue

During the Reporting Period, our total revenue reached approximately RMB287,607,000, a YoY growth of approximately 45.0% (approximately RMB198,336,000 in the same period in 2022).

The following table sets out a breakdown of our total revenue for the periods indicated. As of the six months ended 30 June 2023, the Company recorded a YoY growth of approximately 47.0% in revenue from integrated marketing services to approximately RMB267,113,000, accounting for approximately 92.9% of the Group's total revenue, and the Company's revenue from SaaS interactive marketing services increased by approximately 23.5% YoY to approximately RMB20,494,000, accounting for approximately 7.1% of the Group's total revenue.

| | For the six months ended 30 June | | 2022 | | Change (+/(-)) | |
|--|----------------------------------|--------------|----------------|--------------|----------------|-------------|
| | 2023 | | 2022 | | | |
| | RMB'000 | % | RMB'000 | % | | % |
| Revenue from Integrated Marketing Services | 267,113 | 92.9 | 181,768 | 91.6 | | 47.0 |
| Revenue from SaaS Interactive Marketing Services | 20,494 | 7.1 | 16,588 | 8.4 | | 23.5 |
| Total | 287,607 | 100.0 | 198,356 | 100.0 | | 45.0 |

Integrated Marketing Services

The following table sets out a breakdown of the revenue from integrated marketing services by product category for the periods indicated, in terms of amount and as a proportion to the revenue from integrated marketing services.

| | For the six months ended 30 June | | 2022 | | Change (+/(-)) | |
|---------------------------------|----------------------------------|--------------|----------------|--------------|----------------|-------------|
| | 2023 | | 2022 | | | |
| | RMB'000 | % | RMB'000 | % | | % |
| Content marketing | 130,142 | 48.7 | 102,617 | 56.5 | | 26.8 |
| Digital marketing | 91,896 | 34.4 | 47,713 | 26.2 | | 92.6 |
| Media advertisement | 37,250 | 13.9 | 25,779 | 14.2 | | 44.5 |
| Public relations event planning | 7,825 | 2.9 | 5,659 | 3.1 | | 38.3 |
| Total | 267,113 | 100.0 | 181,768 | 100.0 | | 47.0 |

Revenues from content marketing services, digital marketing services, public relations event planning services and media advertising services are recognised over the period of time when the related services are rendered according to the progress of completion as stipulated under the agreements. Revenue would be recognised when we deliver the services to our customers, such as delivery of design and advertising plans, and will continue to recognise until all promised services are delivered.

During the Reporting Period, our revenue from integrated marketing services increased by approximately 47.0% YoY to approximately RMB267,113,000 (approximately RMB181,768,000 in the same period in 2022), accounting for approximately 92.9% of revenue in the first half of 2023. The increase in revenue from integrated marketing services was mainly due to the increase in revenue derived from content marketing services, digital marketing services, and media marketing services which were attributable to the abundance of experience in serving customers gleaned over the years and our marketing solutions were more tailored to customer marketing needs.

SaaS Interactive Marketing Services

For SaaS interactive marketing services, annual subscription fees are recognised over the year of subscription. For SaaS customised products, we recognise revenue when the products are delivered to our customers. We engage SaaS agents to market and sell our SaaS products. For SaaS interactive marketing services, as we regard our SaaS agents as our direct buyers, we recognise revenue generated from our SaaS agents for our SaaS interactive marketing services upon setting up and activating user accounts after deduction of the commission expenses paid or payable to such SaaS agents.

Our revenue from integrated marketing services increased by approximately 23.5% YoY to approximately RMB20,494,000 (approximately RMB16,588,000 in the same period in 2022), accounting for approximately 7.1% of revenue in the first half of 2023. Such increase was mainly attributable to the increasing recognition of our SaaS interactive marketing platform, Content Engine by customers, which facilitate the online marketing promotion strategies of our customers and provided “Content + Technology” platform services.

Cost of revenue

During the Reporting Period, the cost of our revenue amounted to approximately RMB232,942,000, a YoY growth of approximately 74.8% (approximately RMB133,254,000 in the same period in 2022).

