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Marketingforce Management Ltd

邁富時管理有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2556)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Marketingforce Management Ltd (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2024 (the “**Reporting Period**”), together with the comparative figures for the six months ended June 30, 2023. In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Six months ended 30 June		Year-on-Year change
	2024	2023	
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	739,443	583,526	26.7%
Gross profit	392,868	321,114	22.3%
Loss for the period and attributable to owners of the Company	(820,178)	(67,674)	1,112.0%
Non-IFRS Measures:			
Adjusted net profit/(loss)	47,681	(24,156)	297.4%

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
REVENUE	4	739,443	583,526
Cost of services		(346,575)	(262,412)
GROSS PROFIT		392,868	321,114
Other income and gains		20,330	21,338
Selling and distribution expenses		(162,636)	(144,552)
Administrative expenses		(139,082)	(98,302)
Research and development expenses		(105,035)	(99,440)
Fair value changes of convertible redeemable preferred shares		(780,539)	(26,667)
Other expenses		(2,808)	(175)
Impairment for financial assets		(24,375)	(24,525)
Finance costs	6	(18,892)	(16,410)
LOSS BEFORE TAX	5	(820,169)	(67,619)
Income tax expense	7	(9)	(55)
LOSS FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY		(820,178)	(67,674)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (<i>RMB</i>)	8	(4.33)	(0.40)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	<i>Notes</i> 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
LOSS FOR THE PERIOD	<u>(820,178)</u>	<u>(67,674)</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		
– Change in fair value of financial assets at fair value through other comprehensive income	7	21
– Exchange differences on translation of foreign operations	(3,501)	(20,775)
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods		
– Exchange differences on translation of the Company	<u>1,369</u>	<u>(21,090)</u>
OTHER COMPREHENSIVE LOSS FOR THE PERIOD	(2,125)	(41,844)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD AND ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(822,303)</u>	<u>(109,518)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		63,293	93,353
Right-of-use assets		74,988	115,316
Intangible assets		4,650	2,884
Prepayments, other receivables and other assets		14,028	17,459
Contract acquisition costs	4	2,505	1,390
		<hr/>	<hr/>
Total non-current assets		159,464	230,402
		<hr/> <hr/>	<hr/> <hr/>
CURRENT ASSETS			
Trade and bills receivables	10	121,317	112,663
Contract acquisition costs	4	47,309	38,406
Prepayments, other receivables and other assets	11	1,667,662	1,711,324
Financial assets at fair value through other comprehensive income		91	1,602
Restricted cash		7,885	20,481
Time deposits with original maturity of more than three months		241,554	50,000
Cash and cash equivalents		360,621	138,022
		<hr/>	<hr/>
Total current assets		2,446,439	2,072,498
		<hr/> <hr/>	<hr/> <hr/>
CURRENT LIABILITIES			
Trade payables	12	54,662	50,950
Other payables and accruals	13	529,309	612,701
Interest-bearing bank and other borrowings		900,149	619,812
Lease liabilities		41,878	54,304
Contract liabilities	4	429,210	509,788
Tax payable		7	7
Convertible redeemable preferred shares		–	1,223,789
Other current liabilities		26,830	32,894
		<hr/>	<hr/>
Total current liabilities		1,982,045	3,104,245
		<hr/> <hr/>	<hr/> <hr/>
NET CURRENT ASSETS/(LIABILITIES)		464,394	(1,031,747)
		<hr/> <hr/>	<hr/> <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		623,858	(801,345)
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		55,465	89,643
Other payables and accruals		780	3,370
Contract liabilities	4	44,055	66,337
		<hr/>	<hr/>
Total non-current liabilities		100,300	159,350
		<hr/>	<hr/>
Net assets/(liabilities)		523,558	(960,695)
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital		1	1
Other reserves		523,557	(960,696)
		<hr/>	<hr/>
Total equity/(deficiency in assets)		523,558	(960,695)
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NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2024

1. GENERAL INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 23 February 2021 and was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 16 May 2024. The registered office address of the Company is at the offices of Maples Corporate Services Limited, PO Box 309, Uglund House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the business of software as a service (“**SaaS**”) business, which provides cloud-based sales service, and precision marketing services, which provides marketing solutions in the PRC.

As at the date of this announcement, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, except for Shanghai Trueland, which is a company limited by shares, (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital/ issued ordinary shares	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
Marketingforce (HongKong) Ltd. (“ Marketingforce HongKong ”)	Hong Kong 17 March 2021	HKD1	100%	–	Investment holding
American Kaililong International Holding (H.K.) Ltd. (“ American Kaililong ”)	Hong Kong 26 March 2009	HKD10,000	100%	–	Marketing and sales services
邁富時網絡技術(上海)有限公司 Marketingforce Network Technology (Shanghai) Co., Ltd. (“ Marketingforce Network Technology ”)	PRC/Mainland China 20 April 2021	USD100,000,000	–	100%	Investment holding
珍島信息技術(上海)股份有限公司 Trueland Information Technology (Shanghai) Co., Ltd. (“ Shanghai Trueland ”)	PRC/Mainland China 25 September 2009	RMB27,600,000	–	100%	Marketing and sales services
無錫珍島數字生態服務平台技術有限公司 Wuxi Trueland Digital Eco Service Platform Technology Co., Ltd. (“ Wuxi Trueland ”)	PRC/Mainland China 20 May 2014	RMB10,000,000	–	100%	Marketing and sales services
無錫珍島智能技術有限公司 Wuxi Trueland Intelligence Technology Co., Ltd. (“ Wuxi Trueland Intelligence ”)	PRC/Mainland China 18 October 2019	RMB10,000,000	–	100%	Marketing and sales services
上海珍島智能技術集團有限公司 Shanghai Trueland Intelligence Technology Group Co., Ltd. (“ Shanghai Trueland Intelligence ”)	PRC/Mainland China 28 May 2020	RMB100,000,000	–	100%	Marketing and sales services
上海珍島網絡科技有限公司 Shanghai Trueland Network Science & Technology Co., Ltd. (“ Shanghai Trueland Network ”)	PRC/Mainland China 28 December 2015	RMB50,000,000	–	100%	Marketing and sales services

