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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 2022 AND EXTENSION OF THE EXPECTED TIMELINE FOR USE OF PART OF PROCEEDS

The Board is pleased to announce the annual consolidated results of the Group for the year ended 31 December 2022 together with the comparative figures of the year ended 31 December 2021.

FINANCIAL PERFORMANCE HIGHLIGHTS

	Year ended 31 December		Year-to-year change (%)
	2022 RMB'000	2021 RMB'000	
Revenue	1,043,378	991,941	5.2
Gross profit	225,647	232,392	(2.9)
Operating (loss)/profit	(33,352)	14,307	N/A
(Loss)/profit before income tax	(36,302)	12,480	N/A
(Loss)/profit and total comprehensive (loss)/income for the year	(34,968)	15,351	N/A
Non-HKFRS measures:			
Adjusted net (loss)/profit	(11,997)	30,968	N/A

In 2022, the decelerated global economy, coupled with the impact of the COVID-19 pandemic, posed mounting challenges for the Internet industry. Despite of these external headwinds, we continued our intelligent CRM development strategy driven by both technology and business to cope with complex market changes. This brought us to a new level in terms of technology and product development, business ecosystem creation and capital operation. During the Reporting Period, we maintained steady growth in business operations and experienced an increase of 5.2% in total revenue as compared to the same period in 2021, of which we recorded an increase of 73.8% in our revenue generated from AI related products and services for the year ended 31 December 2022 as compared to previous year, and maintained stable level of cash and cash equivalents, which enabled business growth in a healthy and orderly manner during the pandemic period.

During the Reporting Period, we continued to invest in research and development and services to expand our in-house research and development capabilities, and empowered the digital intelligence transformation of our clients based on the multi-touch, all-channel and entire business cycle strategic system. As for our CRM PaaS services, we further strengthened the innovation and development of our self-developed full-stack structure, which are built on cPaaS platform, AI and DI capabilities and aPaaS platform, and achieved recurrent computing upgrades in platforms and breakthroughs in technology patents. Supported by the technical capabilities such as cloud communication, AI and DI capabilities, we further consolidated our leading position of our services in the market. Regarding our CRM SaaS services business, we optimised our three cloud services comprising Marketing Cloud, Sales Cloud and Service Cloud in terms of service portfolio and business models by utilising the platform's technology base. As of now, we have penetrated into several fast-growing industries, such as financial, public utility entities and government organisations (“**Government-related**”), Fast Moving Consumer Goods (“**FMCG**”) and Technology, Media, Telecom (“**TMT**”) industries, especially the best-performing ICC module under the Marketing Cloud in the financial industry, which drove the growth of our CRM SaaS services segment. Meanwhile, to expand our products and services portfolio, we launched Artificial Intelligence and Internet of Things (“**AIoT**”) products such as the intelligent fridge to improve terminal sales of FMCG enterprises, thereby creating value for our clients and achieving “win-win” situation.

In terms of business ecosystem cooperation, we made breakthroughs in cooperation with cloud vendors, such as Huawei Cloud and JD Cloud, in achieving multi-level cooperation amongst clients, channels and products and services. We have made in-depth exploration on segment demands within an industry and expanded its boundary to form a replicable, scalable and expandable business model, and have been committed to serving more corporate clients and enhancing clients' loyalty to further drive the sustainable growth of our business.

With the trust from our Shareholders and the efforts of our staff, we have successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) in 2022, marking the official standing of our Company in the global and international capital market, which has strengthened our capital strength and brand awareness. This will assist us in carrying out international

cooperation and developing a sound ecosystem for our intelligent CRM services, thereby enabling us to attract more capital investments and in turn, further consolidate and strengthen our position in the industry and demonstrate our long-term investment value.

PERFORMANCE REVIEW

With the wave of localisation and the digital intelligence transformation of enterprises, digital economy is undoubtedly a new driving force and new opportunity for future growth. According to the policy of the “14th Five-Year Plan for Digital Economy Development” issued by the State Council of the PRC, the value added of the core industries of digital economy will account for 10.0% of the GDP in 2025. According to the data reported by the China Academy of Information and Communications Technology, the scale of digital economy in the PRC is expected to exceed RMB60.0 trillion by 2025. On the other hand, the PRC government continues to enhance its support relating to scientific and technological innovation, with the scale of the information technology application innovation (“ITAI”) industry expected to exceed RMB2.0 trillion in 2025. The ITAI industry is not only a strategic means for the continuous upgrade of information technology industry in the PRC, but also a booster for the digital transformation of the financial and Government-related industries. As an intelligent CRM SaaS services provider that facilitates the digital intelligence transformation of enterprises as well as a leader in the intelligent CRM services industry, we respond actively to national policies and market demands, and gradually consolidate the quality of CRM products that are adapted to and certified by the ITAI industry. Our excellent AI and DI, cloud computing, internet, communications capabilities, as well as IoT and other technologies, enable our clients to reduce cost and enhance efficiency throughout their entire business cycle, and thereby allowing us to rapidly expand our market shares in FMCG, financial, Government-related and TMT industries.

In 2022, we continued to increase our investments in the intelligent CRM services industry and focused on the intelligent CRM SaaS services segment. After years of cultivation in the industry, we have accumulated high-quality client base in various industries and obtained profound practical experience and industry expertise. During the Reporting Period, our client’s coverage included various top 100 companies⁽¹⁾, which comprised of 16 of top 100 software companies, 24 of top 100 internet companies, 36 of top 100 regulated security companies, 44 of top 100 banking companies, 14 of top 100 Chinese liquor companies, 22 of top 100 commodity companies, 32 of top 100 beverage companies and 34 of top 100 food companies. Our one-stop intelligent CRM services, which helped our clients to manage their entire business cycle’s operation through the offering of our comprehensive services matrix, contributed to an increase in our average price per client⁽²⁾ and enhancement of user stickiness. For the year ended 31 December 2022, we recorded a total revenue of RMB1,043.4 million, with a 5.2% growth as compared to the previous year.

Notes:

- (1): Top 100 companies refer to top 100 enterprises in terms of revenue in various segments within an industry.
- (2): For the year ended 31 December 2022, the average price per client refers to average revenue generated per client for the year.

BUSINESS REVIEW

CRM PaaS Services

Our CRM PaaS services are built on cPaaS platform, AI and DI capabilities and aPaaS platform. Our cPaaS platform encompasses various composable functional modules (e.g. voice and text verification code module, notification text and call module, hidden-number module) to empower our clients with consolidated communication capabilities mainly in the form of easily-deployed APIs and SDKs, thus enabling them to reach end users in an easy, efficient and flexible way. In addition, we also integrated the AI and DI capabilities required for our intelligent CRM services.