Integrated Marketing Services

The costs of integrated marketing services mainly include media advertising resources costs, production costs, equipment rental costs, employee costs and other costs.

The following table sets out a breakdown of the cost of revenue of integrated marketing services and products for the periods indicated, in terms of amount and as a proportion to cost of revenue from integrated marketing services.

| | As of the six months ended 30 June | | 2022 | Change (+/(-)) | |
|--|------------------------------------|-------|----------------|----------------|---------|
| | 2023 | % | | | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | % |
| Media advertising resources costs | | | | | |
| – Marketing rights from IP content providers | 51,777 | 23.7 | 24,419 | 19.4 | 112.0 |
| – Costs of obtaining advertising resources from advertising media channels or their agents | 148,793 | 68.0 | 5,878 | 4.7 | 2,431.4 |
| – Other media technical and execution costs | 3,284 | 1.5 | 71,272 | 56.7 | -95.4 |
| Subtotal | 203,854 | 93.1 | 101,569 | 80.7 | 100.7 |
| Production costs | 10,429 | 4.8 | 19,791 | 15.7 | -47.3 |
| Equipment rental costs | 715 | 0.3 | 391 | 0.3 | 82.9 |
| Staff costs | 3,034 | 1.4 | 3,160 | 2.5 | -4.0 |
| Other costs | 866 | 0.4 | 881 | 0.7 | -1.7 |
| Total | 218,898 | 100.0 | 125,792 | 100.0 | 74.0 |

During the Reporting Period, the cost of revenue of integrated marketing services reached approximately RMB218,898,000, a YoY growth of approximately 74.0% (approximately RMB125,792,000 in the same period in 2022). Such an increase was primarily due to an acquisition of the first-tier agent of TikTok during the Reporting Period that resulted in an increase in revenue from digital marketing services and thus increased costs of media advertising resources.

SaaS Interactive Marketing Services

The costs of SaaS interactive marketing services mainly include SaaS costs. The following table sets out a breakdown of cost of revenue of SaaS interactive marketing services for the periods indicated, in terms of amount and as a proportion to cost of revenue from SaaS interactive marketing services.

| | As of the six months ended 30 June | | 2022 | | Change (+/(-)) |
|-------------|------------------------------------|--------------|----------------|-------|----------------|
| | 2023 | | | | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | % |
| SaaS costs | 13,811 | 98.3 | 7,174 | 96.1 | 92.5 |
| Staff costs | 233 | 1.7 | 288 | 3.9 | -19.1 |
| Total | 14,044 | 100.0 | 7,462 | 100.0 | 88.2 |

During the Reporting Period, the cost of revenue of SaaS interactive marketing services amounted to approximately RMB14,044,000, a YoY growth of approximately 88.2% (approximately RMB7,462,000 in the same period in 2022). Such growth was principally due to the increased customised outsourcing fees along with a rise in the revenue from SaaS interactive marketing services, pushing up such cost of revenue.

Gross profit

The following table sets out the analysis of gross profit with respective gross profit margins, breakdown by type of revenue, for the periods indicated.

| | For the six months ended 30 June | | 2022 | | Change (+/(-)) |
|-------------------------------------|----------------------------------|--------------|----------------|-------|----------------|
| | 2023 | | | | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % | % |
| Integrated Marketing Services | 48,215 | 88.2 | 55,976 | 86.0 | -13.9 |
| SaaS Interactive Marketing Services | 6,450 | 11.8 | 9,126 | 14.0 | -29.3 |
| Total | 54,665 | 100.0 | 65,102 | 100.0 | -16.0 |

During the Reporting Period, our total gross profit reached approximately RMB54,665,000, a YoY decrease of approximately 16.0% (approximately RMB65,102,000 in the same period in 2022). The gross profit from integrated marketing services was approximately RMB48,215,000, a YoY decrease of approximately 13.9% (approximately RMB55,976,000 in the same period in 2022). The decline in gross profit margin of the Company's integrated marketing services was mainly due to the low gross margin of our cooperation with TikTok as its first-tier agent. Our gross profit from SaaS interactive marketing services was approximately RMB6,450,000, a YoY increase of approximately 29.3% (approximately RMB9,126,000 in the same period in 2022). The gross profit margin for SaaS interactive marketing services decreased from approximately 55.0% in 2022 to approximately 31.5%, mainly due to the Company's increased exclusive customised outsourcing fees during the Reporting Period.

