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Xuan Wu Cloud Technology Holdings Limited

玄武雲科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2392)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the “**Board**”) of directors of the Company (the “**Director(s)**”) hereby announces the consolidated annual results of the Group for the year ended 31 December 2024 (the “**Reporting Period**”) together with the comparative figures for the year ended 31 December 2023. The consolidated annual results of the Group for the Reporting Period have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Year-to-year
	2024	2023	change
	RMB'000	RMB'000	(%)
Revenue	1,151,277	1,281,276	(10.1)
Gross profit	209,777	204,649	2.5
Operating gains/(losses)	2,872	(68,901)	104.2
Loss before tax	(920)	(71,709)	98.7
Earnings/(losses) attributable to owners of the Company	6,914	(72,364)	109.6
Earnings/(losses) per share (expressed in RMB per share)	0.012	(0.129)	109.3

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 December	
		2024	2023
	Note	RMB'000	RMB'000
Revenue	4	1,151,277	1,281,276
Cost of sales	5	<u>(941,500)</u>	<u>(1,076,627)</u>
Gross profit		209,777	204,649
Selling and distribution expenses	5	(94,833)	(125,113)
Administrative expenses	5	(46,027)	(58,089)
Research and development expenses	5	(65,531)	(92,616)
Net impairment losses on financial assets		(6,417)	(7,871)
Other income	6	5,389	10,749
Other gains/(losses) – net	7	<u>514</u>	<u>(610)</u>
Operating gains/(losses)		2,872	(68,901)
Finance income	8	773	1,945
Finance costs	8	<u>(4,565)</u>	<u>(4,753)</u>
Finance costs – net	8	<u>(3,792)</u>	<u>(2,808)</u>
Loss before income tax		(920)	(71,709)
Income tax expense	9	<u>(150)</u>	<u>(61)</u>
Loss and total comprehensive loss for the year		<u>(1,070)</u>	<u>(71,770)</u>
Profit/(loss) and total comprehensive income/(loss) for the year is attributable to:			
– Owners of the Company		6,914	(72,364)
– Non-controlling interests		<u>(7,984)</u>	<u>594</u>
		<u>(1,070)</u>	<u>(71,770)</u>
Earnings/(losses) per share (expressed in RMB per share)			
– Basic earnings/(losses) per share		0.012	(0.129)
– Diluted earnings/(losses) per share	10	<u>0.012</u>	<u>(0.129)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2024	2023
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		3,894	5,923
Right-of-use assets		12,093	18,643
Intangible assets		14,115	11,936
Deferred income tax assets		9,590	9,740
Prepayments	11	73	257
		<u>39,765</u>	<u>46,499</u>
Current assets			
Contract fulfilment costs		9,418	14,706
Contract assets		178	164
Financial assets at fair value through profit or loss		–	501
Trade, bill and other receivables and prepayments	11	513,034	436,868
Cash and cash equivalents		71,413	192,278
		<u>594,043</u>	<u>644,517</u>
Total assets		<u>633,808</u>	<u>691,016</u>
Equity			
Equity attributable to owners of the Company			
Share capital		360	360
Share premium		440,616	439,569
Other reserves		(40,411)	(31,474)
Accumulated losses		(68,944)	(72,490)
		<u>331,621</u>	<u>335,965</u>
Non-controlling interests		<u>(3,552)</u>	<u>3,055</u>
Total equity		<u>328,069</u>	<u>339,020</u>

		As at 31 December	
		2024	2023
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Liabilities			
Non-current liabilities			
Lease liabilities		<u>8,026</u>	<u>11,888</u>
Current liabilities			
Borrowings		144,040	157,244
Contract liabilities		37,535	51,275
Trade and other payables	12	108,764	120,837
Lease liabilities		7,198	10,595
Current income tax liabilities		<u>176</u>	<u>157</u>
		<u>297,713</u>	<u>340,108</u>
Total liabilities		<u>305,739</u>	<u>351,996</u>
Total equity and liabilities		<u><u>633,808</u></u>	<u><u>691,016</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Xuan Wu Cloud Technology Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 26 April 2021 as an exempted company with limited liability under the Companies Act, Cap 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, KY1-1002, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of intelligent customer relationship management (“CRM”) services in the People’s Republic of China (the “PRC”). The ultimate controlling shareholders of the Company are Mr. Chen Yonghui (“Mr. Chen”), Mr. Huang Fangjie (“Mr. Huang”) and Mr. Li Hairong (“Mr. Li”) (the “Controlling Shareholders”), who entered into an agreement to acting in concert with each other. The ultimate holding companies of the Company are Zhenghao Global Holding Limited, Honghan Worldwide Limited and Double Winner Worldwide Limited. The three companies are respectively controlled by Mr. Chen, Mr. Huang and Mr. Li and are all incorporated in the British Virgin Islands.

The Company’s shares were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 July 2022.

The consolidated financial statements for the year ended 31 December 2024 are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) unless otherwise stated. This consolidated financial statements has been approved for issue by the board of directors of the Company on 26 March 2025.

2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements has been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) issued by Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss (“FVPL”), which are carried at fair value.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

(a) *New and amended standards adopted by the Group*

The Group has applied the following amendments or annual improvements for the first time for their annual reporting year commencing 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and Non-current liabilities with covenants
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The amendments and interpretation listed above did not have any material impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) *New and amended standards and interpretations not yet adopted*

Certain new accounting standards and amendments to accounting standards have been published that are not mandatory for 31 December 2024 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and amendments is set out below:

		Effective for annual periods beginning on or after
Amendments to HKAS 21 and HKFRS 1	Lack of exchangeability	1 January 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the Group's consolidated financial statements is expected when they become effective.

(c) *Changes in accounting policies*

As a result of the adoption of the amendments to HKAS 1, the group changed its accounting policy for the classification of borrowings:

“Borrowings are classified as current liabilities unless, at the end of the reporting period, the group has a right to defer settlement of the liability for at least 12 months after the reporting period.

Covenants that the group is required to comply with, on or before the end of the reporting period, are considered in classifying loan arrangements with covenants as current or non-current. Covenants that the group is required to comply with after the reporting period do not affect the classification.”

This new policy did not result in a change in the classification of the Group’s borrowings. The Group did not make retrospective adjustments as a result of adopting the amendments to HKAS 1.