In 2022, our cPaaS platform completed the upgrade and transformation of cloud native structure, and the infrastructure of which was re-optimised by the engagement of the hybrid cloud model, so as to provide our clients with more efficient and higher quality of communication capabilities. Based on the cloud native technologies, we achieved a more effective research and development process, and improved the utilisation rate of infrastructure resources and flexibility and efficiency of the platform, which reinforced business continuity and stability and laid down a solid technical foundation to support the rapid growth of multi-touch communication traffic.

Besides, our self-developed AI capabilities are based on cloud native computing technology with focus on image recognition, enabling us to provide our clients with top tier algorithms in the FMCG industry. In 2022, we solidified and completed innovative technologies in FMCG field, including 3D depth estimation and application scenarios analysis, to further reduce modeling time and labor costs. The high recognition accuracy rate of AI capabilities enabled us to attract new clients as well as retain our existing clients, and attributed to enhancement in commercial capability of AIoT and continuous innovation of DI capabilities.

During the Reporting Period, we also continued to strengthen our aPaaS platform and DI capabilities. In terms of aPaaS platform, technological breakthroughs in cloud native deployment were achieved in 2022 enabling the deployment of hybrid cloud in our services, which also gained recognition from our clients. These breakthroughs not only saved cost of cloud services and improved efficiency of data inquiries, but also allowed quicker response to our clients' demands. In addition, we leveraged our DI capabilities to assist clients in store expansion such as avoiding the establishment of duplicated stores in the same location and establishing a system of tags for FMCG industry, which helped us to deepen our understanding of FMCG industry effectively and helped enterprise clients to achieve better intelligent decision-making.

CRM SaaS Services

Our CRM SaaS services comprise Marketing Cloud, Sales Cloud and Service Cloud, which integrate the traditional CRM functions with cloud communication, upgraded and encapsulated communication capabilities as well as AI and DI capabilities to offer our clients one-stop intelligent CRM services throughout their entire business cycle, from initial marketing to after-sales services. Our CRM PaaS services provide underlying communication, AI and DI capabilities for CRM SaaS services, facilitating and enhancing the functions of Marketing Cloud, Sales Cloud, and Service Cloud.

First, in terms of Marketing Cloud, it contributed RMB390.7 million to the revenue for the year ended 31 December 2022, accounting for 82.4% of our revenue generated from CRM SaaS services. Among them, revenue generated from ICC related services for the year ended 31 December 2022 increased by 298.1% as compared to previous year, mainly due to the combined effects of the following efforts we made over the past years: (i) the creation of product matrix; (ii) fulfilment of visualised interaction demands; (iii) implementation of local adaptation strategy; and (iv) the joint operating strategy with cloud vendors. The ICC modules matrix is flexible and diverse, which allows greater control in terms of size of projects and better fulfilment of clients' demands at various stages. Based on which, we enhanced the visualised interaction application scenarios of the service to improve its performance in smart customer consultation and sales marketing scenarios. Besides, we also actively sought the adaptation to and certification of mainstream ITAI products and reached cooperation with cloud vendors such as Huawei Cloud and JD Cloud, which were also our efforts to respond to the national strategies and drive the expansion of the industry.

For Sales Cloud, we consistently adhere to the three business models such as co-cultivation among manufacturers, channel cultivation as well as the integration of the marketing and digital management of terminal stores and end users (“**BC Integration**”) with the aim of satisfying the growing demand of consumers. Leveraging our advanced self-developed AI and aPaaS capabilities, and with more than ten years of experience in the FMCG industry, we can quickly respond to changes in clients' demands and constantly enhance our clients' operations, allowing our clients to reduce costs and improve efficiency, and empowering our clients to achieve business growth. As a result, we achieved a core clients' retention rate⁽³⁾⁽⁴⁾ of 91.7% in respect of our Sales Cloud in 2022. For the year ended 31 December 2022, revenue contributed by Sales Cloud services amounted to RMB60.6 million, representing 12.8% of our revenue generated from CRM SaaS services. In terms of AIoT products and services, we gradually launched smart box, intelligent fridge and other major products. With the integration of all-channel data capabilities, we enabled our clients to carry out real-time monitoring of terminal fridge display and sales, deepened links to end customers, and ultimately improved the sales volume of terminals. Furthermore, we have developed the air curtain cabinet which can be used to identify display and sales volume position of products in real time, thus allowing our clients' staffs to make timely product replenishment or display adjustment according to the terminal situation.

For Service Cloud, we achieved a breakthrough in our Cloud Call Centre service for our clients in the financial industry with the discovery of replicable business solutions. In this regard, our AI robot service has further enhanced business capabilities for our clients in various industries such as the financial, TMT and Government-related industries. We adhere to provide intelligence-based Service Cloud services, by rolling out a matrix of intelligent services continuously such as Call Centre, Intelligent Quality Inspection and AI robot to enhance the efficiency and overall service quality of customer service so as to enable our clients to improve the efficacy of their customer service and intelligent communication.

Notes:

- (3): For the year ended 31 December 2022, core clients are defined as clients contributing RMB300,000 or above of revenue for the year.
- (4): For the year ended 31 December 2022, core clients' retention rate refers to the percentage of core clients for the immediately preceding year which remained to be our core clients for the current year.

Business Prospect

In 2023, with the relaxation of domestic epidemic prevention and control policies, the recovery of economy, together with the support of industrial policies relating to digital economy and the development of domestically adaptive software, we will unswervingly consolidate research and development strengths and enhance competitiveness of our intelligent CRM services. We have also been actively increasing our investment in research and development and talent training in order to continuously provide our clients with high-quality services, while constantly deepening the ecological cooperation with our clients. Looking forward, we will continue to focus on the industry leading clients and expand into more industries. By setting benchmark cases with our industry leading clients, we will further replicate our industry experience to the small-and-medium enterprises, with an aim to achieve a replicable, scalable and extendable business model that can help us to realise a rapid and sustainable growth for our future performance.

Firstly, we will continue to invest in research and development. In the field of AI capabilities, we will continue to deepen image recognition analysis and iteration of depth estimation models, strengthen the application of image and video recognition algorithms, further enhance smart store expansion scenarios, and provide more application scenarios for our intelligent CRM services. At present, our AI laboratory has certain competitive strengths backed by underlying technologies such as big data and multimodal detection. In the future, by leveraging the leading Generative Pre-trained Transformer (“GPT”) technology in the industry, we will further innovate in the application scenarios through the integration of AI pre-trained model and intelligent CRM services so as to achieve cost reduction, efficiency enhancement and performance growth for our clients with digitalised intelligent solutions.