Name*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital/ issued ordinary shares	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
珍島數字科技(上海)有限公司 Trueland Digital Technology (Shanghai) Co., Ltd. (“ Trueland Digital ”) (曾用名: 上海珍島雲計算科技有限公司) (Former Name: Shanghai Trueland Cloud Computing Technology Co., Ltd.)	PRC/Mainland China 28 December 2015	RMB100,000,000	–	100%	Marketing and sales services
上海洞察力數字科技集團有限公司 Shanghai Dongchali Digital Technology Group Co., Ltd. (“ Shanghai Insight ”) (曾用名: 上海洞察力軟件信息科技有限公司) (Former Name: Shanghai Dongchali Software Information Technology Co., Ltd.)	PRC/Mainland China 24 May 2011	RMB100,000,000	–	100%	Marketing and sales services
成都珍島信息技術有限公司 Chengdu Trueland Information Technology Co., Ltd. (“ Chengdu Trueland ”)	PRC/Mainland China 14 September 2015	RMB2,000,000	–	100%	Marketing and sales services
廣東珍島信息技術有限公司 Guangdong Trueland Information Technology Co., Ltd. (“ Guangdong Trueland ”) (曾用名: 深圳市珍島信息技術有限公司) (Former Name: Shenzhen Trueland Information Technology Co., Ltd.)	PRC/Mainland China 29 January 2015	RMB10,000,000	–	100%	Marketing and sales services
杭州珍島信息技術有限公司 Hangzhou Trueland Information Technology Co., Ltd. (“ Hangzhou Trueland ”)	PRC/Mainland China 24 February 2016	RMB1,000,000	–	100%	Marketing and sales services
溫州珍島信息技術有限公司 Wenzhou Trueland Information Technology Co., Ltd. (“ Wenzhou Trueland ”)	PRC/Mainland China 17 February 2016	RMB2,000,000	–	100%	Marketing and sales services
寧波珍島信息技術有限公司 Ningbo Trueland Information Technology Co., Ltd. (“ Ningbo Trueland ”)	PRC/Mainland China 9 September 2015	RMB2,000,000	–	100%	Marketing and sales services
蘇州珍島信息技術有限公司 Suzhou Trueland Information Technology Co., Ltd. (“ Suzhou Trueland ”)	PRC/Mainland China 20 January 2016	RMB1,000,000	–	100%	Marketing and sales services
中山珍島信息技術有限公司 Zhongshan Trueland Information Technology Co., Ltd. (“ Zhongshan Trueland ”)	PRC/Mainland China 1 April 2020	RMB1,000,000	–	100%	Marketing and sales services
台州珍島信息技術有限公司 Taizhou Trueland Information Technology Co., Ltd. (“ Taizhou Trueland ”)	PRC/Mainland China 2 April 2020	RMB1,000,000	–	100%	Marketing and sales services
凱麗隆(上海)軟件信息科技 Kaililong (Shanghai) Information Technology Co., Ltd. (“ Shanghai Kaililong ”)	PRC/Mainland China 16 May 2011	RMB10,000,000	–	100%	Marketing and sales services
上海凱麗隆大數據科技集團有限公司 Shanghai Kaililong Big Data Technology Group Co., Ltd. (“ Shanghai Kaililong Big Data ”)	PRC/Mainland China 28 May 2020	RMB50,000,000	–	100%	Marketing and sales services

Name*	Place and date of incorporation/ establishment and place of operations	Nominal value of registered share capital/ issued ordinary shares	Percentage of equity interest attributable to the Company		Principal activities
			Direct	Indirect	
凱麗隆(廣州)信息科技有限公司 Kaililong (Guangzhou) Information Technology Co., Ltd. ("Guangzhou Kaililong")	PRC/Mainland China 3 March 2016	RMB1,000,000	–	100%	Marketing and sales services
無錫凱麗隆廣告科技有限公司 Wuxi Kaililong Advertising Technology Co., Ltd. ("Wuxi Kaililong")	PRC/Mainland China 26 December 2017	RMB10,000,000	–	100%	Marketing and sales services
Kaililong International Holding (H.K) Limited ("Hongkong Kaililong")	Hong Kong 29 August 2018	HKD1,000,000	100%	–	Marketing and sales services
上海天貝信息技術有限公司 Shanghai Tianbei Information Technology Co., Ltd. ("Shanghai Tianbei")	PRC/Mainland China 15 October 2021	RMB30,000,000	–	100%	Marketing and sales services
湖北省珍島數字智能科技有限公司 Hubei Trueland Digital Intelligent Technology Co., Ltd. ("Hubei Trueland")	PRC/Mainland China 1 March 2022	RMB100,000,000	–	100%	Marketing and sales services
珍島數字科技(江西)有限公司 Trueland Digital Technology (Jiangxi) Co., Ltd. ("Jiangxi Trueland Digital")	PRC/Mainland China 16 May 2024	RMB20,000,000	–	100%	Marketing and sales services
邁富時數字科技(江西)有限公司 Marketingforce Digital Technology (Jiangxi) Co., Ltd. ("Jiangxi Marketingforce Digital")	PRC/Mainland China 23 June 2024	USD5,000,000	–	100%	Marketing and sales services

* The English names of these companies represent the best effort made by management of the Company to directly translate the Chinese names as they do not register any official English names.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with IAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2023.

The interim condensed consolidated financial information has been prepared under the historical cost convention, except for certain financial liabilities at fair value through profit or loss ("FVTPL") and financial assets at fair value through other comprehensive income ("FVTOCI") which have been measured at fair value. They are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the “ 2020 Amendments ”)
Amendments to IAS 1	Non-current Liabilities with Covenants (the “ 2022 Amendments ”)
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The amendments did not have any significant impact on the Group’s interim condensed consolidated financial information.

3. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of SaaS business and precision marketing services in Mainland China. Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment, mainly based on segment revenue and segment gross profit. The segment gross profit is calculated as segment revenue minus segment cost of services. Cost of services for SaaS business segment primarily comprised of employee benefit expenses and other direct services costs. Cost of services for precision marketing service segment primarily comprised of traffic purchase cost.

Other information, together with the segment information, provided to the CODM, is measured in a manner consistent with that applied in the financial statements. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources to or evaluate the performance of the operating segments.

	SaaS business	Precision marketing service	Total
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Six months ended 30 June 2023			
Segment revenue	306,653	276,873	583,526
Segment cost of services	39,429	222,983	262,412
	<u>306,653</u>	<u>276,873</u>	<u>583,526</u>
Gross profit	<u>267,224</u>	<u>53,890</u>	<u>321,114</u>
Six months ended 30 June 2024			
Segment revenue	400,019	339,424	739,443
Segment cost of services	46,948	299,627	346,575
	<u>400,019</u>	<u>339,424</u>	<u>739,443</u>
Gross profit	<u>353,071</u>	<u>39,797</u>	<u>392,868</u>

4. REVENUE

An analysis of revenue is as follows:

(a) Disaggregated revenue information

Types of services

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Precision marketing service	339,424	276,873
SaaS business	400,019	306,653
	<u>739,443</u>	<u>583,526</u>

Timing of revenue recognition

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Precision marketing service		
At a point in time	339,424	276,873
SaaS business		
At a point in time	14,970	6,623
Over time	385,049	300,030
	<u>739,443</u>	<u>583,526</u>

(b) Performance obligations

Information about the Group's performance obligations are summarized below:

SaaS business

For SaaS service, the performance obligation is mainly satisfied over the contractual term starting from the date when the customer has access to one or more of the cloud applications. For services that are recognized at a point in time, they are recognized when the services are completed. The Group applies both credit policy and advance payments policy to the customers.

For customized software development project, the performance obligation is satisfied after the software is delivered and accepted by the customer and payment is generally due within 30 days from the billing date, except that certain percentage of contract sum is required to be prepaid by the customer.

Precision marketing service

The performance obligation is satisfied on benefiting from the services, advertisements distributing or advertisement accounts charging. The performance obligation is satisfied when the customer benefits from the services or the distribution of advertisements and charging of advertisement accounts are completed. The Group provides the recognized and creditworthy third parties with specific credit terms throughout precision marketing service arrangements.

(c) Revenue recognized in relation to contract liabilities

The Group recognized the following revenue-related contract liabilities:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contract liabilities	<u>473,265</u>	<u>576,125</u>

The following table shows the amounts of revenue recognized in the current accounting period that were included in the contract liabilities at the beginning of the reporting periods.

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue recognized that was included in the contract liability balance at the beginning of the reporting periods:		
Precision marketing service	3,642	2,576
SaaS business	<u>285,334</u>	<u>245,503</u>
	<u>288,976</u>	<u>248,079</u>

The following table includes the transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of each of the reporting periods and the amounts disclosed below do not include variable consideration which is constrained:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Expected to be satisfied within 1 year	429,210	509,788
over 1 year*	<u>44,055</u>	<u>66,337</u>
Contract liabilities	<u>473,265</u>	<u>576,125</u>

* The Group expects the remaining performance obligations will be mainly satisfied in 1 to 2 years.

(d) **Assets recognized from incremental costs to obtain a contract**

The Group has recognized the following assets related to contracts with customers:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Contract acquisition costs (current)	47,309	38,406
Contract acquisition costs (non-current)	2,505	1,390
	49,814	39,796

The Group has recognized assets in relation to incremental costs to acquire the SaaS business offering contracts. This is presented within “Contract acquisition costs” in the unaudited condensed consolidated statement of financial position.