3 SEGMENT INFORMATION

(a) Description of segments and principal activities

The CODM has been identified as executive directors of the Company. The executive directors review the Group’s internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors consider the business from product perspective. The Group has identified the following operating segments:

(i) *CRM PaaS services*

CRM PaaS services (“PaaS”) mainly provides cPaaS to encapsulate messaging communication capabilities of the three major telecommunication network operators for the clients to be integrated into the client’s business systems, thereby enabling the clients to access and utilise the communication capabilities as a service.

(ii) *CRM SaaS services*

CRM SaaS services (“SaaS”) comprises of marketing cloud, sales cloud and service cloud, which enable the Group to provide the client with a one-stop intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services.

The CODM assesses the performance of the operating segments based on the gross profit of each segment. There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources or to evaluate the performance of the operating segments.

As at 31 December 2024 and 2023, majority of the assets were located in the PRC.

(b) Segment performance

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2024 was as follows:

	Year ended 31 December 2024		
	PaaS	SaaS	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	419,410	731,867	1,151,277
Cost of sales	(393,078)	(548,422)	(941,500)
Gross profit	26,332	183,445	209,777
Selling and distribution expenses			(94,833)
Administrative expenses			(46,027)
Research and development expenses			(65,531)
Net impairment losses on financial assets			(6,417)
Other income			5,389
Other losses – net			514
Operating gain			2,872
Finance income			773
Finance costs			(4,565)
Finance costs – net			(3,792)
Loss before income tax			(920)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2023 was as follows:

	Year ended 31 December 2023		
	PaaS	SaaS	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	690,291	590,985	1,281,276
Cost of sales	<u>(655,995)</u>	<u>(420,632)</u>	<u>(1,076,627)</u>
Gross profit	34,296	170,353	204,649
Selling and distribution expenses			(125,113)
Administrative expenses			(58,089)
Research and development expenses			(92,616)
Net impairment losses on financial assets			(7,871)
Other income			10,749
Other losses – net			<u>(610)</u>
Operating loss			(68,901)
Finance income			1,945
Finance costs			<u>(4,753)</u>
Finance costs – net			(2,808)
Loss before income tax			<u><u>(71,709)</u></u>

Revenue of approximately RMB127,566,000 was from one customer who individually contributed 10% or more of the Group's total revenue for the year ended 31 December 2024 (2023: RMB377,099,000). This revenue was attributed to both PaaS and SaaS. Other than that, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the years ended 31 December 2024 and 2023.

4 REVENUE

Revenue mainly comprises of proceeds from providing PaaS and SaaS. The analysis of the Group's revenue by category for the year ended 31 December 2024 and 2023 was as follows:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
PaaS	419,410	690,291
SaaS	<u>731,867</u>	<u>590,985</u>
	<u><u>1,151,277</u></u>	<u><u>1,281,276</u></u>

The analysis of revenue from contracts with customers by the timing of revenue recognition for the year ended 31 December 2024 and 2023 was as follows:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
At a point in time	1,115,623	1,244,422
Over time	<u>35,654</u>	<u>36,854</u>
	<u><u>1,151,277</u></u>	<u><u>1,281,276</u></u>

5 EXPENSES BY NATURE

Expenses including in cost of sales, selling and distribution expenses, research and development expenses and administrative expenses are analysed as follows:

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Costs of telecommunications resources	889,857	1,032,266
Employee benefit expenses	177,617	230,881
Travel and entertainment expenses	17,793	24,913
Outsourcing customer service expenses	11,583	15,141
Depreciation and amortisation expenses	11,025	11,355
Outsourcing implementation costs	9,778	4,874
Infrastructure and equipment expenses	9,771	8,577
Professional service fees	5,736	5,803
Conference and office expenses	3,624	3,677
Marketing and promotion expenses	2,741	4,718
Taxes and other levies	2,041	2,035
Auditor's remuneration	1,400	2,100
Lease payments on short term leases	572	594
Others	<u>4,353</u>	<u>5,511</u>
	<u><u>1,147,891</u></u>	<u><u>1,352,445</u></u>

6 OTHER INCOME

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Additional deduction of value-added input tax	–	5,672
Value-added tax refund (<i>Note (a)</i>)	3,485	4,084
Government grants (<i>Note (b)</i>)	1,433	771
Others	471	222
	<u>5,389</u>	<u>10,749</u>

- (a) From 1 April 2019, according to the circular “Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on deepening policies related to VAT reformation” (Announcement of Ministry of Finance, the General Administration of Taxation and the General Administration of Customs [2019] No. 39 財政部稅務總局海關總署公告[2019年]第39號), the application VAT rate for sales of computer software has been adjusted from 16% to 13%.

According to the circular Cai Shui [2011] No. 100 (財稅[2011]100號), software enterprises which engage in the sales of self-developed software in the PRC are entitled to VAT refund to the extent that the effective VAT rate of the sales of the software in the PRC exceeds 3% of the sales amounts.

- (b) Government grants represented various subsidies received from relevant government authorities, mainly including Tianhe District software industry stable growth subsidy, Guangzhou intellectual property subsidy and Guangzhou promoting the High-Quality Development of Commerce of services trade subsidy.

7 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2024	2023
	RMB'000	RMB'000
Net losses from disposal of property, plant and equipment	(4)	(35)
Net foreign exchange loss	(252)	(709)
Net fair value gain on investments in financial assets at fair value through profit or loss	565	48
Net gains from early termination of lease agreements and derecognition of right-of-use assets	376	–
Others	(171)	86
	<u>514</u>	<u>(610)</u>

8 FINANCE COSTS – NET

Year ended 31 December

2024 2023

RMB'000 RMB'000

Finance income

Interest income from bank deposits	<u>773</u>	<u>1,945</u>
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Finance costs

Interest expenses of lease liabilities	(414)	(1,072)
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Interest expenses of borrowings	<u>(4,151)</u>	<u>(3,681)</u>
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	<u>(4,565)</u>	<u>(4,753)</u>
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Finance costs – net

	<u><u>(3,792)</u></u>	<u><u>(2,808)</u></u>
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9 INCOME TAX EXPENSE

Year ended 31 December

2024 2023

RMB'000 RMB'000

Current income tax	–	34
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Deferred income tax	<u>150</u>	<u>27</u>
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Income tax expense	<u><u>150</u></u>	<u><u>61</u></u>
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10 EARNINGS/(LOSSES) PER SHARE

(a) Basic earnings/(losses) per share

The basic earnings/(losses) per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the years ended 31 December 2024 and 2023.