In addition, in the field of cPaaS services, we are committed to building a multi-touch communication technology foundation with multimedia reachable and intelligent interaction capabilities to help clients to connect their end users digitally. Such technical innovation and structure reorganisation will greatly enhance the technical advantages of our services.

Secondly, we will improve the overall competitiveness of Marketing Cloud, Sales Cloud and Service Cloud. In terms of Marketing Cloud, we will integrate ICC module and Call Centre to promote diversified integration of software services, communication resources and marketing services. We will continue to focus on the financial industry, enhance the competitiveness of our Group’s multi-touch solutions in the banking industry, and increase channels for traffic monetisation, so as to achieve service innovation, standardisation and industrialisation.

In terms of Sales Cloud, we will continue to consolidate our existing shares in the FMCG market and optimise the service portfolio to gradually expand into the consumer durables industry. For our flagship service Smart Sales 100, we will continue to improve its functional coverage. Leveraging our advantages in AI and DI capabilities and other innovative technologies, we will develop more innovative application scenarios for the BC Integration, further refine service standardisation to meet the needs of clients in business efficiency enhancement, and boost our market share with enhanced intelligence and technological foundation. In terms of AIoT products and services, we will assist clients to optimise their business strategies and increase the market presence of our AIoT products and services, as a mean to improve our market share of Sales Cloud, and thereby continue to develop more industry leading clients in the FMCG industry, while simultaneously launching more new products and

services in 2023. We believe that our AIoT products and services will reconstruct the business framework between the people, the goods and the markets and help our clients to carry out digital marketing with smart retail stores in an all-round way.

In terms of Service Cloud, we will further promote the self-service capabilities, experience optimisation, mainstream ITAI product adaptation to improve the marketing conversion rate and customer service efficiency of our clients. On the other hand, we will transform our existing services into systems that support cloud native technology through learning and application of cloud native structure. Our intelligent customer services will utilise our AI capabilities to simplify the formulation of complex application scenarios, and improve the efficiency of multiple rounds of dialogue application scenarios between our clients and their users.

In 2023, through the established industry research institute, we developed a set of standardised systems for research by industry think-tanks and assembled a team of high-calibre industry research talents. We will retain and cultivate talented experts, create think tanks for different industry segments and build a training-oriented micro-consultation service system. The industry research institute will help us to accelerate the standardisation of our products and services and enhance our influence in the industry, leading us to further explore our business blueprint.

At the same time, we will continue to embrace the opportunity with our cloud vendor ecosystem and develop new eco-capabilities for our Group. In 2022, we had set up an ecological cooperation department to strengthen cooperation with Huawei Cloud and other cloud vendors, and we will develop ecological cooperation with other cloud vendors and channels in the year ahead. Looking forward, we will remain focused on Huawei Cloud in order to expand our business scale on the one hand, and on the other hand, apply the well-established business operation model to other core businesses with the utilisation of business model driven software.

We believe the long-term trend of digitalisation and intelligence in enterprises will remain unchanged. With the support from AI and DI capabilities and other technologies, the bonding between our services and clients will be strengthened. Externally, we are committed to expanding our market layout, taking clients and channel partners as part of our efforts to go global. At the same time, we will actively join hands with cloud vendors to further deepen ecological cooperation. Internally, we will continue to (i) promote innovative research and development and gain insight into the latest industry dynamics by leveraging our research and development team and the industry research institute; (ii) intensify and solidify our business operations throughout the industry-wide value chain to develop star products; (iii) insist on providing high quality products and services to our clients; and (iv) strive to create value for our clients.

EXTENSION OF EXPECTED TIMELINE FOR USE OF PART OF PROCEEDS

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to utilise approximately 4.0% out of the net proceeds from the Global Offering on strategic investment and acquisitions by 31 December 2022 (the “**Expected Timeline**”). The Board has resolved to extend the Expected Timeline and the relevant proceeds from the Global Offering are expected to be utilised by 31 December 2024. Please refer to the paragraph headed “Use of Proceeds from the Listing” in this announcement for further details and reasons for the extension of the Expected Timeline.

MANAGEMENT DISCUSSION AND ANALYSIS

Year ended 31 December 2022 compared to year ended 31 December 2021

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue	1,043,378	991,941
Cost of sales	<u>(817,731)</u>	<u>(759,549)</u>
Gross profit	225,647	232,392
Selling and distribution expenses	(111,317)	(91,024)
Administrative expenses	(76,361)	(68,515)
Research and development expenses	(82,724)	(66,126)
Net impairment losses on financial assets	(7,346)	(5,370)
Other income	13,918	12,557
Other gains – net	<u>4,831</u>	<u>393</u>
Operating (loss)/profit	(33,352)	14,307
Finance income	1,150	750
Finance costs	<u>(4,100)</u>	<u>(2,577)</u>
Finance costs – net	<u>(2,950)</u>	<u>(1,827)</u>
(Loss)/profit before income tax	(36,302)	12,480
Income tax credit	<u>1,334</u>	<u>2,871</u>
(Loss)/profit and total comprehensive (loss)/income for the year	<u>(34,968)</u>	<u>15,351</u>
(Loss)/profit and total comprehensive (loss)/income for the year is attributable to:		
– Owners of the Company	(35,676)	14,513
– Non-controlling interests	<u>708</u>	<u>838</u>
	<u>(34,968)</u>	<u>15,351</u>
(Losses)/earnings per share (expressed in RMB per share)		
– Basic and diluted (losses)/earnings per share	<u>(0.066)</u>	<u>0.028</u>

REVENUE

The Group generated revenue from two operating segments: CRM PaaS services and CRM SaaS services. CRM PaaS services was the slightly larger segment for the two years ended 31 December 2021 and 2022. For the year ended 31 December 2022, CRM PaaS services accounted for 54.6% of the Group's revenue (year ended 31 December 2021: 55.9%) while CRM SaaS services accounted for 45.4% of the Group's revenue (year ended 31 December 2021: 44.1%).

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 year ended 31 December 2022, total revenue had a moderate increase of 5.2% to RMB1,043.4 million from RMB991.9 million for the year ended 31 December 2021. This increase was mainly driven by the growth in the Group's CRM SaaS services.