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Amortization recognized as selling expenses related to SaaS business during the period	24,880	9,494

(e) **Assets recognized from incremental costs to fulfil a contract**

The Group has also recognized the following assets in relation to costs to fulfil its customized software development contracts. This is presented within “Prepayments, other receivables and other assets” in the condensed consolidated statement of financial position.

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Contract fulfilment costs (current)	5,959	6,663

5. LOSS BEFORE TAX

The Group's loss before tax is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of services rendered (excluding those included in employee benefit expense and depreciation)	328,452	253,261
Depreciation of items of property, plant and equipment	29,028	20,927
Depreciation of right-of-use assets	19,758	28,752
Amortization of intangible assets	1,108	872
Research and development expenses (excluding amortization, depreciation and employee benefit expense)	30,074	7,553
Lease expenses not included in the measurement of lease liabilities	864	1,065
Auditor's remuneration	121	120
Fair value loss on convertible redeemable preferred shares	780,539	26,667
Listing expenses	20,260	12,662
Employee benefit expense (including directors' remuneration):		
– Salaries, allowances and benefits in kind	169,572	195,235
– Pension scheme contributions (defined contribution scheme)*	19,619	22,118
– Share-based payment compensation	67,060	4,189
Net foreign exchange losses	1,269	93
Impairment for financial assets	24,375	24,525
Additional deductible input VAT	(3,998)	(17,139)
Government grants	(4,106)	(3,317)
Bank interest income	(510)	(556)
Investment income on time deposits with original maturity of more than three months	(1,715)	–
Gains on disposal of right-of-use assets and lease liabilities	(5,154)	(291)
Gains on modification of right-of-use assets and lease liabilities	(4,743)	–
Losses on disposal of items of property, plant and equipment, net	1,250	30

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

6. FINANCE COSTS

An analysis of finance costs is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on interest-bearing bank and other borrowings	15,627	10,288
Interest on lease liabilities	3,265	6,122
	<hr/>	<hr/>
Total	18,892	16,410
	<hr/> <hr/>	<hr/> <hr/>

7. INCOME TAX

Cayman Islands

The Company is a limited liability company incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

Hong Kong

The subsidiaries incorporated in Hong Kong are subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the current accounting periods.

Mainland China

Under the Law of the PRC on Corporate Income Tax (the “**CIT Law**”) and Implementation Regulation of the CIT Law, the CIT rate of the PRC subsidiaries is 25% during the current accounting periods unless they are subject to tax concession set out below:

- (1) Shanghai Trueland, Trueland Digital and Shanghai Trueland Network were accredited as high-tech enterprises in 2012, 2018 and 2018, and were entitled to a preferential CIT rate of 15% for the period from January 2021 to December 2023.
- (2) Wuxi Trueland were accredited as a software enterprise in 2016 and were entitled to a preferential CIT rate of 0% for the period from January 2017 to December 2018 and entitled to a preferential CIT rate of 12.5% for the period from January 2019 to December 2021. Wuxi Trueland was accredited as a high-tech enterprise in 2018 and was entitled to a preferential CIT rate of 15% from January 2022 to December 2023.
- (3) Shanghai Trueland Intelligence was accredited as a double soft certification enterprise since December 2021, and was exempted from CIT for two years commencing from the first year of profitable, followed by a 50% reduction in the applicable CIT rate for the next three years. Shanghai Trueland Intelligence was accredited as a high-tech enterprise in 2022 and was entitled to a preferential CIT rate of 15% from January 2022 to December 2024.
- (4) Hubei Trueland was accredited as a double soft certification enterprise since March 2023, and was exempted from CIT for two years commencing from the first year of profitable, followed by a 50% reduction in the applicable CIT rate for the next three years.
- (5) Guangdong Trueland, Ningbo Trueland, Chengdu Trueland, Suzhou Trueland, Shanghai Insight, Guangzhou Kaililong, Wuxi Kaililong, Wuxi Trueland Intelligence, Jinhua Trueland, Zhongshan Trueland, Taizhou Trueland, Kunshan Trueland, Shanghai Kaililong Big Data, Shanghai Tianbei, Wenzhou Trueland, Hangzhou Trueland and Trueland Digital are qualified as small scaled minimal profit enterprises.

Pursuant to Caishui [2023] circular No.6, the first RMB1,000,000 of assessable profits of these subsidiaries may be calculated as 25% and be taxed at the preferential CIT rate of 20%. The assessable profits between RMB1,000,000 and RMB3,000,000 may be calculated as 25% and be taxed at the preferential CIT rate of 20%. The policy is available during 2023 to 2024.

The major components of income tax expense of the Group are as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	9	–
Deferred income tax	–	55
	<hr/>	<hr/>
Total tax charge for the period	9	55
	<hr/> <hr/>	<hr/> <hr/>

8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss per share amounts is based on the loss for the period attributable to ordinary equity holders of the Company and the weighted average number of ordinary shares assumed to be in issue after taking into account the retrospective adjustments on the assumption that the Company's share split to the financial statements had been in effect on 1 January 2023.

No adjustment has been made to the basic loss per share amounts presented for the six months ended 30 June 2023 and 2024 in respect of a dilution as the impact of the convertible redeemable preferred shares and share awards outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
<u>Loss</u>		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculation (RMB'000)	(820,178)	(67,674)
	<hr/>	<hr/>
<u>Shares</u>		
Weighted average number of ordinary shares assumed to be in issue during the period used in the basic and diluted loss per share calculation	189,440,825	168,093,200
	<hr/>	<hr/>
Loss per share (basic and diluted) (RMB)	(4.33)	(0.40)
	<hr/> <hr/>	<hr/> <hr/>

9. DIVIDEND

During the current accounting periods, no dividends have been declared or paid by the Company.

10. TRADE AND BILLS RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Bills receivables	279	1,436
Trade receivables	148,863	129,139
Impairment	(27,825)	(17,912)
	<hr/>	<hr/>
Total	121,317	112,663

The Group's trading terms with its precision marketing service customers are mainly on credit. The credit period is generally one month, extending up to three months for major customers. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

As at 31 December 2023, the principal amount of bank borrowing of RMB20,000,000 and unpaid borrowing interest of RMB14,000 are guaranteed by a related party (Liu Huan) and also secured by trade receivables of RMB4,258,000 and other receivables of RMB87,037,000.

As at 31 December 2023, the principal amount of other borrowing from a third party of RMB90,000,000 and unpaid borrowing interest of RMB780,000 are guaranteed by a related party (Trueland Information Technology (Shanghai) Co., Ltd.) and also secured by trade receivables of RMB15,535,000 and other receivables of RMB252,974,000.

As at 30 June 2024, the principal amount of bank borrowing of RMB8,000,000 and unpaid borrowing interest of RMB3,000 are secured by trade receivables of RMB5,931,000 and other receivables of RMB48,448,000.

As at 30 June 2024, the principal amount of other borrowing from a third party of RMB90,000,000 and unpaid borrowing interest of RMB820,000 are guaranteed by a related party (Trueland Information Technology (Shanghai) Co., Ltd.) and also secured by trade receivables of RMB63,501,000 and other receivables of RMB77,423,000.

As at 31 December 2023 and 30 June 2024, the Group discounted bills receivable accepted by banks ("**Discounted Bills**") in Mainland China with a carrying amount of RMB35,600,000 and RMB31,038,000, respectively. In the opinion of the directors, the Group has retained the substantial risks and rewards of certain Discounted Bills, which include default risks relating to such Discounted Bills. Those Discounted Bills were accounted as bank borrowings, which amounted to nil and RMB214,000 respectively. Subsequent to the discount, the Group did not retain any rights on the use of the Discounted Bills, including the sale, transfer or pledge of the Discounted Bills to any other third parties.