Year ended 31 December

2024 2023

Earnings/(losses) attributable to owners of the Company (RMB'000)	6,914	(72,364)
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Weighted average number of ordinary shares (in thousands)	<u>553,484</u>	<u>559,973</u>
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Basic earnings/(losses) per share attributable to

the owners of the Company

during the year (expressed in RMB per share)

	<u><u>0.012</u></u>	<u><u>(0.129)</u></u>
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(b) Diluted earnings/(losses) per share

The share schemes granted by the Company have potential dilutive effect on the EPS. Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from share schemes (collectively forming the denominator for computing the diluted earnings/(losses) per share). For the year ended 31 December 2024, the Stock Option Incentive Plans granted by the Company had insignificant dilutive effect to the Group's diluted earnings per share. There were no potential diluted ordinary shares outstanding during the years ended 31 December 2023.

	Year ended 31 December	
	2024	2023
Gains attributable to owners of the Company (RMB'000)	6,914	(72,364)
Weighted average number of ordinary shares (in thousands)	553,484	559,973
Adjustments for potential shares arising from share schemes (thousand shares)	<u>548</u>	<u>—</u>
Weighted average number of ordinary shares used in calculating diluted earnings/(losses) per share (in thousands)	554,032	559,973
Diluted earnings per share attributable to the owners of the Company during the year (expressed in RMB per share)	<u>0.012</u>	<u>(0.129)</u>

11 TRADE, BILL AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade receivables		
– Third parties (<i>Note (d)</i>)	319,333	279,483
Less: allowance for impairment of trade receivables	<u>(32,937)</u>	<u>(26,834)</u>
	286,396	252,649
Bill receivable		
– Third parties	1,514	80
Other receivables		
– Third parties (<i>Note (b)</i>)	16,104	14,502
Less: allowance for impairment of other receivables	<u>(217)</u>	<u>(161)</u>
	15,887	14,341
Prepayments		
– Third parties (<i>Note (c)</i>)	207,966	167,156
Prepaid taxes	<u>1,344</u>	<u>2,899</u>
Total	513,107	437,125
Less: non-current portion of prepayments	<u>(73)</u>	<u>(257)</u>
Current portion of trade, bill and other receivables and prepayments	<u>513,034</u>	<u>436,868</u>

- (a) As at 31 December 2024 and 2023, the bill and other receivables and prepayment were denominated in RMB, and the trade receivables were denominated in RMB, US\$ and HK\$ (2023: same).
- (b) Other receivables due from third parties mainly represent deposits and tender deposits.
- (c) Prepayments mainly represents prepaid telecommunication expenses to suppliers and other prepaid expenses.

- (d) The Group normally allows credit terms to its customers ranging from 30 to 90 days. Ageing analysis of the trade receivables as at 31 December 2024 and 2023, based on recognition date were as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Ageing		
Up to 3 months	196,448	204,897
3 to 6 months	45,098	24,744
6 months to 1 year	44,011	19,642
1 to 2 years	10,716	15,934
Over 2 years	23,060	14,266
	319,333	279,483

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2024, a provision of RMB32,937,000 (31 December 2023: RMB26,834,000) was made against the gross amounts of trade receivables.

12 TRADE AND OTHER PAYABLES

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables		
– Third parties (<i>Note (a)</i>)	85,772	64,438
Other payables		
– Third parties	5,697	13,125
Accrued payroll	10,582	35,355
Other tax payables	6,713	7,919
	17,295	43,274
	108,764	120,837

- (a) Trade payable due to third parties mainly represents telecommunication expenses payables and server rental fees payables.

As at 31 December 2024 and 2023, the ageing analysis of the trade payables based on recognition date are as follows:

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Ageing		
Up to 3 months	56,789	52,122
3 to 6 months	11,818	3,462
Over 6 months	<u>17,165</u>	<u>8,854</u>
	<u>85,772</u>	<u>64,438</u>

13 DIVIDEND

	As at 31 December	
	2024 RMB'000	2023 RMB'000
Dividends paid to NCI	<u>1,623</u>	<u>–</u>

No dividend for the year ended 31 December 2024 has been proposed by the board of directors (2023: nil).

BUSINESS REVIEW

The year 2024 marked a significant step towards the deepening of a new technological revolution led by Artificial Intelligence (“AI”). During the year, AI applications, represented by large models and generative AI, exhibited a flourishing trend, and AI+ applications began to take root and grow in the “soil” of digitalisation across various industries. As a leading domestic intelligent CRM vendor that has achieved full-stack self-research in AI technology, we have always regarded AI as an important strategic development direction and are committed to empowering enterprise customers with digitalisation through AI+SaaS products, helping them achieve high-quality digital transformation and upgrading. Looking back on 2024, we adhered to the core goal of enhancing profitability and achieving high-quality business development for the Company. Through measures such as focusing on high-gross-profit businesses, upgrading business brand, expanding to new client segments, and optimising our product system, we have achieved significant results. During the Reporting Period, our profitability improved significantly. The net profit attributable to the owners of the Company reached RMB6.9 million, achieving a turnaround from loss to profit year-on-year. In the meantime, due to our proactive reduction of low-gross-profit-margin businesses, we achieved a revenue scale of RMB1,151.3 million during the Reporting Period, representing a year-on-year decrease of 10.1%, while our overall gross profit margin was improved.

During the Reporting Period, while continuously deepening our personnel organisational structure, we also rejuvenised the Group’s brand and business product structure, aiming to unleash greater organisational vitality. We upgraded the major consumer business brand “Xuanxun (玄訊)” to “Xuantong (玄瞳)”, establishing it as an independent brand, fully focusing on the field of AI + mass consumption, and striving to create a leading brand in the digital transformation of the mass consumption field. Simultaneously, we have been continuously updating and optimising our personnel organisational structure and talent cultivation, particularly at the management and business development levels. Through various measures, we have gradually enhanced the operational control capabilities of our marketing management personnel.