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
CRM PaaS services	569,177	54.6	554,643	55.9
CRM SaaS services	474,201	45.4	437,298	44.1
	<u>1,043,378</u>	<u>100.0</u>	<u>991,941</u>	<u>100.0</u>

CRM PaaS services

The Group's revenue from CRM PaaS services was relatively stable at RMB569.2 million for the year ended 31 December 2022 (year ended 31 December 2021: RMB554.6 million) accounting for 54.6% of the total revenue of the Group for the year ended 31 December 2022 (year ended 31 December 2021: 55.9%).

CRM SaaS services

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

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Marketing Cloud	390,740	347,618
Sales Cloud	60,584	66,163
Service Cloud	22,877	23,517
	<u>474,201</u>	<u>437,298</u>

The Group's revenue from CRM SaaS services increased by 8.4% to RMB474.2 million for the year ended 31 December 2022 (year ended 31 December 2021: RMB437.3 million), accounting for 45.4% of the total revenue of the Group for the year ended 31 December 2022 (year ended 31 December 2021: 44.1%), primarily due to (i) clients' rising demand for its CRM SaaS services; (ii) enhanced features in its solutions; (iii) increase in number of its core clients⁽⁵⁾ from CRM SaaS services; (iv) increase in average price per core client⁽⁶⁾ from CRM SaaS services; and (v) increase in revenue from Marketing Cloud which was primarily due to the increase in sales volume of its ICC module, while partially offset by the decrease in sales volume of its cloud communication and IoT modules.

COST OF SALES

The Group's cost of sales increased by 7.7% to RMB817.7 million for the year ended 31 December 2022 from RMB759.5 million for the year ended 31 December 2021. The increase was in line with its business expansion in both CRM PaaS services and CRM SaaS services for the year ended 31 December 2022.

CRM PaaS services: The cost of sales from CRM PaaS services increased by 6.1% to RMB524.3 million for the year ended 31 December 2022 from RMB494.1 million for the year ended 31 December 2021, primarily due to the increase in costs of telecommunication resources in relation to CRM PaaS services which was generally in line with the increase in revenue generated from CRM PaaS services.

CRM SaaS services: The cost of sales from CRM SaaS services increased by 10.5% to RMB293.4 million for the year ended 31 December 2022 from RMB265.5 million for the year ended 31 December 2021, primarily due to (i) the increase in costs of telecommunication resources in relation to CRM SaaS services, which was generally in line with the Group's business expansion in CRM SaaS services during the year; and (ii) increase in employee benefit expenses in line with the Group's revenue growth and number of employees during the year.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, the Group's overall gross profit decreased by 2.9% to RMB225.6 million for the year ended 31 December 2022 from RMB232.4 million for the year ended 31 December 2021, while its overall gross profit margin decreased from 23.4% to 21.6%, respectively.

CRM PaaS services: The gross profit margin in CRM PaaS services decreased to 7.9% for the year ended 31 December 2022 from 10.9% for the year ended 31 December 2021. The strict lockdowns and restrictions implemented in relation to COVID-19 pandemic during the fourth quarter of 2022 have temporarily impeded the Group's strategic plannings in optimising CRM PaaS services client portfolio, which led to serving more clients with lower gross profit margin.

Notes:

- (5): For the two years ended 31 December 2021 and 2022, core clients are defined as clients contributing RMB300,000 or above of revenue for the relevant year.
- (6): For the two years ended 31 December 2021 and 2022, the average price per core client refers to the average revenue generated per core client for the relevant year.

CRM SaaS services: The gross profit margin in CRM SaaS services was relatively stable at 38.1% for the year ended 31 December 2022 and 39.3% for the year ended 31 December 2021.

SELLING AND DISTRIBUTION EXPENSES

The Group's selling and distribution expenses increased by 22.3% to RMB111.3 million for the year ended 31 December 2022 from RMB91.0 million for the year ended 31 December 2021, primarily due to increase in employee benefit expenses and marketing and promotion expenses mainly resulting from the expansion of its business where the Group recorded 5.2% increase in revenue and increase in number of employees in sales and marketing function.

ADMINISTRATIVE EXPENSES

The Group's administrative expenses increased by 11.5% to RMB76.4 million for the year ended 31 December 2022 from RMB68.5 million for the year ended 31 December 2021, primarily due to incurrence of listing expenses in the amount of RMB23.0 million.

RESEARCH AND DEVELOPMENT EXPENSES

The Group's research and development expenses increased by 25.1% to RMB82.7 million for the year ended 31 December 2022 from RMB66.1 million for the year ended 31 December 2021, primarily due to (i) the Group's continuous investment in research and development so as to expand its CRM SaaS services; and (ii) the increase in employee benefit expenses which was generally in line with the increase in the number of employees in research and development function.

NET IMPAIRMENT LOSSES ON FINANCIAL ASSETS

The Group's net impairment losses on financial assets increased by 35.2% to RMB7.3 million for the year ended 31 December 2022 from RMB5.4 million for the year ended 31 December 2021, primarily attributable to (i) the increase in its trade receivables which was generally in line with its business expansion; and (ii) the increase in trade receivables aged between one and two years due to the disruption to the collection process brought by COVID-19 pandemic in 2022.

OTHER INCOME

The Group's other income increased by 10.3% to RMB13.9 million for the year ended 31 December 2022 from RMB12.6 million for the year ended 31 December 2021, primarily due to increase in government grants, which was in line with its business expansion.

FINANCE COSTS – NET

The Group's finance costs – net comprise finance income, interest expenses of lease liabilities and interest expenses of borrowings. The Group's finance costs – net amounted to RMB3.0 million and RMB1.8 million for the two years ended 31 December 2022 and 2021, respectively.

INCOME TAX CREDIT

The Group had income tax credit of RMB1.3 million and RMB2.9 million for the two years ended 31 December 2022 and 2021, respectively.

(LOSS)/PROFIT FOR THE YEAR

As a result of the foregoing, the Group had a net loss of RMB35.0 million for the year ended 31 December 2022, compared with a net profit of RMB15.4 million for the year ended 31 December 2021, which was primarily attributable to the (i) continuous increase in the Group's research and development expenses in its CRM SaaS services; and (ii) implementation of strict lockdowns and restrictions in relation to COVID-19 pandemic during the fourth quarter of 2022, which adversely affected (a) the operation of the Group (where headquarter is situated in Haizhu District, Guangzhou, PRC), in particular, part of the implementation activities and corresponding schedules of the Group; and (b) the operations of the Group's clients.