And for the remaining discounted bills receivable, the Group has derecognized those bills ("**Derecognized Bills**"), which amounted to RMB35,600,000 and RMB30,824,000, respectively. The Derecognized Bills had a maturity of 6 months and 6 months at 31 December 2023 and 30 June 2024, respectively.

In accordance with the Law of Negotiable Instruments in the PRC, the holders of the Derecognized Bills may exercise the right of recourse against any, several or all of the persons liable for the Derecognized Bills, including the Group, in disregard of the order of precedence (the “**Continuing Involvement**”). In the opinion of the directors, the risk of the Group being claimed by the holders of the Derecognized Bills is remote in the absence of a default of the accepted banks. The Group has transferred substantially all risks and rewards relating to the Derecognized Bills. Accordingly, it has derecognized the full carrying amounts of the Derecognized Bills. The maximum exposure to loss from the Group’s Continuing Involvement in the Derecognized Bills and the undiscounted cash flows to repurchase these Derecognized Bills is equal to their carrying amounts. In the opinion of the directors, the fair values of the Group’s Continuing Involvement in the Derecognized Bills are not significant. During the current accounting periods, the Group has not recognized any gain or loss on the date of transfer of the Derecognized Bills. No gains or losses were recognized from the Continuing Involvement, both during the period/year or cumulatively. The discount has been made evenly throughout the period/year.

An ageing analysis of the bills receivables and trade receivables as at the end of each of the current accounting periods, based on the date of recognition and net of allowance, is as follows:

(a) **Bills receivables**

	30 June 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Within 1 year	<u>277</u>	<u>1,425</u>

(b) **Trade receivables**

	30 June 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Within 90 days	72,707	72,757
90 days – 180 days	23,244	20,530
181 days – 1 year	21,272	14,128
Over 1 year	<u>3,817</u>	<u>3,823</u>
Total	<u>121,040</u>	<u>111,238</u>

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

(a) **Bills receivables**

	30 June 2024 RMB’000 (Unaudited)	31 December 2023 RMB’000 (Audited)
Balance at the beginning of the period/year	11	134
Reversal of impairment	<u>(9)</u>	<u>(123)</u>
Balance at the end of the period/year	<u>2</u>	<u>11</u>

(b) Trade receivables

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Balance at the beginning of the period/year	17,901	11,429
Impairment	9,931	6,592
Receivables written off during the period/year as uncollectible	(9)	(120)
	<u>27,823</u>	<u>17,901</u>

Impairment under IFRS 9 for the current accounting periods

An impairment analysis was made based on expected credit loss model on the recoverability of trade and bills receivables. The identification of impairment requires management's judgements and estimates by considering the age of the balance, existence of disputes, recent historical payment patterns, any other available information concerning the creditworthiness of counterparties and influence from macro economy.

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

(a) Bills receivables

	30 June 2024 Within 1 year (Unaudited)	31 December 2023 Within 1 year (Audited)
Expected credit loss rate	0.72%	0.77%
Gross carrying amount (RMB'000)	279	1,436
Expected credit losses (RMB'000)	<u>2</u>	<u>11</u>

(b) Trade receivables

As at 30 June 2024 (Unaudited)

	Individual	Within	Collective basis			Subtotal	Total
	basis	90 days	91-180	181 days-	Over		
			days	1 year	1 year		
Expected credit loss rate	100.00%	2.06%	2.26%	3.15%	5.29%	2.39%	18.69%
Gross carrying amount (RMB'000)	24,854	74,234	23,781	21,964	4,030	124,009	148,863
Expected credit losses (RMB'000)	<u>24,854</u>	<u>1,527</u>	<u>537</u>	<u>692</u>	<u>213</u>	<u>2,969</u>	<u>27,823</u>

As at 31 December 2023 (Audited)

	Individual basis	Within 90 days	Collective basis			Subtotal	Total
			91-180 days	181 days- 1 year	Over 1 year		
Expected credit loss rate	100.00%	2.06%	1.77%	2.05%	5.28%	2.12%	13.86%
Gross carrying amount (RMB'000)	15,495	74,286	20,899	14,423	4,036	113,644	129,139
Expected credit losses (RMB'000)	15,495	1,529	369	295	213	2,406	17,901

11. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current:		
Prepayments for purchase of items of property, plant and equipment	429	90
Deposits	14,559	18,581
Impairment allowance	(960)	(1,212)
Total	14,028	17,459
Current:		
Other receivables in relation to prepayment on behalf of advertisers – third parties*	1,626,851	1,670,000
Other tax recoverable	44,703	27,966
Other prepayments	28,911	23,637
Prepayments for purchasing advertising traffic	8,970	4,758
Contract fulfilment cost (note 4)	5,959	6,663
Deposits	4,043	12,603
Capitalization of listing expenses	–	1,146
Others	2,629	5,034
Impairment allowance	(54,404)	(40,483)
Total	1,667,662	1,711,324

* In the online advertisement distribution services, sometimes, the Group makes prepayments to the media platforms on behalf of the advertisers before receiving the advance payment from these advertisers, these prepayments on behalf of advertisers are recognized as other receivables. As at 31 December 2023 and 30 June 2024, other receivables of RMB340,011,000 and RMB125,871,000 are pledged for bank and other borrowings respectively.

An impairment analysis was made based on expected credit loss model on the recoverability of certain other receivables items, which are as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Other receivables in relation to prepayment on behalf of advertisers – third parties	1,626,851	1,670,000
Deposits	18,602	31,184
Others	2,629	5,034
	<hr/>	<hr/>
Total	<u>1,648,082</u>	<u>1,706,218</u>

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Balance at the beginning of the period/year	41,695	25,276
Impairment	14,453	24,675
Receivables written off during the period/year as uncollectible	(784)	(8,256)
	<hr/>	<hr/>
Balance at the end of the period/year	<u>55,364</u>	<u>41,695</u>

In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

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

As at 30 June 2024 (unaudited)

	Stage 1	Stage 2	Stage 3	Total
Expected credit loss rate	2.97%	6.51%	100.00%	3.36%
Gross carrying amount (RMB'000)	1,591,993	51,427	4,662	1,648,082
Expected credit losses (RMB'000)	<u>47,354</u>	<u>3,348</u>	<u>4,662</u>	<u>55,364</u>

As at 31 December 2023 (audited)

	Stage 1	Stage 2	Stage 3	Total
Expected credit loss rate	2.01%	6.47%	100.00%	2.44%
Gross carrying amount (RMB'000)	1,659,990	40,525	5,703	1,706,218
Expected credit losses (RMB'000)	<u>33,369</u>	<u>2,623</u>	<u>5,703</u>	<u>41,695</u>

12. TRADE PAYABLES

An ageing analysis of trade payables as at the end of each of the current accounting periods, based on the date of recognition, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	51,858	45,952
Over 1 year	2,804	4,998
	<hr/>	<hr/>
Total	54,662	50,950

The trade payables are non-interest-bearing and are normally settled on 30-day terms.

13. OTHER PAYABLES AND ACCRUALS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Non-current:		
Deferred revenue	780	3,370
	<hr/>	<hr/>
Total	780	3,370
	<hr/>	<hr/>
Current:		
Cost payable to media platforms on behalf of customers*	208,192	312,649
Advance from advertisers**	221,226	183,836
Payroll and welfare payables	26,013	35,441
Accrued listing expenses	22,827	18,120
Deposits	18,839	18,757
Purchase of long-term assets	5,991	6,253
Deferred revenue	2,991	3,530
Other tax payables	2,680	4,310
Other payables	20,550	29,805
	<hr/>	<hr/>
Total	529,309	612,701

* Cost payable to media platforms on behalf of customers represents the traffic acquisition costs paid for our customers in the online advertisement distribution service.