We adhere to the principle of independent research and development of core technologies, and in the process of growth, we have cultivated a team of experienced professionals capable of independent research and innovation. This has enabled us to continuously strengthen our technological ‘moat’, thereby ensuring the Company’s leading position in the industry and competitive advantage in products. At the end of the Reporting Period, we have obtained a total of 399 authorised patents and computer software copyrights, with 67 new additions during the Reporting Period. Simultaneously, leveraging our deep experience and accumulation in industries such as mass consumption, finance, government-related enterprises, as well as technology, media and telecom (“TMT”), we have also carried out targeted innovations and iterations on the product side. During the Reporting Period, we successively launched new products or solutions such as the SKU super model, Intelligent Xiaoxuan (智慧小玄), and international SMS, achieving an intelligent closed-loop for multiple business scenarios in the aforementioned industries, thus addressing more client needs and business pain points.

In 2024, our business expansion plans overseas also made significant progress. In addition to expanding our operations to new regions such as Asia, Europe, and South America, we achieved resource cooperation with mainstream telecommunications operators in more overseas regions, further satisfying clients' needs for global reach in their business expansion. In terms of ecosystem, we regard ecological partners as one of the crucial channels for product marketing, and have consistently maintained a proactive and open attitude towards collaborating with more cloud service providers and competitors, in pursuit of achieving the Company's goal of expanding client reach through multiple channels.

In terms of clients, during the Reporting Period, we provided services to a total of 3,056 customers across four major industries: mass consumption, finance, government-related enterprises and TMT. Thanks to our excellent service philosophy and leading product capabilities, total revenue of our core clients accounted for 93.7% of the total revenue, and our total Average Revenue Per User (“ARPU”)⁽¹⁾ contributed by core clients⁽²⁾ reached RMB3.0 million. Among these, our focused high-margin AI+SaaS business segment maintained rapid development. The number of our SaaS clients has reached 2,282, representing a year-on-year increase of 7.6%; the ARPU of SaaS core clients reached RMB2.6 million, representing a year-on-year increase of 7.5%. Meanwhile, our net dollar retention rate for core SaaS clients reached 104.2%.

Our business primarily consists of CRM PaaS services (“PaaS”) and CRM SaaS services (“SaaS”). Notably, the revenue from PaaS primarily stems from our cPaaS services. Our cPaaS service is primarily tailored to meet the multifaceted needs of clients in areas such as business marketing and management. Leveraging two decades of deep experience in the communications industry, our cPaaS boasts premium triple-play channel resources and robust platform capabilities, enabling clients in industries like finance, government-related enterprises, and TMT to access industry-leading cloud communication services. In scenarios involving user engagement, enterprises can seamlessly integrate our cPaaS into their business systems via APIs and SDK interfaces. When there is a need for client outreach in various business scenarios such as product marketing, user acquisition, promotional activities, and message notifications, enterprises can directly invoke the cloud communication capabilities of cPaaS within their business systems, ensuring efficient, stable, and secure information delivery to their clients.

In 2024, our cPaaS underwent optimisation and upgrading across multiple dimensions, including technology, application functionality, and client operations. Technologically, cPaaS successfully implemented strategies such as multi-channel redelivery, effectively enhancing the success rate of client message delivery, which led to an overall increase in the efficiency of platform by 15.0%. Moreover, cPaaS's content security risk control model has processed over 10 billion pieces of data for detection tasks, maintaining a leading position in the industry. Furthermore, thanks to our advanced algorithms and technical optimisations, the model's detection accuracy reached a high of 97.5%. In terms of application functionality, by expanding multi-media communication capabilities such as 5G

Notes:

- (1) The average revenue per user (ARPU) contributed by core clients refers to the average revenue generated per core client during the Reporting Period.
- (2) Core clients are defined as clients contributing RMB300,000 or above of revenue during the Reporting Period.

text messaging and 5G video messaging, cPaaS further enriched the product matrix carried by the platform, thus achieving more diversified solutions to precisely meet clients' needs. These optimisation measures also further enhanced our clients' experience. In clients' operations, we placed greater emphasis on enhancing operational efficiency and continuously improving the precision of matching clients' needs with communication channel resources. Simultaneously, we proactively reduced the segment with low gross profit margins within cPaaS business, aiding the Company in achieving its strategic goal of improving profitability. Based on these efforts, our PaaS business generated revenue of RMB419.4 million during the Reporting Period, representing a year-on-year decrease of 39.2%.

Our SaaS business is comprised of "Three Clouds" (Marketing Cloud, Sales Cloud and Service Cloud). We are committed to delivering a comprehensive and intelligent management of marketing operations for our clients through our AI+SaaS products. During the Reporting Period, our SaaS segment experienced rapid growth, with revenue reaching RMB731.9 million, representing a year-on-year increase of 23.8%. This aligns with our long-term strategic direction of focusing on high-margin SaaS businesses.

The Marketing Cloud is a business segment that serves clients in industries such as finance and government-related enterprises, facilitating the digital and intelligent upgrade of marketing. During the Reporting Period, the Marketing Cloud continued to delve deeply into the industry, actively expanding its client base and onboarding new clients in the securities sector. As a flagship product of the Marketing Cloud, the Integrated Communication Center ("ICC"), on the basis of comprehensive compatibility with domestic localisation, developed a version tailored for the HarmonyOS operating system, satisfying clients' diverse terminal adaptation needs. In terms of product functionality, ICC introduced new features such as the multi-legal entity mode/international SMS/contract signing copies to enrich product modules and cater to emerging client demands. Meanwhile, the ICC has continued to upgrade its 5G messaging capabilities, achieving a new level of adaptability across three networks, aiming to seize market opportunities in 5G messaging. The continuous enhancement of product capabilities has significantly benefited the Marketing Cloud in marketing efforts. During the Reporting Period, ICC secured new partnerships with several leading banks in the East China, West China, and Northwest China regions, and made breakthroughs in government data bureaus and the securities industry, achieving cooperation with clients across multiple regions.

Furthermore, another product within the Marketing Cloud segment, the DMP Intelligent Marketing Cloud Platform, also forged partnerships with multiple governmental entities and e-commerce firms during the Reporting Period. Leveraging the operator's big data capabilities coupled with AI+, it employs a methodology that encompasses "Tag completion + Data modeling + Rich media messaging (標籤補全+數據建模+富媒體短信)" to achieve comprehensive and precise engagement with target users. This aids enterprises in constructing a digital marketing operation support system that facilitates potential client acquisition, activates existing clients, and fosters in-depth engagement, thereby enhancing the conversion rate of precision marketing. Consequently, the Marketing Cloud segment generated revenue of RMB611.8 million during the Reporting Period, representing a year-on-year increase of 23.4%.