Selling and marketing expenses

Our selling and marketing expenses mainly consist of (i) salaries and benefits of marketing and technical support personnel; (ii) business entertainment and travel expenses, largely including business entertainment, accommodation and travel expenses; (iii) amortization and depreciation, mainly referring to the depreciation of equipment, automobiles, leased property renovation, and leased right-of-use assets and the amortization of computer software; and (iv) other expenses, including property management fees, office expenses and local transportation expenses. During the Reporting Period, our selling and marketing expenses reached approximately RMB3,914,000, a YoY increase of approximately 19.4% (approximately RMB3,279,000 in the same period in 2022). Such an increase was primarily due to the increase in wages and salaries which is caused by the addition of personnel who are responsible for digital marketing services in respect of Tiktok channel during the Reporting Period.

Administrative expenses

Administrative expenses predominantly include: (i) employee costs and benefits, principally including administrative employee salaries and training expenses; (ii) legal and professional fees, mainly referring to legal and professional fees incurred in connection with the Group's business operation; (iii) amortization and depreciation, primarily referring to the depreciation of equipment, vehicles, and renovation of our leased properties, and leased right-of-use assets and the amortization of computer software; (iv) research and development (“**R&D**”) costs, principally referring to the salaries of R&D employees of content engine; (v) other taxes, mostly consisting of urban maintenance and construction taxes and stamp taxes; and (vi) other expenses. During the Reporting Period, our general and administrative expenses amounted to approximately RMB11,635,000, a YoY growth of approximately 17.7% (approximately RMB9,884,000 in the same period in 2022). Such an increase was mainly attributable to the increase in printing and translation related expenses for disclosures such as annual report during the Reporting Period.

Provision for impairment loss on trade receivables and other financial assets during the Reporting Period

During the Reporting Period, our provision for impairment loss on trade receivables and other financial assets was approximately RMB18,469,000, representing an increase of approximately 13.1% YoY (approximately RMB16,331,000 in the same period in 2022). Such an increase was primarily due to the fact that significant growth in revenue was accompanied by a rise in trade receivable, leading to an increase in provision for bad debts during the Reporting Period.

Other revenue

The following table provides a breakdown of components of other revenue for the periods indicated:

| | As of the six months ended | | |
|--|----------------------------|--------------|----------------|
| | 2023 | 2022 | Change (+/(-)) |
| | RMB'000 | RMB'000 | % |
| Government grant | 2,295 | 941 | 143.9 |
| Bank interest income | 398 | 881 | -54.8 |
| Additional value added tax input deduction | 1,420 | 1,363 | 4.2 |
| Others | 1 | – | – |
| Total | <u>4,114</u> | <u>3,185</u> | <u>29.2</u> |

During the Reporting Period, our other revenue amounted to approximately RMB4,114,000, a YoY increase of approximately 29.2% (approximately RMB3,185,000 in the same period in 2022). The increase in government grants was mainly due to an increase in grants for listed operating teams.

Other gains and losses

During the Reporting Period, our other losses amounted to approximately RMB1,059,000 (Other gains of approximately RMB2,596,000 in 2022). Such a decrease was mainly due to changes in exchange rate of the Company's foreign currency accounts during the Reporting Period.

Finance costs

Financial expenses primarily comprised (i) interest expense on bank borrowings; (ii) interest expense on third-parties' loans; (iii) interest expenses on shareholders' loans; (iv) imputed interest expenses on convertible bonds; and (v) interest expenses on lease liabilities.

