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Ruihe Data Technology Holdings Limited

瑞和數智科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3680)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2024

RESULTS SUMMARY

Revenue of the Group for the Reporting Period was approximately RMB181,011,000, marking an increase of approximately 49.4% or approximately RMB59,885,000 as compared to the first half of 2023. The change was mainly due to the strategic reorientation of the Group's business and the expansion of new track during the Reporting Period, committed to the innovative application of data elements, inclusion of data asset in the financial statements and the localization of the alternative IT innovation, the followings were main changes in the composition of revenue during the Reporting Period: (1) The Group expanded its sales of software, hardware and related services, resulting in an increase in revenue of approximately 115.7% or approximately RMB25,197,000 during the Reporting Period; (2) The Group expanded its new business model and added the commodity trading business during the Reporting Period, resulting in revenue of approximately RMB61,720,000 (1H2023: RMB Nil).

Gross profit for the Reporting Period was approximately RMB14,577,000, reflecting a decrease of approximately 42.4% compared with the first half of 2023. The decrease in gross profit was mainly due to the adjustment of the structure of revenue during the Reporting Period, and the increase in the proportion of commodity trading, sales of software, hardware and related services. The characteristics of the above business determine that their gross profit margin are significantly different from the gross profit margin of data solutions business which the Group has been involving. The adjustment of the composition of revenue is mainly to pave the way for the future development of related businesses.

Net loss for the Reporting Period decreased by 38.8% or approximately RMB24,541,000 from the corresponding period of the previous year to approximately RMB38,635,000 (1H 2023: Net loss of RMB63,176,000). Main reasons for the decrease in loss during the Reporting Period:

- (1) For the Reporting Period, due to the optimization of the Group's project management model and the improvement of accounts receivable management, the provision for impairment of the Group's financial and contract assets decreased by approximately RMB8,523,000 to approximately RMB1,400,000 compared to the corresponding period of the previous year;
- (2) During the Reporting Period, the Group reduced its selling expenses by approximately RMB5,805,000 to RMB5,528,000 as compared to the corresponding period of the previous year by adjusting its organizational structure and optimizing its compensation incentive system;
- (3) The products previously developed by the Group reached a higher level of maturity, the current focus had shifted to the promotion and application of the products, resulting in a decrease in research and development expenses of approximately RMB3,485,000 to approximately RMB19,449,000 during the Reporting Period;
- (4) During the Reporting Period, there were no impairment losses recorded on intangible assets (1H 2023: approximately RMB12,000,000).

For the Reporting Period, the basic loss per share and diluted loss decreased by 55.8% to approximately RMB5.48 cents (1H 2023: Basic loss per share and diluted loss were approximately RMB12.40 cents).

The board (the “**Board**”) of directors (the “**Director(s)**”) of Ruihe Data Technology Holdings Limited (the “**Company**”) announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Reporting Period**”) together with the comparative figures for the six months ended 30 June 2023 (“**1H2023**”).

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

| | Notes | Six months ended 30 June | |
|---|-------|--------------------------|------------------------|
| | | 2024 | 2023 |
| | | RMB'000 | RMB'000 |
| | | (Unaudited) | (Unaudited) |
| Revenue | 4 | 181,011 | 121,126 |
| Cost of sales | | <u>(166,434)</u> | <u>(95,824)</u> |
| Gross profit | | 14,577 | 25,302 |
| Selling expenses | | (5,528) | (11,333) |
| Administrative expenses | | (24,053) | (23,678) |
| Research and development expenses | | (19,449) | (22,934) |
| Expected credit losses on financial and contract assets | 5 | (1,400) | (9,923) |
| Impairment loss on property and equipment | 5 | – | (3,100) |
| Impairment loss on intangible assets | 5 | – | (12,000) |
| Impairment loss on right-of-use assets | 5 | – | (2,700) |
| Fair value change of financial liabilities at fair value through profit or loss (“FVTPL”) | | – | (1,601) |
| Other income | | 2,890 | 2,518 |
| Other gains/(losses), net | | <u>643</u> | <u>(1,293)</u> |
| Operating loss | | <u>(32,320)</u> | <u>(60,742)</u> |
| Finance income | 6 | 128 | 48 |
| Finance costs | 6 | <u>(6,929)</u> | <u>(3,459)</u> |
| Finance costs, net | 6 | (6,801) | (3,411) |
| Share of profits/(losses) of associates | | <u>13</u> | <u>(475)</u> |
| Loss before income tax | 5 | (39,108) | (64,628) |
| Income tax credit | 7 | <u>473</u> | <u>1,452</u> |
| Loss for the period | | <u>(38,635)</u> | <u>(63,176)</u> |