The Sales Cloud represents our business segment focused on the second growth trajectory, dedicated to empowering mass consumption enterprises with AI technology to facilitate their comprehensive digital and intelligent transformation, thereby achieving cost reduction, efficiency enhancement, and performance improvement. During the Reporting Period, the Sales Cloud, in alignment with market development trends, underwent a comprehensive upgrade of its brand and architecture, resulting in the renaming of the upgraded brand as “Xuantong”. Concurrently, the Sales Cloud has initially established a solution model encompassing “consultation-driven services + standard products + advanced aPaaS platform (諮詢驅動+標準產品+先進aPaaS平台)”.

During the Reporting Period, based on the foundation of the industry research institute, we established a consulting division. This division is capable of providing clients with products such as advanced business blueprints, marketing transformation consulting, IT planning, and strategic consulting. These offerings assist consumer goods enterprises in initiating a top-down digital and intelligent transformation of their business management. On the product side, “Smart Sales 100 (智慧100)”, which focuses on FMCG field, and “Smart U-Client (智慧U客)”, which focuses on the durable consumer goods field, both under the Sales Cloud, adopt a three-pronged product strategy of “scenario + data + algorithm(場景+數據+算法)” to create a closed-loop business model tailored for intelligent scenarios. We have launched numerous standard products or application plugins, including the SKU Super Model and Intelligent Xiaoxuan, thereby adding an intelligent “engine” to the FMCG industry’s full-chain business processes, enhancing efficiency, reducing costs, and facilitating precise operations. Furthermore, during the Reporting Period, we comprehensively launched an advanced aPaaS platform. This platform offers a low-code/no-code development environment for enterprises, enabling seamless collaboration between business and technical teams, swift response to market changes, and independent customisation and optimisation of business processes. This truly achieves the goal of “what you think, what you get (所想即所得)” in digital and intelligent innovation.

In terms of AI applications, apart from the aforementioned AI+SaaS products, we have added eight new standard AI products to our existing AI offerings, enabling rapid adaptation to a wider range of client business scenarios. In the exploration of data elements, our data-related products have been successfully launched on the Guangzhou Data Exchange. This has not only expanded our sales channels for data products but also enhanced the value of data, promoting data circulation and sharing. In terms of AI technology, our industry-specific large models in the consumer sector have amassed a feature library exceeding 10 million, enabling an average daily photo processing capacity of over 8 million. The SKU recognition rate has surpassed 95.0%, positioning us at the forefront of domestic industry databases and accuracy levels.

Furthermore, we have deployed AIoT intelligent fridge in the consumer goods terminal business scenario. This is a crucial product for us to assist FMCG clients in achieving digital marketing in terminal stores. It is capable of offering clients critical value in remote inspection and verification of fridge display, inventory, and shelf arrangement, precise replenishment, reduction of return losses, control over fridge operation and prevention of losses, as well as enhancement of fridge sales. In 2024, the market expansion of AIoT intelligent fridge proceeded smoothly, and we signed contracts with several leading FMCG clients such as Jinmailang Foods Co., Ltd. (今麥郎). In terms of products and

services, we newly released horizontal-type intelligent fridge during the Reporting Period, which were implemented for commercial use with our clients, thereby achieving new coverage of frozen beverage and frozen food clients. Meanwhile, we have added an AI model independent cooperation solution to our cooperation model with clients, meeting their personalised configuration needs. Based on the aforementioned business progress, during the Reporting Period, our Sales Cloud achieved revenue of RMB80.1 million, representing a year-on-year increase of 14.9%. Additionally, our annual recurring revenue (ARR) increased by 10.7% year-on-year, accounting for 51.7% of the total revenue of Sales Cloud.

During the Reporting Period, our Service Cloud has consistently strived to forge differentiated advantages within the industry. For instance, we have developed distinctive features such as intelligent case initiation, voice text messaging, and industry reports in the financial post-loan management industry, thereby enhancing clients' willingness to pay. Simultaneously, our contact centre's paid seats have also witnessed a sustained growth. By the end of the Reporting Period, the growth rate had reached 19.2%, positioning us in the leading camp of the domestic post-loan management industry's contact centre market share. Consequently, the Service Cloud achieved a revenue of RMB40.0 million during the Reporting Period, representing a year-on-year increase of 55.8%.

Our overseas business, as a new direction for actively pursuing performance growth, also achieved rapid growth in 2024. During the Reporting Period, our overseas operations expanded to cover multiple countries and regions, including Thailand, the Philippines, Pakistan, Mexico, and Brazil. Our client includes renowned enterprises from various industries such as Huawei, NetEase, Infinitus, and Nanyang Commercial Bank. Simultaneously, we have actively forged partnerships with mainstream telecommunications operators in regions like Thailand, Hong Kong, and the Middle East, laying a solid foundation for the localisation of our subsequent business operations.

Furthermore, in terms of ecological channels, we have signed a HarmonyOS cooperation agreement with Huawei. Several of our products have undergone native HarmonyOS application development, and adapted versions have been released. This move will also provide our clients with more diversified choices. At the same time, we have also launched our entire line of Smart Sales 100 products, ICC, and AI standard products on the Huawei Cloud Store. Our AI products have also collaborated with ecological channels such as Baidu, thereby further increasing our product sales channels and market exposure.

BUSINESS PROSPECT

From generative AI to large models, and now to the current AI Agents, a new wave of technological revolution represented by AI is gradually gaining momentum, coinciding with the critical stage of vigorously developing the digital economy and new productive forces domestically. It can be foreseen that in the future, driven by advanced technologies such as AI, empowering various industries to achieve digital and intelligent transformation and upgrading has become an inevitable trend. Adhering to the corporate mission of “helping enterprises achieve digital and intelligent transformation through our intelligent CRM products and services, thereby achieving business success”, we will focus on the goals of “product standardisation, refined management, and business globalisation” in 2025, thus seizing market opportunities and achieving high-quality development:

1. Deepen the integration of AI + SaaS, construct a differentiated product system, and create AI + blockbuster products

In the past two years, AI has begun to be implemented in an increasing number of vertical application scenarios, bringing about a complete upgrade to existing business scenarios. In response to this trend, we aim to integrate AI capabilities with our multi-business line products in 2025, based on our clients’ actual business scenarios, with the goal of creating blockbuster products in the AI field. Simultaneously, we will actively follow the development trend of AI, leveraging our accumulated industry Know-How and R&D layout in the AI field to explore exclusive AI Agents for different business scenarios in vertical domains such as mass consumption and finance. For instance, our recently focused industry vertical large model, Intelligent Xiaoxuan, in the durable consumer goods field, has completed full integration with the DeepSeek large model, further enhancing its intelligent application capabilities in scenarios such as “client visits, client analysis, business opportunity analysis, and intelligent sales funneling”.