NON-HKFRS MEASURE: ADJUSTED NET (LOSS)/PROFIT

To supplement the Group's consolidated financial information which are presented in accordance with HKFRS, the Group also uses adjusted net (loss)/profit (defined below) as an additional financial measure, which is not required by, or presented in accordance with HKFRS. The Group believes that the presentation of this non-HKFRS measure facilitates comparisons of operating performance. The Group also believes that this measure provides useful information to investors in understanding and evaluating the Group's consolidated results of operations in the same manner as they do for the Group's management. However, the use of non-HKFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, the Group's results of operations or financial conditions as reported under HKFRS. In addition, the non-HKFRS financial measure may be defined differently from similar terms used by other companies. The Group defines "adjusted net (loss)/profit" (non-HKFRS measures) as profit or loss for the year and adding back listing expenses and it referred to expenses the Group incurred in connection with the Global Offering.

The following table sets forth the reconciliations of the Group's non-HKFRS financial measure for the two years ended 31 December 2022 and 2021 to the nearest measure prepared in accordance with HKFRS:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net (loss)/profit	(34,968)	15,351
Adjust for:		
Listing expenses	<u>22,971</u>	<u>15,617</u>
	<u>(11,997)</u>	<u>30,968</u>

TRADE, BILL AND OTHER RECEIVABLES AND PREPAYMENTS

As at 31 December 2022, the Group's trade, bill and other receivables and prepayments amounted to RMB444.5 million, representing an increase of 20.3% as compared with RMB369.6 million as at 31 December 2021. Such increase was primarily due to (i) the increase in prepayments to suppliers from RMB86.7 million as at 31 December 2021 to RMB140.9 million as at 31 December 2022; and (ii) the increase in trade receivables from RMB264.3 million as at 31 December 2021 to RMB285.0 million as at 31 December 2022, which was attributable to the increase in the Group's revenue.

TRADE, BILL AND OTHER PAYABLES

As at 31 December 2022, the Group's trade, bill and other payables amounted to RMB104.1 million, representing a decrease of 24.8% as compared with RMB138.4 million as at 31 December 2021. Such decrease was primarily due to the decrease in trade payables from RMB94.1 million as at 31 December 2021 to RMB48.3 million as at 31 December 2022, which was attributable to the further acceleration of settlements with suppliers.

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 2022, the Group's cash and cash equivalents were RMB161.0 million, representing an increase of 82.3% from RMB88.3 million as at 31 December 2021.

Indebtedness

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Borrowings	88,481	58,480
Lease liabilities	<u>28,083</u>	<u>31,880</u>
	<u>116,564</u>	<u>90,360</u>

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENT

As at 31 December 2022, the Group did not have any material capital commitment.

GEARING RATIO

As at 31 December 2022, 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 27.6% (as at 31 December 2021: 31.5%).

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 2022, major non-RMB assets are cash and cash equivalents 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 2022, the Group had a total of 889 employees, all of whom were based in the PRC. The Group's total employee costs (including directors' emoluments) for the year ended 31 December 2022 was RMB206.1 million (year ended 31 December 2021: RMB171.0 million). Remuneration packages for employees and directors are structured according to market terms as well as individual performance and experience.

The Group has also 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 HELD

As at 31 December 2022, the Group did not hold any significant investments in the equity interests of any other companies, including any investment in an investee company with a value of 5% or more of the Company's total assets as at 31 December 2022.

MATERIAL ACQUISITION OR DISPOSAL OF SUBSIDIARIES

The Group has not conducted any substantial acquisition or disposal of subsidiaries, associates or joint ventures that were required to be disclosed during the year ended 31 December 2022.

PLEDGE OF ASSETS

As at 31 December 2022, the Group did not pledge any of its assets.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group has no concrete plan for future material investments and capital assets as at the date of this announcement.

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

From the Listing Date and up to 31 December 2022, neither the Company nor any of its subsidiaries had purchased, sold or redeemed the Company's listed securities.

DIVIDEND

No dividend for the year ended 31 December 2022 has been proposed by the Board (year ended 31 December 2021: Nil).

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	<i>Note</i>	Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	4	1,043,378	991,941
Cost of sales	5	<u>(817,731)</u>	<u>(759,549)</u>
Gross profit		225,647	232,392
Selling and distribution expenses	5	(111,317)	(91,024)
Administrative expenses	5	(76,361)	(68,515)
Research and development expenses	5	(82,724)	(66,126)
Net impairment losses on financial assets		(7,346)	(5,370)
Other income	6	13,918	12,557
Other gains – net	7	<u>4,831</u>	<u>393</u>
Operating (loss)/profit		(33,352)	14,307
Finance income	8	1,150	750
Finance costs	8	<u>(4,100)</u>	<u>(2,577)</u>
Finance costs – net	8	<u>(2,950)</u>	<u>(1,827)</u>
(Loss)/profit before income tax		(36,302)	12,480
Income tax credit	9	<u>1,334</u>	<u>2,871</u>
(Loss)/profit and total comprehensive (loss)/income for the year		<u>(34,968)</u>	<u>15,351</u>
(Loss)/profit and total comprehensive (loss)/income for the year is attributable to:			
– Owners of the Company		(35,676)	14,513
– Non-controlling interests		<u>708</u>	<u>838</u>
		<u>(34,968)</u>	<u>15,351</u>
(Losses)/earnings per share (expressed in RMB per share)			
– Basic and diluted (losses)/earnings per share	10	<u>(0.066)</u>	<u>0.028</u>

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December	
		2022	2021
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Property, plant and equipment		7,771	8,374
Right-of-use assets		24,707	31,953
Intangible assets		12,722	14,113
Deferred income tax assets		9,767	8,464
Prepayments	11	248	336
		<u>55,215</u>	<u>63,240</u>
Current assets			
Contract fulfilment costs		10,317	5,587
Contract assets		345	95
Financial assets at fair value through profit or loss		–	21,476
Trade, bill and other receivables and prepayments	11	444,213	369,312
Restricted cash		3,589	1
Cash and cash equivalents		160,972	88,256
		<u>619,436</u>	<u>484,727</u>
Total assets		<u>674,651</u>	<u>547,967</u>
Equity			
Equity attributable to owners of the Company			
Share capital		360	34
Share premium		439,569	269,292
Other reserves		(19,676)	(19,894)
Retained earnings		75	35,969
		<u>420,328</u>	<u>285,401</u>
Non-controlling interests		<u>2,461</u>	<u>1,753</u>
Total equity		<u>422,789</u>	<u>287,154</u>