** Advance from advertisers represents the pre-collected payment from customers seeking for our online advertisement distribution services.

14. EVENTS AFTER THE REPORTING PERIOD

There are no material subsequent events undertaken by the Company or by the Group after 30 June 2024.

BUSINESS REVIEW AND OUTLOOK

Overview

We have ridden the waves and forged ahead to lead the trend. Marketingforce has marked significant milestones in the year 2024. In the first half of the year, we were successfully listed on the Main Board of the Stock Exchange and released the Tforce, our domain-specific large language model (LLM) for marketing and sales. Through core products including T Cloud and True Client, we continuously improve customer acquisition and customer asset operation efficiency through our “AI+” business model, and realized the automation of marketing and sales growth. Facing the complex market environment, we fully leverage the advantages of our full-chain product matrix, mature sales network and existing customer base. In the first half of 2024, we achieved total revenue of RMB739.4 million, representing an increase of 26.7% over the same period in 2023. In particular, the revenue from SaaS business amounted to RMB400.0 million, representing a year-on-year increase of 30.4%, and our gross profit margin amounted to 88.3%, representing an increase of 1.2 percentage points from the same period last year. The revenue of precision marketing services amounted to RMB339.4 million, representing a year-on-year increase of 22.6%. Meanwhile, relying on our refined operations and cooperation with ecological partners, we successfully achieved half-year profitability in terms of adjusted net profit of RMB47.7 million. We are the largest marketing and sales SaaS solution provider in China in terms of revenue in 2023, according to Frost & Sullivan. Moving into the second half of the year, with the vision of “becoming the best partner for enterprises globally in digital and intelligent transformation”, we will continue to focus on three major strategies, namely, dual drivers serving small and medium-sized business customers (SMB) and key accounts (KA), application of AI technologies, and utilization of middle platform. We aim to continuously expand our market share, enrich the full-chain SaaS products, and iterate our Tforce marketing LLM, thus reinforcing our leadership in the marketing and sales SaaS solution market.

Business Review

In the first half of 2024, we continued to expand our SaaS business, with SMB as the first business growth driver. We provide full-chain, full-scenario, one-stop solutions through T Cloud to help mid-tier B2B enterprises acquire customers more easily. Empowered by AI technologies, our solutions build online marketing platforms and generate marketing content, intelligently select content publishing channels, and collect sales leads to improve customer acquisition rate in the marketing activities. With KA being our second business growth driver, we promote the refined operation of existing customer assets of large enterprises through True Client, and utilize the intelligent AI brain of the marketing middle platform to empower the marketing automation system. With a variety of engagement tools, we offer tailored services for existing B2B and B2C customers to increase the average contract value and improve customer stickiness and the repurchase rate of customer. Our KA business targets major industry sectors, such as consumer retail, automobile, healthcare, finance and manufacturing. We typically begin with flagship customers and representative cases, integrating them with industry-specific scenarios to introduce standardized modules. This approach facilitates quick customer growth in industry verticals. In addition, we proactively engage ecological partners to mutually enhance resources.

In the six months ended June 30, 2024, the revenue of our SaaS business amounted to RMB400.0 million, representing a year-on-year increase of 30.4%. The total number of SaaS users in the first half of 2024 increased by 13.1% compared to the same period in 2023, and the average monthly revenue per user increased by 16.5% compared to the same period in 2023. The revenue distribution of our SMB and KA customers remained relatively stable compared to the same period in 2023, and both experienced significant growth.

Meanwhile, our precision marketing services business also remained a stable growth. Our precision marketing advertising customers mainly aim to increase brand awareness or increase the online exposure of their products or services. Through the characteristics and functions of the proprietary technology infrastructure provided by the Marketingforce platform (including cloud computing and data analysis capabilities), we effectively deliver marketing content, analyze marketing results in real time, and adjust marketing activities to help advertising customers improve marketing results and customer conversion efficiency. We provide two types of precision marketing services, namely online advertisement solution services and online advertisement distribution services.

In the six months ended June 30, 2024, the revenue of our precision marketing services business amounted to RMB339.4 million, representing a year-on-year increase of 22.6%, and gross billing amounted to RMB3.37 billion, representing a year-on-year increase of 11.0%. In particular, the number of advertising customers increased by 7.3% year-on-year to 704, and the average revenue per customer increased by 14.2% year-on-year to RMB482,000. The gross profit margin was 11.7%, representing a decrease from the same period last year, mainly due to the increase in the revenue contribution of online advertisement solution services, which entailed a lower gross profit margin.

During the Reporting Period, our market influence and recognition have also steadily improved. In the first half of 2024, the Group won awards including “Top 10 Typical Cases of New Productive Forces Empowerment among Enterprises in China in 2024”, “Top 100 AIGC Empowerment Industry Innovation Enterprises in 2024 (10th place)”, “Top 30 Most Innovative AI Products/Solutions in China in 2024 (8th place)”, “Top 100 SaaS Enterprises in 2024”, and “China’s Best Digital Solution Award”. With the completion of our listing in May 2024, we anticipate that our market influence will continue to grow, enhancing our position in business acquisition, talent attraction, and upstream and downstream industrial chains.

The following are highlights of our performance during the Reporting Period:

- 1. Focus on full-chain SaaS products.** Our products integrate years of data accumulation with technological achievements, marketing methodologies and practical experience into a unified platform. This enables us to deliver comprehensive marketing and sales solutions to our customers. Notably, the gross profit margin of our SaaS business stood at 88.3%, positioning us at an industry-leading level. This success was attributed to our 240 standardized modules that can be flexibly combined and delivered. By combining with our PaaS including data middle platform, algorithm middle platform, business middle platform, infrastructure platform and eco-system, we address customers' specific requirements through the quick and adaptable assembly of standardized modules. We also advance our product development strategies for AI technologies and middle platforms, while implementing our business strategy focused on serving SMB and KA. In our product offerings, we utilize a "six clouds" matrix. We focus on the marketing cloud and sales cloud, and complement these with the analysis cloud, business cloud, intelligent cloud, and DHR organizational cloud, delivering comprehensive solutions for the digital transformation of enterprises. In the first half of 2024, we enhanced our PaaS capabilities for True Client product series, which allows us to offer a comprehensive, one-stop solution that integrates full-chain functional modules including CDP, MA, A/B Test, AI Agent, SCRM, and MiniProgram malls for customers to manage their existing client assets. Our SaaS business demonstrated an uptrend during the Reporting Period, with 13.1% year-on-year growth in number of users and 16.5% year-on-year growth in average monthly revenue per user in the first half of 2024.
- 2. Launch the Tforce marketing LLM that combines AI with application scenarios.** As a leading SaaS company in China, we have always shouldered the responsibility of technological innovation with a firm belief that robust internal R&D capabilities are the source of innovation. We launched our Tforce marketing LLM this year. With the vast and ever-growing amount of data collected over the years, we have developed Tforce with enterprise-level features by leveraging a generic LLM and integrating them with our customers' existing application scenarios. These features are seamlessly incorporated into our product offerings, such as market insights, content generation, precision distribution, smart strategy planning, AI sales agent and intelligent customer service. Compared to companies that simply develop LLM applications, we have real-world usage scenarios and data that enable us to quickly implement, gather feedback, and efficiently improve our Tforce marketing LLM.