During the Reporting Period, our finance costs reached approximately RMB443,000, a YoY decrease of approximately 92.4% (approximately RMB5,859,000 in the same period in 2022). Such decrease was largely attributed to the decrease in interest expenses in connection with (i) the Pre-HKIPO loans entered into between the Company and each of the Pre-HKIPO loan lenders had been matured or redeemed in December 2022 and January 2023; (ii) loan agreement entered into between the Company and one Pre-IPO investor pursuant to the terms under the subscription agreement in January 2022 which has been fully repaid in 2022; and (iii) the three bridging loan agreements entered into between the Company and two independent third parties for the settlement of consideration of business transfer with an aggregate total loan amount of approximately RMB101.3 million in January 2022, and such loans were fully repaid in June 2022. For details, please refer to the Company's prospectus dated 28 October 2022 (the "**Prospectus**").

Listing expenses

During the Reporting Period, no listing fees incurred by the Group, a YoY decrease of approximately 100.0% (approximately RMB5,240,000 in the same period in 2022).

Profit before income tax

As a result of the above, our profit before income tax as of the six months ended 30 June 2023 stood at approximately RMB23,259,000, a decrease of approximately 7.3% YoY (approximately RMB25,098,000 in the same period in 2022).

Income tax expenses

During the Reporting Period, our income tax expense was approximately RMB2,784,000, a YoY decrease of approximately 50.4% (approximately RMB5,616,000 in the same period in 2022). Such a decrease was largely due to an increased revenue caused by lower gross profits during the Reporting Period, leading to the synchronous increase of corresponding credit impairment provision receivable and deferred income tax expense. The effective tax rate, representing income tax expense divided by profit before tax, was approximately 22.4% and 12.0% for the six months ended 30 June 2022 and 2023, respectively.

Net profit and net profit margin

During the Reporting Period, the Group recorded a net profit for the period ended amounted to RMB20,475,000, a YoY increase of approximately 5.1% (approximately RMB19,482,000 in the same period in 2022), with a net profit margin of 9.8% and 7.1%, respectively. The trend of net profit and net profit margin were mainly due to a growing revenue and a decrease in gross profit margin during the Reporting Period.

Reserves and capital structure

As of the six months ended 30 June 2023, the Group's total equity was RMB565,000,000 (as of the same period ended 31 December 2022: RMB543,347,000), which represented share capital of RMB72,000 (as of the same period ended 31 December 2022: RMB72,000) and reserves of RMB564,000,000 (as of the same period ended 31 December 2022: RMB543,000,000). The increase in total equity was primarily due to the increase of shares of the Company prior to the Listing and net profit for the year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's operations were primarily financed through its operating activities. The Group derived its cash inflow from operating activities primarily through the receipt of payments from the customers in relation to the integrated marketing solutions services and the SaaS interactive marketing services. The Group's cash outflows from operating activities primarily comprised payments for media advertising resources costs and operating expenses such as production cost and SaaS cost.

As of the six months ended 30 June 2023, the Group's total current assets and current liabilities were RMB680,465,000 (as of 31 December 2022: RMB580,990,000) and RMB244,249,000 (as of 31 December 2022: RMB170,833,000), respectively, while the current ratio was 2.8 times (as of 31 December 2022: 3.4 times). The increase in total current assets as at 30 June 2023 was mainly attributable to an increase in ending prepayments, deposits, and other receivables. As at 30 June 2023, the Group had a cash and bank balance amounting to RMB376,473,000 (as of 31 December 2022: RMB78,794,000).

As at 30 June 2023, the Group had bank borrowings of RMB30,041,000. The Group's gearing ratio (which equals to total debt divided by total capital plus total debt, where total debt includes borrowings, lease liabilities, amounts due to Directors and amounts due to related parties, and capital includes equity attributable to owners of the Company) was approximately 5.6% as at 30 June 2023 (31 December 2022: approximately 11.9%).

CAPITAL EXPENDITURES AND COMMITMENT

Our capital expenditures primarily consist of (i) property, plant and equipment, which primarily consisted of computer equipment, office equipment, automobiles, and leasehold improvement in relation to renovation expenses for our properties; (ii) right-of-use assets, which primarily consisted of our property leases; and (iii) intangible assets, which primarily consisted of copyright licences and purchased software, among others.