In the Marketing Cloud segment, in 2025, while continuously enhancing product standardisation, we will prioritise the integration of 5G messaging-related functions and the fusion of AI with products as key areas for innovation. Additionally, in our second growth curve, the Sales Cloud business segment, we will implement a product strategy that integrates “scenario, data, and algorithm” into a trinity. At the product architecture level, targeting mass consumption brand manufacturers, a differentiated product system consisting of “niche products” and “comprehensive integration” is constructed. This system aims to achieve rapid product launch and volume increase through “niche products”, enhancing the speed of responding to clients’ needs. Simultaneously, the application capabilities are expanded and enhanced through “instrumental integration” to meet diverse product requirements of clients and enhance product market competitiveness.

2. Continuously optimise the organisational structure, with the enhancement of profitability as the core objective

Over the past year, we have reviewed and refined our corporate business organisational structure. In 2025, building upon this foundation, we will continue to innovate our organisational structure. We will undertake a more systematic and professional restructuring in four key areas: sales management, client service, client re-marketing, and delivery management. This will enable us to achieve significant enhancements in the intensification and effectiveness of our overall corporate resources.

Concurrently, in order to better stimulate and enhance organisational efficiency, we focus on implementing independent accounting across all organisations, strengthening cash flow management, and improving the efficiency of payment collection. We formulated a plan centered around measures to enhance clients' satisfaction, optimise product market strategies, and strengthen the management and control capabilities of our cadre team. These measures were intended to continuously enhance the Company's profitability and create an incentive system centered around profit, thereby facilitating the high-quality development of the Company's business.

3. Multi-dimensional innovative ecological cooperation models continuously expand the coverage of overseas business regions

We have always maintained that open collaboration within the industry chain is essential for achieving efficient cooperation and mutual benefit among enterprises. Over the past year, we have begun to see initial results in the construction of domestic ecological cooperation. Specifically, we have achieved core product channel cooperation across multiple business lines and developed native HarmonyOS applications on the Huawei Cloud Store. In 2025, we will also focus on our advantageous standard products, prioritising promotion through ecological channels, refining efficient cooperation models, and gradually replicating relevant successful experiences in cooperation with cloud vendors such as Tencent, Baidu, ByteDance, and Alibaba, with the aim of expanding our own products into more diversified market channels.

In terms of data element application, we will prioritise enhancing data value as our core objective. In 2025, we plan to establish cooperation with more regional data exchanges, thereby further enhancing the application capabilities of our data products such as DI smart store expansion and DMP precision marketing. In addition, through the sharing and circulation of data assets, we aim to accelerate the digital and intelligent transformation of industries such as finance and mass consumption through the application of data elements.

In terms of the international business ecosystem, the trend of domestic enterprises expanding their operations overseas has become evident, and many of our clients in China are also part of this trend. For us, this represents a significant opportunity to accelerate our global business layout. In 2025, we plan to expedite our overseas market expansion in terms of coverage areas, products, and talent, with the aim of establishing strategic partnerships with more overseas telecommunications operators. Simultaneously, we also intend to achieve localised operations for our overseas business by 2025, thereby enhancing operational efficiency in advantageous regions and expanding our business scale.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

The Group generated revenue from two operating segments: PaaS and SaaS. SaaS was the larger segment for the year ended 31 December 2024. During the Reporting Period, PaaS accounted for 36.4% of the Group's revenue (year ended 31 December 2023: 53.9%) while SaaS accounted for 63.6% of the Group's revenue (year ended 31 December 2023: 46.1%). Notably, the proportion of SaaS exceeded 60% for the first time.

The following table sets forth the Group's segment revenue both in absolute amount and as a percentage of its revenue for the periods presented. For the Reporting Period, the Group's total revenue decreased by 10.1% to RMB1,151.3 million (year ended 31 December 2023: RMB1,281.3 million). Such decrease was mainly attributable to the proactive reduction of businesses with low gross margins.

	Year ended 31 December			
	2024		2023	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
PaaS	419,410	36.4	690,291	53.9
SaaS	<u>731,867</u>	<u>63.6</u>	<u>590,985</u>	<u>46.1</u>
	<u><u>1,151,277</u></u>	<u><u>100.0</u></u>	<u><u>1,281,276</u></u>	<u><u>100.0</u></u>

PaaS

The Group's revenue from PaaS decreased by 39.2% to RMB419.4 million for the Reporting Period (year ended 31 December 2023: RMB690.3 million), primarily due to our proactive reduction of businesses with low gross profit margins.

SaaS

The following table sets forth the breakdown of revenue from SaaS by solutions for the years presented.

	Year ended 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Marketing Cloud	611,758	495,613
Sales Cloud	80,070	69,677
Service Cloud	40,039	25,695
	<u>731,867</u>	<u>590,985</u>

The Group's revenue from SaaS increased by 23.8% to RMB731.9 million for the Reporting Period (year ended 31 December 2023: RMB591.0 million), primarily due to the (i) increase in clients' demand for its SaaS; (ii) enhanced functionality of its solution; and (iii) increase in number of its core clients and ARPU for its SaaS.

COST OF SALES

The Group's cost of sales decreased by 12.6% to RMB941.5 million for the Reporting Period (year ended 31 December 2023: RMB1,076.6 million). Such decrease was primarily aligned with the business contraction in PaaS service of the Group for the Reporting Period.

PaaS: The cost of sales from PaaS decreased by 40.1% to RMB393.1 million for the Reporting Period (year ended 31 December 2023: RMB656.0 million), primarily due to the decrease in revenue from PaaS, coupled with the reduction in telecommunications resource costs related to these services.