3. **Continuously explore customer value and expand our customer base.** Our long-standing goal is to provide services that meet the diversified needs of a wide range of customers throughout their lifecycle. Leveraging our extensive sales network and comprehensive customer success system, we are able to enhance user scale, customer experience, contract value and repurchase rate. In the first half of this year, while focusing on the Yangtze River Delta and Pearl River Delta as our core bases, we continued to expand our direct sales network by setting up a subsidiary in Nanchang, our regional headquarters in Central China, and at the same time significantly strengthened our channel partner system in non-direct sales cities. In the first half of 2024, our revenue generated from our channel partners increased by 145.8% over the same period in 2023. Leveraging on our growing brand awareness and product development experience, the KA business also achieved notable results, with business coverage continuously expanding to more sub-segments, in particular, the capacity of covering to state-owned enterprises was substantially strengthened. During the Reporting Period, we had established or maintained good business relationships with certain well-known enterprises such as Weichai Power (濰柴動力), Chery (奇瑞汽車), Huaxia Bank (華夏銀行), Panasonic (松下電氣), Korea Red Ginseng (正官庄), Bausch + Lomb (博士倫), Meituan (美團), Jointown Pharmaceuticals (九州通醫藥), Heng Yuan Xiang (恆源祥), XTC (小天才), Shede Spirits (捨得酒業), Bull Electric Appliances (公牛電器), Quanlian Insurance (全聯保險), TECNO (傳音) and CFMOTO (春風動力).

Outlook

Moving into the second half of 2024, we will focus on the following major directions:

1. **Maintain our leadership position in the marketing and sales SaaS market.** According to the information of Frost & Sullivan, the potential market size of marketing and sales of SaaS is expected to reach RMB4.3 trillion by 2027. Most of the market potential is to be continuously penetrated into by leading companies in SaaS. Currently, our revenue is mainly generated from the first and second tier cities in the Yangtze River Delta and the Pearl River Delta. Going forward, we will continue to implement the dual-drive strategy of serving SMB and KA, and to further develop new markets. In order to achieve such strategy, we will focus on innovation by utilising tools mindfully, and strengthen our Marketingforce platform to drive the sustainable growth of our business. We will further expand our customer base and gain market share through continuous product development, efficiency enhancement of our sales and customer success teams, and industry ecosystem collaboration to maintain long-term and stable relationships with our customers. We will also explore business opportunities from our existing extensive customer base by promoting cross-selling and up-selling opportunities. As the market for marketing and sales SaaS solutions in China rapidly evolves, by leveraging on our established competitive advantages, we are committed to scaling our SaaS business, which will be a key driver of our future growth.

2. **Vertical LLM in AI industry + PaaS middle platform open ecology.** Our strategy to focus on AI technologies development is now firmly established, and we will continue to improve our Tforce marketing LLM. By leveraging an AI+ business model, we aim to enhance our service capabilities in a wide range of aspects such as market insights, content generation, precision distribution, smart strategy planning, AI sales agent and intelligent customer service. This will continuously improve the efficiency of customer acquisition and management of existing customers, ultimately automating marketing and sales growth. Furthermore, we will co-create domain-specific model with our customers in various verticals, and explore business opportunities utilizing the Tforce marketing LLM. We will also provide horizontal iterative services for customers in various verticals, empowering more sectors with marketing and sales intelligence. Meanwhile, we will remain committed to investing in an open platform, nurturing third-party developers, and utilizing platform-configured technology to swiftly meet customer customization requirements and reduce delivery costs.
3. **Plan strategic acquisition and investment.** Leveraging on our extensive industry experience, we will seek strategic acquisitions and investments that align with our growth strategy and complement our existing operations. This approach will enhance our ability to serve customers and deliver products, making us a leading company that fully empowers the digital intelligence for enterprises.
4. **Expand overseas business in multiple lines.** Currently, in our overseas business, our primary focus is on assisting domestic enterprises with overseas marketing on social media, CRM system development, and international precision marketing. Looking ahead, more companies will develop their overseas business, and the marketing and sales will be one of tactical steps in doing so. We will continue to help domestic companies with their overseas marketing, and at the same time cultivate localized products overseas to establish overseas agent channels, and globally serve foreign companies in overseas marketing and sales.

The first half of 2024 has come to an end. We have faced a complex and changing macroeconomic environment, emerging industry competition, and technological innovation brought about by AI. As the second half of the year begins, market competition will undoubtedly intensify. For us, this period is both full of challenges and opportunities. In recent years, China has been vigorously promoting the digital transformation of businesses and encouraging a strategy of domestic substitution, providing us with ample development opportunities and new growth potential. Grasping the favorable policies, we plan to continue enhance our technological innovations, and refine our business models to gain a competitive edge in the intense market landscape. Our ultimate goal is to achieve the Group's mission of "becoming the best partner for global enterprise digitalization and intellectualization".

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key Operating Data

	Six months ended June 30,	
	2024	2023
	(Unaudited)	(Unaudited)
SaaS Business		
Total users	22,247	19,666
Monthly average revenue per user (RMB)	3,621	3,109
Precision Marketing Services		
Number of advertising customers	704	656
Average revenue per advertising customer (RMB in thousands)	482	422
Gross billing (RMB in thousands)	3,374,087	3,037,417
– Online advertisement solution services	303,049	226,301
– Online advertisement distribution services	3,071,038	2,811,116

Revenue

Our revenue increased by 26.7% from RMB583.5 million in the six months ended June 30, 2023 to RMB739.4 million in the six months ended June 30, 2024. We generated revenue from our SaaS business and precision marketing services. Revenue from SaaS business increased by 30.4% from RMB306.7 million in the six months ended June 30, 2023 to RMB400.0 million in the six months ended June 30, 2024. Revenue from precision marketing services increased by 22.6% from RMB276.9 million in the six months ended June 30, 2023 to RMB339.4 million in the six months ended June 30, 2024. The following table sets out the breakdown of revenue by business segment in absolute amounts and as a percentage of our total revenue for the periods indicated:

	Six months ended June 30,				Year-on-
	2024		2023		year change
	<i>Amount</i>	<i>%</i>	<i>Amount</i>	<i>%</i>	<i>%</i>
	(Unaudited)				
	<i>(RMB in thousands, except percentages)</i>				
SaaS business	400,019	54.1	306,653	52.6	30.4
Precision marketing services	339,424	45.9	276,873	47.4	22.6
Total	739,443	100.0	583,526	100.0	26.7

SaaS Services

We offer SaaS products to meet each user's diverse needs for marketing and sales activities, helping businesses from various industries to acquire sales leads, improve conversion rates and grow sales at lower costs. We primarily offer two signature SaaS products, T Cloud and True Client, targeting the marketing process and the sales process, respectively.

In particular, T Cloud offers services for all critical stages of a typical marketing process, primarily including platform building and operation, marketing content generation, marketing content distribution, and data monitoring and analytics for different types of businesses, primarily targets B2B enterprises, which typically have businesses or high-value individuals as their clients, primarily from the machinery manufacturing, chemicals and professional services industries, etc. True Client is designed to digitalize the interactions between users' sales staff and their customers, thereby improving sales efficiency and customer experience. It provides critical functions including customer portraits management, online customer interactions management, customer services delivery, promotion of online customer activities and closing deals, and customer data analysis and modeling. True Client is and are used by both B2B and B2C enterprises, covering the industries such as consumer retail, automobile, healthcare, finance and manufacturing.

Our revenue from SaaS business increased by 30.4% from RMB306.7 million in the six months ended June 30, 2023 to RMB400.0 million in the six months ended June 30, 2024. The revenue growth was driven by the continued expansion of our SaaS business. Specifically, we had a 16.5% growth in monthly average revenue per user for the six months ended June 30, 2024, compared to the same period in 2023. Additionally, the total users for our SaaS business reached 22,247 for the six months ended June 30, 2024, marking a 13.1% increase from the same period in 2023.