		As at 31 December	
		2022	2021
	<i>Note</i>	RMB'000	RMB'000
Liabilities			
Non-current liabilities			
Lease liabilities		18,165	24,236
Deferred income tax liabilities		<u>–</u>	<u>32</u>
		<u>18,165</u>	<u>24,268</u>
Current liabilities			
Borrowings		88,481	58,480
Contract liabilities		31,086	31,924
Trade, bill and other payables	<i>12</i>	104,088	138,375
Lease liabilities		9,918	7,644
Current income tax liabilities		<u>124</u>	<u>122</u>
		<u>233,697</u>	<u>236,545</u>
Total liabilities		<u>251,862</u>	<u>260,813</u>
Total equity and liabilities		<u><u>674,651</u></u>	<u><u>547,967</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 2022 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 on 28 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of the consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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 and 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, 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 2022:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRS 16	COVID-19 related rent concessions beyond 30 June 2021
Annual improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to HKFRS 3	Reference to the Conceptual Framework
Accounting guideline 5 (Revised)	Revised Accounting Guideline 5 Merger Accounting for Common Control Combinations

The adoption of these new and amended standards disclosed did not have any significant impact on the Group's consolidated financial statements.

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

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
HKFRS 17	Insurance contract (new standard and amendments)	1 January 2023
HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information	1 January 2023
HKFRS 17	Amendments to HKFRS 17	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKFRS 4	Extension of the Temporary Exemption from Applying HKFRS 9	1 January 2023
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024
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.

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 mainly provides cPaaS to encapsulate messaging communication capabilities of the three major telecommunication network operators for the customers to be integrated into the customer's business systems, thereby enabling the customers to access and utilise the communication capabilities as a service.

(ii) *CRM SaaS services*

CRM SaaS services comprises of marketing cloud, sales cloud and service cloud, which enable the Group to provide the customer 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 2022 and 2021, 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 2022 is as follows:

	Year ended 31 December 2022		
	CRM PaaS	CRM SaaS	Total
	services	services	
	RMB'000	RMB'000	RMB'000
Revenue	569,177	474,201	1,043,378
Cost of sales	(524,339)	(293,392)	(817,731)
Gross profit	44,838	180,809	225,647
Selling and distribution expenses			(111,317)
Administrative expenses			(76,361)
Research and development expenses			(82,724)
Net impairment losses on financial assets			(7,346)
Other income			13,918
Other gains – net			4,831
Operating loss			(33,352)
Finance income			1,150
Finance costs			(4,100)
Finance costs – net			(2,950)
Loss before income tax			(36,302)

The segment information provided to the executive directors for the reportable segments for the year ended 31 December 2021 is as follows:

	Year ended 31 December 2021		
	CRM PaaS	CRM SaaS	Total
	services	services	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	554,643	437,298	991,941
Cost of sales	<u>(494,056)</u>	<u>(265,493)</u>	<u>(759,549)</u>
Gross profit	60,587	171,805	232,392
Selling and distribution expenses			(91,024)
Administrative expenses			(68,515)
Research and development expenses			(66,126)
Net impairment losses on financial assets			(5,370)
Other income			12,557
Other gains – net			<u>393</u>
Operating profit			14,307
Finance income			750
Finance costs			<u>(2,577)</u>
Finance costs – net			(1,827)
Profit before income tax			<u><u>12,480</u></u>

4 REVENUE

Revenue mainly comprises of proceeds from providing CRM PaaS services and CRM SaaS services. The analysis of the Group's revenue by category for the year ended 31 December 2022 and 2021 was as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
CRM PaaS services	569,177	554,643
CRM SaaS services	<u>474,201</u>	<u>437,298</u>
	<u><u>1,043,378</u></u>	<u><u>991,941</u></u>

The analysis of revenue from contracts with customers by the timing of revenue recognition for the year ended 31 December 2022 and 2021 was as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At a point in time	1,006,767	956,142
Over time	<u>36,611</u>	<u>35,799</u>
	<u><u>1,043,378</u></u>	<u><u>991,941</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	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Costs of telecommunications resources	780,836	728,366
Employee benefit expenses	206,147	170,959
Listing expenses	22,971	15,617
Travel and entertainment expenses	17,564	16,538
Depreciation and amortisation expenses	13,243	13,588
Outsourcing customer service expenses	12,450	11,691
Infrastructure and equipment expenses	8,792	8,272
Marketing and promotion expenses	6,049	4,072
Professional service fees	4,518	5,670
Outsourcing implementation costs	2,857	1,426
Conference and office expenses	2,342	2,342
Auditors' remuneration	2,300	310
Taxes and other levies	1,727	2,270
Lease payments on short term leases	486	115
Others	<u>5,851</u>	<u>3,978</u>
	<u><u>1,088,133</u></u>	<u><u>985,214</u></u>

6 OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Government grants (<i>Note (a)</i>)	2,947	480
Value-added tax refund (<i>Note (b)</i>)	4,050	4,096
Additional deduction of value-added input tax (<i>Note (c)</i>)	6,523	7,814
Others	398	167
	<u>13,918</u>	<u>12,557</u>

- (a) Government grants represented various subsidies received from relevant government authorities, mainly including research and development subsidy on industrial key technologies, Guangzhou intellectual property subsidy and patent program development subsidy.
- (b) 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%.

- (c) 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 group companies engaged in the provision of CRM SaaS and CRM PaaS services in the PRC are entitled to an extra 10% VAT deduction.

7 OTHER GAINS – NET

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Net losses from disposal of property, plant and equipment	(32)	(913)
Net foreign exchange gain	3,564	–
Net fair value gain on investments in financial assets at fair value through profit or loss	1,293	1,209
Others	6	97
	<u>4,831</u>	<u>393</u>

8 FINANCE COSTS – NET

Year ended 31 December

2022 2021

RMB'000 RMB'000

Finance income

Interest income from bank deposits

1,150 750

Finance costs

Interest expenses of lease liabilities

(1,380) (634)

Interest expenses of borrowings

(2,720) (1,943)

(4,100) (2,577)

Finance costs – net

(2,950) (1,827)

9 INCOME TAX CREDIT

Year ended 31 December

2022 2021

RMB'000 RMB'000

Current income tax

1 97

Deferred income tax

(1,335) (2,968)

Income tax credit

(1,334) (2,871)

10 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the years ended 31 December 2022 and 2021. In determining the weighted average number of ordinary shares outstanding, the 1,000 shares, 52,592,000 shares and 473,337,000 shares issued on 26 April 2021, 3 August 2021 and 15 June 2022, were deemed to be issued on 1 January 2021 as if the Company has been incorporated by then.