SaaS: The cost of sales from SaaS increased by 30.4% to RMB548.4 million for the Reporting Period (year ended 31 December 2023: RMB420.6 million), primarily due to the increase of costs of telecommunication resources with regard to SaaS, which being aligned with the business expansion strategy of the Group in its SaaS in 2024.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, the Group's overall gross profit increased by 2.5% to RMB209.8 million for the Reporting Period (year ended 31 December 2023: RMB204.6 million), while its overall gross profit margin increased from 16.0% to 18.2%, respectively.

PaaS: The gross profit margin in PaaS increased to 6.3% for the Reporting Period (year ended 31 December 2023: 5.0%), primarily due to the reduction of businesses with low gross profit margins, leading to an improvement in the gross profit margin level.

SaaS: The gross profit margin in SaaS decreased to 25.1% for the Reporting Period (year ended 31 December 2023: 28.8%), mainly attributable to the changes in the revenue composition within this segment during the Reporting Period.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses decreased by 24.2% to RMB94.8 million for the Reporting Period (year ended 31 December 2023: RMB125.1 million), primarily attributable to the decrease in (i) business entertainment expenses and travelling expenses for sales and marketing personnels; (ii) advertising and promotional expenses; and (iii) employee welfare expenses. During the year, the Group has strengthened travel management and strictly enforced pre-approval procedures for business trips, implemented in-depth client refined management, controlled labour costs, and exercised efficient expense management, striving to enhance profitability.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses decreased by 20.8% to RMB46.0 million for the Reporting Period (year ended 31 December 2023: RMB58.1 million), due to the decrease in (i) employee welfare expenses; and (ii) auditors' remuneration. The Group has achieved significant results in cost reduction and efficiency enhancement through the adjustment of its organisational structure, thereby enhancing the operational efficiency of the enterprise.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's R&D expenses decreased by 29.2% to RMB65.5 million for the Reporting Period (year ended 31 December 2023: RMB92.6 million). Such decrease was mainly attributable to the decrease in (i) employee welfare expenses; and (ii) server hosting fees. The Group has enhanced the efficiency of R&D output through refined R&D management, while maintaining its original R&D capabilities.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The Group's net impairment losses on financial assets decreased by 18.5% to RMB6.4 million for the Reporting Period (year ended 31 December 2023: RMB7.9 million), mainly attributable to the decrease in expected credit loss rate of its trade receivables.

OTHER INCOME

The Group's other income decreased by 49.9% to RMB5.4 million for the Reporting Period (year ended 31 December 2023: RMB10.7 million), mainly due to the impact of tax policies of this year, which resulted in no additional deduction of value-added tax input tax was enjoyed (the corresponding period in 2023: RMB5.7 million).

FINANCE COSTS — NET

The Group's finance costs — net comprise of finance income, interest expenses of lease liabilities and interest expenses of borrowings. The Group's finance costs — net amounted to RMB3.8 million and RMB2.8 million for the year ended 31 December 2024 and 2023, respectively.

INCOME TAX EXPENSE

The Group had income tax expense of RMB0.2 million and RMB0.1 million for the year ended 31 December 2024 and 2023, respectively.

PROFIT/(LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY FOR THE YEAR

As a result of the foregoing, the Group recorded a profit attributable to owners of the Company of RMB6.9 million for the Reporting Period, compared with a loss attributable to owners of the Company of RMB72.4 million for the year ended 31 December 2023, which was mainly attributable to (i) the Group's strategic emphasis on expanding SaaS with higher gross profit margins, thereby driving an increase in both overall gross profit and gross profit margins as SaaS expanded; and (ii) the Board implementation of effective cost control measures, which reduced sales and distribution expenses as well as administrative expenses.

TRADE, BILL AND OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2024, the Group's trade, bill and other receivables and prepayments amounted to RMB513.1 million, representing an increase of 17.4% as compared with RMB437.1 million as at 31 December 2023. Such increase was mainly attributable to the combined effect of the (i) increase in prepayments to suppliers from RMB167.2 million as at 31 December 2023 to RMB208.0 million as at 31 December 2024; and (ii) increase in trade receivables from RMB252.6 million as at 31 December 2023 to RMB286.4 million as at 31 December 2024.

TRADE AND OTHER PAYABLES

As at 31 December 2024, the Group's trade and other payables amounted to RMB108.8 million, representing a decrease of 10.0% as compared with RMB120.8 million as at 31 December 2023. Such decrease was primarily due to the reduction in accrued salaries from RMB35.4 million as at 31 December 2023 to RMB10.6 million as at 31 December 2024, of which the trend of change was aligned with that of the decrease in employee benefit expenses.

LIQUIDITY AND FINANCIAL RESOURCES

Treasury Policies

The Group adopts a prudent treasury management policy to actively monitor its liquidity position and maintain sufficient financial resources for future development. On this basis, the Group regularly reviews and adjusts its financial structure in response to dynamic changes in economic conditions to ensure financial resources are deployed in the best interests of the Group.

Cash and Cash Equivalents

As at 31 December 2024, the Group's cash and cash equivalents were RMB71.4 million, representing a decrease of 62.9% from RMB192.3 million as at 31 December 2023.

Indebtedness

	As at 31 December	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
Borrowings	144,040	157,244
Lease liabilities	<u>15,224</u>	<u>22,483</u>
	<u>159,264</u>	<u>179,727</u>

CONTINGENT LIABILITIES

As at 31 December 2024, the Group did not have any material contingent liabilities (31 December 2023: Nil).

CAPITAL COMMITMENT

As at 31 December 2024, the Group did not have any material capital commitment (31 December 2023: Nil).

GEARING RATIO

As at 31 December 2024, the Group's gearing ratio (i.e. percentage of total liabilities divided by total equity, and total liabilities is calculated as the aggregate of total borrowings and lease liabilities) was 48.5% (31 December 2023: 53.0%).