The capital expenditure of the Group for the six months ended 30 June 2023 was approximately RMB930,000. The following table sets out our capital expenditures for the period indicated:

| | For the six months ended 30 June 2023 <i>RMB'000</i> |
|---|--|
| (1) Fixed assets (including computer equipment, office equipment, automobiles and office leasehold improvement) | 125 |
| (2) Right-of-use assets | 805 |
| Total | <u>930</u> |

For the six months ended 30 June 2023, the Group had a total capital commitment of approximately RMB11,262,000 (30 June 2022: Nil), contracted for but not provided for in the consolidated financial statements in respect of the property, plants, and equipment.

CONTINGENT LIABILITIES

For the six months ended 30 June 2023, we did not have any unrecorded significant contingent liabilities, guarantees, or any litigation against us.

FOREIGN CURRENCY RISK MANAGEMENT

We conduct our business operations primarily in China, settle most of our transactions in RMB, and are exposed to foreign currency risks from various currency exposures, primarily with respect to U.S. dollars and Hong Kong dollars. During the Reporting Period, we did not hedge our foreign exchange risks through any long-term contracts, monetary borrowings or other means.

The Group adopted a prudent approach toward its treasury policies. Our treasury function mainly involves the management of our cash flows. Cash is mainly deposited in banks in Renminbi for working capital purposes. We did not have any material holding in financial securities or foreign exchange (except for business purposes) during the Reporting Period.

CREDIT RISK

Credit risk mainly arises from trade receivables and contractual assets. We have policies in place to ensure that our services are provided to customers with an appropriate credit history. We also have other monitoring procedures to ensure that follow-up actions are taken to recover overdue debts. In addition, the management will regularly review the recoverable amount of individual receivables based on customers' financial condition, our historical experience, and other factors to ensure that sufficient provision for impairment losses is made for the irrecoverable amount.

ASSETS PLEDGED

As of 30 June 2023, we did not pledge any of our assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS, DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Group had no significant investments, material acquisitions, disposals of subsidiaries, associates and joint ventures.

EMPLOYEES

We had a total of 141 employees as at 30 June 2023.

Our success depends on our ability to attract, retain and motivate qualified personnel. We provide our employees with various incentives and benefits. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees. Employees' remuneration packages are determined with reference to the market information and individual performance and will be reviewed on a regular basis. The remuneration policy will be reviewed by the Board from time to time.

In accordance with the regulations of the PRC, we participate in various social security plans for employees organised by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefits plans.

To maintain the quality, knowledge and skills of our employees, we strive to enhance their technical, professional or managerial skills by providing continuing education and training courses (including internal and external training courses) to them. We also provide training courses to our employees from time to time to ensure that they are fully aware of and comply with our policies and procedures.

During the Reporting Period, the total staff cost including remuneration, other employee benefits and contributions to retirement schemes for the Directors and other staff of the Group amounted to RMB11,285,000 (the same period in 2022: RMB11,880,000), which remain relatively stable with the corresponding period in 2022.

FUTURE PLANS FOR SIGNIFICANT INVESTMENTS AND CAPITAL ASSETS

As of 30 June 2023, save for the disclosure made in the Prospectus, the Group did not have any plan for significant investments or capital assets.

USE OF PROCEEDS

The net proceeds from the listing (the “**net proceeds**”), after deducting the underwriting fees and other related expenses in connection with the listing, was approximately HKD267.30 million. The Company intends to apply the net proceeds in accordance with the proposed application as set out in the section headed “**Future Plans and Use of Proceeds**” in the Prospectus.