Year ended 31 December

2022 2021

(Loss)/profit attributable to owners of the Company (RMB'000)

(35,676) 14,513

Weighted average number of ordinary shares deemed to be in issue
(in thousands)

542,437 525,930

Basic (losses)/earnings per share attributable to the owners of the
Company during the year (expressed in RMB per share)

(0.066) 0.028

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. Diluted (losses)/earnings per share is equal to basic (losses)/earnings per share as there were no potential diluted ordinary shares outstanding during the years ended 31 December 2022 and 2021.

11 TRADE, BILL AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– Third parties (<i>Note (a)</i>)	306,349	278,303
Less: allowance for impairment of trade receivables	<u>(21,367)</u>	<u>(14,050)</u>
	284,982	264,253
Bill receivable		
– Third parties	228	–
Other receivables		
– Third parties	15,797	15,957
Less: allowance for impairment of other receivables	<u>(181)</u>	<u>(174)</u>
	15,616	15,783
Prepayments to suppliers		
– Third parties	140,859	86,666
Prepaid taxes	2,776	1,990
Deferred listing expenses	<u>–</u>	<u>956</u>
Total	444,461	369,648
Less: non-current portion of prepayments	<u>(248)</u>	<u>(336)</u>
Current portion of trade, bill and other receivables and prepayments	<u>444,213</u>	<u>369,312</u>

- (a) 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 2022 and 2021, based on recognition date were as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Ageing		
Up to 3 months	201,722	218,343
3 to 6 months	39,801	34,833
6 months to 1 year	42,370	14,303
1 to 2 years	14,313	2,901
Over 2 years	8,143	7,923
	<u>306,349</u>	<u>278,303</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2022, a provision of RMB21,367,000 (31 December 2021: RMB14,050,000) was made against the gross amounts of trade receivables.

12 TRADE, BILL AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables		
– Third parties (<i>Note (a)</i>)	48,327	94,133
Other payables		
– Third parties	18,417	14,828
Bill payable		
– Third parties	1,758	–
Accrued payroll	30,808	25,621
Other tax payables	4,778	3,793
	<u>35,586</u>	<u>29,414</u>
	<u>104,088</u>	<u>138,375</u>

- (a) As at 31 December 2022 and 2021, the ageing analysis of the trade payables based on recognition date are as follows:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Ageing		
Up to 3 months	19,911	86,604
3 to 6 months	1,281	899
Over 6 months	27,135	6,630
	<u>48,327</u>	<u>94,133</u>

13 DIVIDEND

No dividend for the year ended 31 December 2022 has been proposed by the board of directors (2021: nil).

USE OF PROCEEDS FROM THE LISTING

The Company was listed on the Stock Exchange on 8 July 2022. The net proceeds from the Global Offering (after deducting underwriting fees, commissions and estimated expenses paid and payable by the Company in connection with the Global Offering) was approximately HK\$163.3 million, which have been and will be used in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the Prospectus. The following table sets forth the status of the use of net proceeds from the Global Offering:

Item	Net proceeds (HK\$ million)	Utilised as at 31 December 2022 (HK\$ million)	Unutilised as at 31 December 2022 (HK\$ million)	Expected timeline of full utilisation of the unutilised net proceeds
Improving CRM PaaS services				
Enhancing aPaaS and cPaaS platforms	13.2	4.2	9.0	On or before 31 December 2024
Developing DI capacity	5.6	2.0	3.6	On or before 31 December 2024
Fostering AI capacity	5.6	2.0	3.6	On or before 31 December 2024
Strengthening CRM SaaS services				
Providing all-channel Marketing Cloud Solutions	25.4	7.7	17.7	On or before 31 December 2024
Enhancing Sales Cloud solutions	28.5	6.9	21.6	On or before 31 December 2024
Reinforcing Service Cloud solutions	11.4	3.5	7.9	On or before 31 December 2024
Improving sales and marketing abilities				
Strengthening our brand in the financial, governmental and internet industries	24.5	5.9	18.6	On or before 31 December 2024
Promoting our brand in the consumer, retail and healthcare industries and setting up a relevant industry research institute	4.9	0.9	4.0	On or before 31 December 2024
Enlarging our sales team and post-sales service team	19.6	3.7	15.9	On or before 31 December 2024
Strategic investment and acquisitions	16.4	0	16.4	On or before 31 December 2024
Working capital and general corporate use	8.2	4.2	4.0	On or before 31 December 2024
Total	<u>163.3</u>	<u>41.0</u>	<u>122.3</u>	

Extension of Expected Timeline for Use of Part of Proceeds

As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Company intended to utilise approximately 4.0%, out of the net proceeds from the Global Offering on strategic investment and acquisitions by 31 December 2022 (the “**Expected Timeline**”). The Board has resolved to extend the Expected Timeline and the relevant proceeds from the Global Offering are expected to be utilised by 31 December 2024.

Reasons for the Extension of Expected Timeline for Use of Part of Proceeds

Since the Listing Date, the Group has been actively identifying suitable investment and/or acquisition opportunities that maximise the expected return for the Shareholders and minimise the risks and exposures associated with the investments and/or acquisitions.

Although the Group has been searching for suitable investment and/or acquisition targets in the PRC, it has taken a prudent approach in light of the COVID-19 pandemic and the slow PRC intelligent CRM services market recovery. As at the date of this announcement, the Group has not been able to identify any CRM SaaS or cloud and communication-based AI technologies companies worth acquiring or investing in. In addition, due to the effect brought by the COVID-19 pandemic and economic downturn, the Group adopted a prudent development approach in expansion of its business since the Listing Date.

In spite of the cancellation of the domestic epidemic prevention and control policies by the PRC government in early January 2023, the macro-economic environment requires time to recover and will continue to face great challenges in the foreseeable future. In view of this, on 28 March 2023, the Board resolved to extend the Expected Timeline from on or before 31 December 2022 to on or before 31 December 2024. The extension of the Expected Timeline is based on the Directors’ best estimation barring unforeseen circumstances, and would be subject to changes based on the development of market conditions.

The Board’s Views

The Board will closely monitor the utilisation of the net proceeds from the Global Offering. The Board further confirms that there is no material change in the business of the Group as set out in the Prospectus. The Board considers that the proposed extension of the Expected Timeline for use of the net proceeds from the Global Offering will not have any material adverse impact on the operations of the Group and is in the interests of the Company and the Shareholders as a whole.