Precision Marketing Services

For our precision marketing business, we cooperate with media platforms with high-quality traffic to help advertisers optimize their marketing efforts by, among other things, raising brand awareness or increasing online exposure for their products or services, while reaching more potential consumers. Our advertising customers are primarily B2C companies.

Revenue from our precision marketing services increased by 22.6% from RMB276.9 million in the six months ended June 30, 2023 to RMB339.4 million in the six months ended June 30, 2024, primarily attributable to a 11.0% year-over-year increase in gross billing in the first half of 2024, as well as new customers engaged for our online advertisement solution services.

Cost of Services

Our cost of services increased by 32.1% from RMB262.4 million in the six months ended June 30, 2023 to RMB346.6 million in the six months ended June 30, 2024, in line with our business expansion.

SaaS Business

Our cost of services of SaaS business increased by 19.0% from RMB39.4 million in the six months ended June 30, 2023 to RMB46.9 million in the six months ended June 30, 2024. Such increase was primarily due to (i) an increase in the labor costs in relation to the growing revenue contribution from True Client products with higher contract value, and (ii) an increase in the depreciation costs due to the increased proportion of self-owned servers used to support our SaaS platform operation, driven by the growth in the number of SaaS users.

Precision Marketing Services

Our cost of services of precision marketing services increased by 34.4% from RMB223.0 million in the six months ended June 30, 2023 to RMB299.6 million in the six months ended June 30, 2024, primarily due to higher traffic procurement costs corresponding to the increase in the number of customers for online advertisement solution services.

Gross Profit and Gross Profit Margin

Our gross profit increased by 22.3% from RMB321.1 million in the six months ended June 30, 2023 to RMB392.9 million in the six months ended June 30, 2024, while our gross profit margin slightly decreased from 55.0% in the six months ended June 30, 2023 to 53.1% in the six months ended June 30, 2024. The gross profit margin of SaaS business improved by 1.2 percentage points to 88.3% over the first half of 2023. The decrease in our overall gross profit margin was mainly attributable to the decrease in gross profit margin of the precision marketing business.

The following table sets forth a breakdown of gross profit or gross profit margin by business segment in absolute amounts and as a percentage of their respective revenues for the periods indicated:

	Six months ended June 30,			
	2024		2023	
	Gross Profit	Gross Profit Margin (%) (Unaudited)	Gross Profit	Gross Profit Margin (%)
	<i>(RMB in thousands, except percentages)</i>			
SaaS business	353,071	88.3	267,224	87.1
Precision marketing services	39,797	11.7	53,890	19.5
Total	392,868	53.1	321,114	55.0

SaaS Business

The gross profit of our SaaS business increased from RMB267.2 million in the six months ended June 30, 2023 to RMB353.1 million in the six months ended June 30, 2024, primarily driven by the growth in revenue from SaaS business. The gross profit margin of our SaaS business increased from 87.1% in the six months ended June 30, 2023 to 88.3% in the six months ended June 30, 2024. The increase in gross profit margin was primarily because (i) we had a significant increase in the customer spending, reflected by the growing monthly average revenue per user, as we continued to optimize and expand our SaaS products; and (ii) we benefited from the economies of scale, which improved overall profitability by distributing the amortized costs over a larger revenue base.

Precision Marketing Services

The gross profit of our precision marketing service decreased from RMB53.9 million in the six months ended June 30, 2023 to RMB39.8 million in the six months ended June 30, 2024. The decrease in gross profit was mainly due to reduced rebate rates under the adjusted media platform policies this year, which have yet to be passed on to our advertising customers. The gross profit margin of our precision marketing service decreased from 19.5% in the six months ended June 30, 2023 to 11.7% in the six months ended June 30, 2024, mainly attributable to an increase in the revenue contribution from online advertisement solutions services with a lower gross profit margin.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 12.4% from RMB144.6 million in the six months ended June 30, 2023 to RMB162.6 million in the six months ended June 30, 2024, mainly due to the share-based payment expenses under the newly granted share incentives to our sales employees in March 2024. Our selling and distribution expenses (excluding the share-based payment expenses of RMB16.3 million) amounted to RMB146.4 million in the six months ended June 30, 2024, representing a year-on-year increase of 1.2% compared to the same period in 2023, as we continued to manage the size of the direct sales personnel in 2024.

Administrative Expenses

Our administrative expenses increased by 41.5% from RMB98.3 million in the six months ended June 30, 2023 to RMB139.1 million in the six months ended June 30, 2024, mainly due to (i) an increase in the share-based payment expenses as a result of the Group's newly granted share incentives to our administrative employees in March 2024; and (ii) an increase in the listing expenses as we completed the IPO in May 2024 and have expensed the remaining amount. Our administrative expenses (excluding the share-based payment expenses and listing expenses) amounted to RMB77.0 million in the six months ended June 30, 2024, representing a year-on-year decrease of 5.5%, primarily due to the enhanced operational efficiency achieved through increased application of LLM and digital tools in our middle and back office operations.

Research and Development Expenses

Our research and development expenses increased by 5.6% from RMB99.4 million in the six months ended June 30, 2023 to RMB105.0 million in the six months ended June 30, 2024, primarily due to an increase in share-based payment expenses as a result of the Group's newly granted share incentives to our research and development employees in March 2024. Our research and development expenses (excluding the share-based payment expenses of RMB8.9 million) amounted to RMB96.1 million in the six months ended June 30, 2024, representing a year-on-year decrease of 3.3%, as we continued to focus our internal research and development resources on the in-house development of core technologies and maintained a reasonable size of our research and development team.

Other Income and Gains

Our other income and gains decreased by 4.7% from RMB21.3 million in the six months ended June 30, 2023 to RMB20.3 million in the six months ended June 30, 2024, primarily due to the decrease in government grants refunding additional deductible VAT that we were entitled to.

Finance Costs

Our finance costs increased by 15.2% from RMB16.4 million in the six months ended June 30, 2023 to RMB18.9 million in the six months ended June 30, 2024, primarily due to increased interest expenses arising from additional bank borrowings in the first half of 2024 to support our business expansion.

Fair Value Changes of Convertible Redeemable Preferred Shares

Fair value changes of convertible redeemable preferred shares increased from RMB26.7 million in the six months ended June 30, 2023 to RMB780.5 million in the six months ended June 30, 2024, as a result of the conversion of all preferred shares to ordinary shares upon listing, with the changes in fair value being recognized under the offer price.

Other Expenses

Our other expenses increased from RMB0.2 million in the six months ended June 30, 2023 to RMB2.8 million in the six months ended June 30, 2024, mainly due to (i) disposal of office equipment and furniture and (ii) foreign exchange losses due to fluctuations in exchange rate.

Impairment for Financial Assets

Our impairment for financial assets remained relatively stable, being RMB24.5 million and RMB24.4 million in the six months ended June 30, 2023 and 2024, respectively.

Income Tax Expenses

We recorded income tax expense of RMB55 thousand and income tax expense of RMB9 thousand in the six months ended June 30, 2023 and 2024, respectively.

Loss for the Period

As a result of the foregoing, our net loss increased from RMB67.7 million in the six months ended June 30, 2023 to RMB820.2 million in the six months ended June 30, 2024.

Non-IFRS Measure

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit/(loss) (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe this non-IFRS measure facilitates comparisons of operating performance from period-on-period and company to company by eliminating potential impacts of certain items.

We believe adjusted net profit/(loss) (non-IFRS measure) provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit/(loss) (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

The following table reconciles our adjusted net profit/(loss) for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS, which are net loss for the period:

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Reconciliation of net loss to adjusted net profit/(loss) (non-IFRS measure):		
Net loss for the period	(820,178)	(67,674)
Add:		
Fair value changes of convertible redeemable preferred shares	780,539	26,667
Listing expenses	20,260	12,662
Share-based compensation expenses	67,060	4,189
Adjusted net profit/(loss) for the period (non-IFRS measure)	<u>47,681</u>	<u>(24,156)</u>

Liquidity and Financial Resources

As of June 30, 2024, we had a liquidity of RMB368.5 million, which includes cash and cash equivalents and restricted cash. We believe that this level of liquidity is sufficient to finance our operations, having considered our business development and expansion plans.