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group's businesses are principally conducted in RMB. The Group has transactional currency exposures. Such exposures arise from financing and operating activities of the Group's entities conducted in currencies other than the functional currency. As at 31 December 2024, major non-RMB assets and liabilities are cash and cash equivalents, trade receivables, trade payables and contract liabilities, which denominated in Hong Kong dollar ("HK\$") or United States dollar ("US\$"). Fluctuation of the exchange rate of RMB against HK\$ or US\$ could affect the Group's results of operations. The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

EMPLOYEES REMUNERATION AND RELATIONS

As at 31 December 2024, the Group had a total of 642 employees. The Group's total employee costs (including directors' emoluments) for the Reporting Period was RMB177.6 million (year ended 31 December 2023: RMB230.9 million). The Group believes the abilities to attract, retain and motivate qualified personnel are the key factors to its success. We offer competitive salaries, bonuses and share-based compensation to our employees, especially key employees. Remuneration packages for employees and directors are structured according to market terms as well as individual performance and experience. The remuneration policy will be reviewed by the Board from time to time.

As required under the PRC regulations, we participated in employee social security plans that are organised by applicable local municipal and provincial governments, including housing, pension, medical, work-related injury, maternity and unemployment benefit plans.

To maintain the quality, knowledge and skill levels of the employees, the Group provides continuing education and established comprehensive training programs that cover topics such as its corporate culture, employees' rights and responsibilities, teambuilding, professional behaviour and job performance to ensure that its employees' skill sets remain up-to-date which enable them to discover and meet its clients' needs.

SIGNIFICANT INVESTMENTS

As at 31 December 2024, the Group did not hold any significant investments with a value of 5% or more of the Group's total assets.

MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 31 December 2024, the Group had no material acquisitions or disposal of subsidiaries, associates and joint ventures.

PLEDGE OF ASSETS

As at 31 December 2024, the Group did not pledge any of its assets (31 December 2023: Nil).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2024, save as disclosed herein, the Group did not have any future plans for material investments and capital assets. However, the Group will continue to explore investment opportunities that would benefit the Shareholders as a whole.

DIVIDEND

The Board does not recommend the payment of a final dividend for the Reporting Period (year ended 31 December 2023: Nil).

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code as set out in Appendix C1 to the Listing Rules (the “**CG Code**”) as its own code of corporate governance. During the Reporting Period, the Company had applied the principles and complied with all applicable code provisions as set out in the CG Code, save and except the deviation below:

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer (“**CEO**”) should be separated and should not be performed by the same individual. Currently, Mr. Chen is the chairman and CEO of the Company, which deviated from the code provision C.2.1 of the CG Code. The Board believes that it is to the benefit of the business prospect and operational efficiency of the Group to vest the roles of chairman and CEO in the same person due to its unique role, Mr. Chen’s experience in the industry, personal profile and roles in the Group. This dual role provides strong and consistent market leadership and is crucial to efficient business planning and decision-making of the Company. As all major decisions of the Group are made in consultation with members of the Board and the relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is of the view that adequate safeguards are in place to ensure sufficient balance of powers within the Board.

In order to maintain good corporate governance and to fully comply with code provision C.2.1 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman of the Board and CEO separately.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the “**Model Code**”) as its code of conduct for securities transactions by the Directors. The Company has made specific enquiries to all Directors regarding any non-compliance with the Model Code. All Directors have confirmed that they had strictly complied with the required standard set out in the Model Code for the Reporting Period.

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

Repurchase Mandate

The Directors have been granted the general mandate (the “**Repurchase Mandate**”) pursuant to resolutions of the Shareholders passed on 26 June 2024, to repurchase Shares in the open market from time to time. Pursuant to the Repurchase Mandate, the Company is allowed to repurchase up to 10% of the total number of issued Shares (i.e. 56,032,050 Shares) as at the date of passing such resolution.

Share Repurchase

During the Reporting Period, the Company repurchased 3,075,500 Shares under the Repurchase Mandate on the Stock Exchange for an aggregate consideration of HK\$2,707,207.40 which are held as treasury shares (as defined under the Listing Rules) of the Company.

Details of the Shares repurchased during the Reporting Period and up to the date of this announcement are as follows:

Month of repurchase	No. of Share repurchased	Highest price paid per Share (HK\$)	Lowest price paid per Share (HK\$)	Aggregate consideration paid (HK\$)
October 2024	2,400,500	1.15	0.80	2,118,010.70
November 2024	448,000	0.95	0.82	389,364.53
December 2024	<u>227,000</u>	<u>0.90</u>	<u>0.80</u>	<u>199,832.17</u>
Total	<u>3,075,500</u>			<u>2,707,207.40</u>
January 2025	99,000	0.88	0.82	86,072.23
February 2025	30,500	1.16	0.86	32,042.69
March 2025 (up to the date of this announcement)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Total	<u>129,500</u>			<u>118,114.92</u>

The Directors believe that such Shares repurchased would increase the net asset value per Share and/or earnings per Share and increase the long-term value to the Shareholders, which is in the interest of the Company and its Shareholders as a whole.

During the Reporting Period, save for the purchase of a total of 12,774,000 shares of the Company by the trustee on the Stock Exchange pursuant to the 2022 Restricted Share Award Scheme, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (including selling treasury Shares).

AUDIT COMMITTEE

The Audit Committee discussed with the senior management of the Company and the external auditor of the Company, and reviewed the annual results of the Group for the Reporting Period together with the applicable accounting principles, standards and practices adopted by the Group. The Audit Committee has agreed with the senior management of the Company on the annual results of the Group for the Reporting Period.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of comprehensive income and consolidated statement of financial position and the related notes thereto for the Reporting Period as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other significant events that might affect the Group after the Reporting Period.

PUBLICATION OF ANNUAL RESULTS AND 2024 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<https://ir.wxchina.com/>). The annual report of the Company for the Reporting Period containing all the information required by the Listing Rules will be published on the aforementioned websites and despatched to the Shareholders who elected to receive printed version of corporate communication⁽¹⁾ in due course.

By Order of the Board
Xuan Wu Cloud Technology Holdings Limited
Mr. Chen Yonghui
Chairman, Chief Executive Officer and Executive Director

Hong Kong, Wednesday, 26 March 2025

As at the date of this announcement, the Board comprises Mr. Chen Yonghui, Mr. Huang Fangjie, Mr. Li Hairong and Mr. Guo Haiqiu as executive Directors; and Mr. Du Jianqing, Ms. Wu Ruifeng and Prof. Wu Jintao as independent non-executive Directors.

Note:

- (1) Corporate communications mean any documents issued or to be issued by the Company, including but not limited to (a) the directors' report, its annual accounts together with a copy of the auditors' report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular and (f) a proxy form.