The following table sets out the utilisation of the net proceeds for the six months ended 30 June 2023.

| | Percentage of Net Proceeds | Net Proceeds from Global Offering <i>HKD Million</i> | Utilised Amount as of 30 June 2023 <i>HKD Million</i> | Unutilised Balance as of 30 June 2023 <i>HKD Million</i> | Expected Timeline of Utilisation |
|--|----------------------------------|--|---|---|--|
| Enhancing SaaS interactive marketing platform research and development | 14.7% | 39.2 | 6.6 | 32.6 | 31 December 2024 |
| Scaling up our IP contents portfolio and expanding our integrated marketing solutions business | 31.7% | 84.8 | 81.9 | 2.9 | 31 December 2024 |
| Investment in the expansion of our geographical coverage and customer base | 16.0% | 42.7 | 41.8 | 0.9 | 31 December 2024 |
| Pursuing strategic cooperation, investments, and acquisitions | 32.1% | 85.8 | – | 85.8 | 31 December 2024 |
| Working capital and general corporate use | 5.5% | 14.8 | 14.8 | – | |
| Total | <u>100.0%</u> | <u>267.3</u> | <u>145.1</u> | <u>122.2</u> | |

The unutilised amount is expected to be utilised in accordance with the business strategies of the Company, as disclosed in the Prospectus and the above. The aforesaid expected timeline of full utilisation of the unutilised proceeds is based on our Directors’ best estimation, and is subject to change in light of future market conditions or any unforeseen circumstances.

MAJOR EVENTS AFTER THE REPORTING PERIOD

Save as disclosed, there was no significant event after the Reporting Period and up to the date of this announcement.

PURCHASE, SALE, OR REDEMPTION OF THE SECURITIES

For the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities.

CORPORATE GOVERNANCE

Our Board is committed to the practice of good corporate governance measures.

Our Board believes that good corporate governance measures are essential to provide our Company with a framework to safeguard shareholders' equity, enhance corporate value, develop business strategies and policies, and improve transparency and accountability.

The Company has adopted the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix 14 to the Listing Rules as a basis for corporate governance practices.

During the six months ended 30 June 2023, the Company had complied with the applicable code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except for the following deviation:

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive shall be separate and shall not be performed by the same individual. Mr. Liu Jianhui serves as chief executive officer, and also the Chairman of our Company. Our Board believes that assigning one person to serve as both chief executive officer and the Chairman can facilitate the execution of the Group's business strategies and enhance our Group's operation efficiency. Therefore, the Board considers that the deviation from code provision C.2.1 of the CG Code is appropriate in such circumstance. In addition, we believe that the structure of our Board is appropriate and balanced to provide sufficient checks and supervisions to protect the interests of our Company and its shareholders. Our Board will regularly review the strengths and weaknesses of this management structure and will take appropriate measures where necessary in the future, taking into account the nature and extent of our Group's business.

MODEL CODE FOR DIRECTOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as a code of conduct for its Directors to conduct trading of securities. The Company has made specific enquiries to all of its Directors, who have confirmed that they have complied with the standards set out in the Model Code during the Reporting Period.

No incident of non-compliance of the Model Code by the Directors and relevant employees was noted during the Reporting Period. Our Company continues to ensure compliance with the code of conduct.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2023.

AUDIT COMMITTEE

The Company has established an Audit Committee comprising three independent non-executive Directors, being Ms. Wong Yan Ki, Angel, Ms. Wang Yingbin and Mr. Tian Tao. The Audit Committee is chaired by Ms. Wong Yan Ki, Angel, who has appropriate professional qualifications. The Audit Committee has also adopted written terms of reference setting out clearly its duties and responsibilities. The terms of reference are available on the websites of the Company and the Stock Exchange.

The Audit Committee, together with the management of the Company, had reviewed the accounting principles and policies adopted by the Group and discussed the Group's internal control and financial reporting matters (including reviewing of the unaudited interim financial information for the six months ended 30 June 2023). The Audit Committee considers that the interim financial information complies with applicable accounting standards, laws, and regulations.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the Company's website at www.manyidea.cloud and the Stock Exchange's website at www.hkexnews.hk. The interim report for the six months ended 30 June 2023 will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Many Idea Cloud Holdings Limited
Liu Jianhui
Chairman of the Board

Hong Kong, 25 August 2023

As at the date of this announcement, the Board comprises Mr. Liu Jianhui, Ms. Qu Shuo, Mr. Chen Shancheng and Mr. Chen Zeming as executive Directors and Ms. Wang Yingbin, Ms. Wong Yan Ki, Angel, Mr. Tian Tao and Ms. Xiao Huilin as independent non-executive Directors.