	As of June 30, 2024 RMB'000 (Unaudited)
Restricted cash	7,885
Cash and cash equivalents	360,621

Indebtedness

	As of June 30, 2024 RMB'000 (Unaudited)
Borrowings	900,149
Lease liabilities – Current	41,878
Lease liabilities – Non-current	55,465

As of June 30, 2024, we had unutilized banking facility of approximately RMB70.0 million.

We monitored capital using gearing ratio. As of June 30, 2024, our Group's gearing ratio was 54.6%, which is calculated as net debt divided by total capital at the end of each financial period. Net debt equals to our total borrowings and lease liabilities less restricted cash and cash and cash equivalents. Total capital is calculated as total equity plus net debt.

Free Cash Flow

Free cash flow represents net cash used in operating activities plus capital expenditures. In the six months ended June 30, 2024, we had free cash outflow amounting to RMB61.0 million, representing a decrease of 23.0% from RMB79.2 million in the six months ended June 30, 2023.

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(57,257)	(60,823)
Capital expenditures	(3,729)	(18,359)
Total	<u>(60,986)</u>	<u>(79,182)</u>

Treasury Policy

The Group adopts a prudent treasury management policy to actively monitor its liquidity and maintain sufficient financial resources for future development. Based on this, the Group regularly reviews and adjusts its financial structure to ensure financial resources are used in the best interests of the Group.

Pledge of Assets

As of June 30, 2024, we pledged trade receivables, other receivables and onshore bank deposits of RMB245.3 million, as well as offshore bank deposits of USD26.9 million for bank and other borrowings.

Significant Investments Held

For the six months ended June 30, 2024, we did not have any significant investments.

Future Plans for Material Investments and Capital Assets

As of June 30, 2024, we had no specific plan for material investments and acquisition of capital assets.

Capital Commitments

As of June 30, 2024, we had no significant capital commitments.

Contingent Liabilities

As of June 30, 2024, we did not have any material contingent liabilities.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

For the six months ended June 30, 2024, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Foreign Exchange Risk

Our Group mainly operates in Mainland China and Hong Kong with most of our monetary assets, liabilities and transactions principally denominated in Renminbi and United States dollars. Our Group has not used any derivative to hedge its exposure to foreign currency risk.

Employees

As of June 30, 2024, we had 1,665 full-time employees, the majority of whom are based in Shanghai, China. Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive salaries, performance-based cash bonuses, and other incentives. As a result, we have a strong track record in attracting and retaining our core employees. We primarily recruit our employees in China through internal references and recommendations, and online channels such as third-party employment websites. As a matter of policy, we provide a robust training program for new employees. We believe such programs are effective in equipping them with the skill set and work ethic we require of employees. We also provide regular and specialized training, both online and offline, tailored to the needs of our employees in different departments.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting high standards of corporate governance, which is essential to the Company's development and protection of Shareholders' interests. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance practices since May 16, 2024 (the "**Listing Date**").

The Board is of the view that from the Listing Date to June 30, 2024, the Company has complied with all the applicable code provisions as set out in the CG Code, except for code provision C.2.1 described below. The Board will continue to review and monitor the code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

Pursuant to code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Zhao Xulong ("**Mr. Zhao**") is currently the chairman of the Board and the chief executive officer of the Company. Notwithstanding the deviation from code provision C.2.1 of Part 2 of the CG Code, given Mr. Zhao's substantial contribution to the Group since its establishment and his extensive knowledge and experience in the industry, the Board considers that vesting the roles of both chairman of the Board and chief executive officer of the Company in Mr. Zhao provides the Group with strong and consistent leadership, enabling more effective and efficient overall strategic planning for the Group. While this would constitute a deviation from code provision C.2.1 of Part 2 of the CG Code, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of our Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by the Board requires approval by at least a majority of the Directors, and the Board comprises three independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii)

Mr. Zhao and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, inter alia, that he/she acts for the benefit and in the best interests of our Company and makes decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels and the balance of power and authority for the present arrangement will not be impaired. The Board will continue to review the effectiveness of the corporate governance structure of our Group from time to time and consider the appropriate move to take when appropriate.

Compliance with Model Code for Securities Transaction by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by the Directors. Specific enquiries have been made to all Directors and all Directors have confirmed that they have complied with the Model Code since the Listing Date up to June 30, 2024.

Purchase, Sale or Redemption of Listed Securities

Since the Listing Date up to June 30, 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities (including sale of treasury shares).

As at the date of this announcement, the Company did not hold any treasury shares (including any treasury shares held or deposited with CCASS).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended June 30, 2024.

USE OF PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Stock Exchange on May 16, 2024. The net proceeds from the initial public offering of the shares of the Company on the Main Board of the Stock Exchange (after deducting underwriting fees and other related expenses) were approximately HKD181.1 million. The proceeds had not been utilized and the Company intends to utilize such proceeds from the global offering for the purposes and in the amounts as disclosed in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated May 7, 2024 (the “**Prospectus**”), namely:

Intended purpose of net proceeds	Net proceeds	Actual net	Unutilized net	Expected
	from the global offering (HKD million)	amount utilized as of June 30, 2024 (HKD million)	amount as of June 30, 2024 (HKD million)	timeline of full utilization
Enhance our Marketingforce platform and cloud-based offerings	36.2	–	36.2	May 2027
Improve our underlying technologies including AI, big data analysis and cloud computing	54.3	–	54.3	May 2027
Expand our sales network, enhance customer success system and improve brand presence	54.3	–	54.3	May 2027
Achieve strategic investment and acquisition to enhance our Marketingforce platform, enrich our product matrix and improve existing product functions	27.2	–	27.2	May 2027
Working capital and general corporate purposes	9.1	–	9.1	May 2027
Total	<u>181.1</u>	<u>–</u>	<u>181.1</u>	

Note: Due to rounding, there may be a difference between the sum of the individual sub-values and the total amount. The expected timeline for using the unutilized net proceeds is based on the best estimation of the business market situations made by the Company and might be subject to changes based on the market conditions and business development.

AUDIT COMMITTEE

The audit committee of the Board (the “**Audit Committee**”) comprises three independent non-executive Directors, namely Mr. Chen Chen, Mr. Qin Ci and Mr. Yang Tao. The chairman of the Audit Committee is Mr. Chen Chen.

The Audit Committee has reviewed the unaudited consolidated interim results of the Group for the six months ended June 30, 2024. The Audit Committee considered that the unaudited consolidated interim results of the Group for the six months ended June 30, 2024 are in compliance with the applicable accounting standards. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company with the management of the Company.

EVENTS AFTER THE REPORTING PERIOD

There were no other significant events occurred subsequent to June 30, 2024 and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.marketingforce.com).

The interim report of the Company for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be published on the aforementioned websites of the Stock Exchange and the Company, and will be despatched to the Shareholders who have already provided instructions indicating their preference to receive hard copies in due course.

By Order of the Board
Marketingforce Management Ltd
Mr. ZHAO Xulong
Chairman of the Board and Chief Executive Officer

Hong Kong, August 20, 2024

As at the date of this announcement, the Directors of the Company are: Mr. ZHAO Xulong as chairman, executive Director and chief executive officer, Mr. XU Jiankang as executive Director, Ms. ZHAO Fangqi and Mr. HUANG Shaodong as non-executive Directors and Mr. YANG Tao, Mr. QIN Ci and Mr. CHEN Chen as independent non-executive Directors.