CORPORATE GOVERNANCE

The Company is committed to maintaining and implementing strict corporate governance. The principles of the Company's corporate governance are to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of its business, to ensure compliance with applicable laws and regulations in its business and operations, and to enhance transparency and the accountability of the Board to all Shareholders. The Company's corporate governance code is based on the principles and code provisions prescribed in the CG Code as set out in Appendix 14 to the Listing Rules. The Board is of the view that for the year ended 31 December 2022, the Company has complied with all of the code provisions as set out in the CG Code, with the exception of deviations from code provision C.2.1 of the CG Code.

Code provision C.2.1 of Part 2 of the CG Code stipulates that the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. The roles of chairman of the Board (the "**Chairman**") and chief executive officer of the Company are held by Mr. Chen Yonghui ("**Mr. Chen**"). In view of Mr. Chen's experience, personal profile and his roles in the Company, the Board considers it beneficial to the management and business development of the Group and will provide a strong and consistent leadership to the Group that Mr. Chen acts as the Chairman and continues to act as the chief executive officer of the Company.

While this will 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 the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors; (ii) Mr. Chen and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Company 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 operations of the Company.

The Chairman provides leadership to the Board by ensuring the Board works effectively and discharges its responsibilities in time, and all key and appropriate issues are discussed by it in a timely manner. The Chairman himself, or a Director or a company secretary delegated by him, is responsible for determining and approving the agenda for each Board meeting. The Chairman ensures that good corporate governance practices and procedures are established. The Chairman encourages all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. The Chairman ensures that Directors receive, in a timely manner, adequate information which must be accurate, clear, complete and reliable. The Chairman ensures appropriate steps are taken to provide effective communication with Shareholders and that their views are communicated to the Board as a whole. The Chairman promotes the effective contribution of Directors (in particular non-executive Directors) to the Board and ensures constructive relations between executive and non-executive Directors.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as the Group's code of conduct for directors in securities transactions. After making specific inquiries of all Directors, all Directors have confirmed that they have strictly complied with the Model Code for the year ended 31 December 2022.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 6 January 2023, the Company has resolved to make grants of Award Shares under the Restricted Share Award Scheme. Details of the grant is as follows:

Number of Award Shares granted under the Restricted Share Award Scheme:	4,985,000 Shares, representing approximately 0.89% of the issued share capital of the Company as at the date of the grant
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Selected Participants:	Certain core employees who have served the Company for a lengthy period of time and are not connected persons of the Company
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Number of Selected Participants:	54
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For details, please refer to the announcement of the Company dated 6 January 2023.

Save for disclosed above, there were no other material events subsequent to 31 December 2022 which could have a material impact on our operating and financial performance as of the date of this announcement.

AUDIT COMMITTEE

The Audit Committee has discussed with the senior management of the Company and the external auditor of the Company and has reviewed the annual results of the Group for the year ended 31 December 2022 together with the accounting principles 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 year ended 31 December 2022.

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 year ended 31 December 2022 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 year ended 31 December 2022. 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.

PUBLICATION OF ANNUAL RESULTS AND 2022 ANNUAL REPORT

This annual results announcement is published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at cloud.wxchina.com. The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and published on the above websites in due course.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Administration Committee”	a sub-committee of the Board, members of which shall be determined by the chairman of the Board from time to time, with consultation with the chairman of the remuneration committee of the Board, delegated with the power and authority by the Board to administer the Restricted Share Award Scheme
“AI”	artificial intelligence
“all-channel”	the online and offline channels between enterprises and their customers for the purpose of products and services distribution or delivery
“aPaaS”	application platform as a service
“API”	application programming interface
“Audit Committee”	the audit committee of the Board of the Company
“Award Share(s)”	Shares granted pursuant to terms and conditions of the Restricted Share Award Scheme
“Board”	the board of Directors

“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Company” or “Xuan Wu”	Xuan Wu Cloud Technology Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange under stock code 02392
“cPaaS”	communication platform as a service
“CRM”	customer relationship management
“DI”	data intelligence, all the analytical tools and methods a company employs to form a better understanding of and get insights from the information
“Director(s)”	the director(s) of the Company
“Global Offering”	the Hong Kong public offering and the international offering of the offer shares
“Group”	the Company and its consolidated affiliated entities or any of them
“HKFRS”	Hong Kong Financial Reporting Standards
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“ICC”	integrated communication centre
“IoT”	internet of things
“Listing Date”	8 July 2022, being the date on which the Shares became listed and commenced trading on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“module”	in the context of describing our technology infrastructure, a module refers to a part of a system or application that can operate to support specific functionality or use cases such as call, message and management, and a module is usually comprised of multiple functions

“multi-touch”	a net containing various forms of connection, such as, online, offline, business (unified management of marketing and operational communications) and social (integrating contact information of users over various telecom channels and mainstream social media channels) which facilitates the interaction between enterprises and their customers
“PaaS”	platform as a service
“Participant”	(i) directors and employees of the Company or any of its consolidated affiliated entities (including persons who are granted Award Shares under the Restricted Share Award Scheme as an inducement to enter into employment contracts with these companies); (ii) directors and employees of the holding companies, fellow subsidiaries or associated companies of the Company; and (iii) Service Providers
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this annual results announcement only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 24 June 2022
“Reporting Period”	the year ended 31 December 2022
“Restricted Share Award Scheme”	the restricted share award scheme approved and adopted by the Board on 1 December 2022 or as amended from time to time
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SaaS”	software as a service
“SDK”	software development kit
“Selected Participant(s)”	any Participant selected by the Administration Committee in accordance with the terms of and entitled to receive a grant under the Restricted Share Award Scheme
“Service Provider(s)”	persons who provide services to the Group on a continuing or recurring basis in its ordinary and usual course of business which are in the interests of the long term growth of the Group (excluding placing agents, financial advisers, professional service providers such as auditors and valuers)
“Share(s)”	ordinary share(s) of the Company with nominal value of US\$0.0001 each in the share capital of the Company

“Shareholder(s)”	holder(s) of Shares
“SKU”	stock keeping unit
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules

Note: The English transliteration of the Chinese name(s) in this announcement, where indicated by an asterisk (*), is included for identification purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

By order of the Board
Xuan Wu Cloud Technology Holdings Limited
Chen Yonghui
Chairman of the Board

Hong Kong, Tuesday, 28 March 2023

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, Mr. Xu Xin as non-executive Director and Mr. Du Jianqing, Ms. Wu Ruifeng and Prof. Wu Jintao as independent non-executive Directors.