| | | Six months ended 30 June | |
|---|--------------|---------------------------------|------------------------|
| | | 2024 | 2023 |
| | <i>Notes</i> | RMB'000 | <i>RMB'000</i> |
| | | (Unaudited) | (Unaudited) |
| Attributable to: | | | |
| Owners of the Company | | (36,040) | (62,141) |
| Non-controlling interests | | <u>(2,595)</u> | <u>(1,035)</u> |
| | | <u>(38,635)</u> | <u>(63,176)</u> |
| Loss for the period | | <u>(38,635)</u> | <u>(63,176)</u> |
| Other comprehensive (loss)/income | | | |
| Items that may be reclassified to profit or loss: | | | |
| – Currency translation differences | | <u>1,623</u> | <u>(1,174)</u> |
| Total comprehensive loss for the period, net of tax | | <u>(37,012)</u> | <u>(64,350)</u> |
| Total comprehensive loss for the period attributable to | | | |
| Owners of the Company | | (34,417) | (63,315) |
| Non-controlling interests | | <u>(2,595)</u> | <u>(1,035)</u> |
| | | <u>(37,012)</u> | <u>(64,350)</u> |
| Loss per share for loss attributable to owners of the Company: | | | |
| Basic loss per share (<i>RMB cents</i>) | 8 | <u>(5.48)</u> | <u>(12.40)</u> |
| Diluted loss per share (<i>RMB cents</i>) | 8 | <u>(5.48)</u> | <u>(12.40)</u> |

The above interim condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2024

| | | 30 June | 31 December |
|--|--------------|-----------------------|------------------|
| | | 2024 | 2023 |
| | <i>Notes</i> | RMB'000 | RMB'000 |
| | | (Unaudited) | (Audited) |
| ASSETS | | | |
| Non-current assets | | | |
| Property and equipment | 9 | 16,272 | 19,255 |
| Intangible assets | 9 | 74,878 | 80,831 |
| Right-of-use assets | 9 | 9,989 | 14,354 |
| Investment in associates | | 14,774 | 14,761 |
| Deposit paid for acquisition of additional interests in a subsidiary | | 3,465 | 3,465 |
| Financial assets at fair value through other comprehensive income (“FVTOCI”) | | 1,950 | – |
| Deferred tax assets | | 9,337 | 8,853 |
| | | <u>130,665</u> | <u>141,519</u> |
| Current assets | | | |
| Trade and bill receivables | 10 | 91,136 | 104,285 |
| Contract assets | 11 | 70,490 | 71,702 |
| Prepayments | | 12,310 | 5,561 |
| Other receivables | | 7,219 | 6,819 |
| Pledged bank deposits | | 889 | 1,005 |
| Cash and cash equivalents | | 70,232 | 113,257 |
| | | <u>252,276</u> | <u>302,629</u> |
| Total assets | | <u>382,941</u> | <u>444,148</u> |
| EQUITY | | | |
| Equity attributable to the owners of the Company | | | |
| Share capital | | 5,950 | 5,950 |
| Other reserves | | 416,785 | 414,975 |
| Accumulated losses | | (361,127) | (325,086) |
| | | <u>61,608</u> | <u>95,839</u> |
| Non-controlling interests | | <u>18,873</u> | <u>21,468</u> |
| Total equity | | <u>80,481</u> | <u>117,307</u> |

| | | 30 June | 31 December |
|--|--------------|--------------------|------------------|
| | | 2024 | 2023 |
| | <i>Notes</i> | RMB'000 | <i>RMB'000</i> |
| | | (Unaudited) | (Audited) |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Lease liabilities | <i>14</i> | 3,186 | 6,149 |
| Deferred tax liabilities | | 595 | 680 |
| Bank and other borrowings | <i>13</i> | 10,000 | 10,000 |
| | | 13,781 | 16,829 |
| Current liabilities | | | |
| Trade payables | <i>12</i> | 78,230 | 91,594 |
| Accruals and other payables | | 40,072 | 43,976 |
| Contract liabilities | <i>11</i> | 620 | 997 |
| Amounts due to directors | | 2,380 | – |
| Current income tax liabilities | | 1,991 | 2,046 |
| Lease liabilities | <i>14</i> | 3,642 | 5,207 |
| Bank and other borrowings | <i>13</i> | 161,744 | 166,192 |
| | | 288,679 | 310,012 |
| Total liabilities | | 302,460 | 326,841 |
| Total equity and liabilities | | 382,941 | 444,148 |
| Net current liabilities | | (36,403) | (7,383) |
| Total assets less current liabilities | | 94,262 | 134,136 |

The above interim condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Ruihe Data Technology Holdings Limited (the “**Company**”) is a limited company incorporated in the Cayman Islands on 6 December 2018 as an exempted company. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are engaged in provision of data solutions, sales of hardware and software and related services as an integrated service, information technology (“**IT**”) maintenance and support services and trading of commodities.

The interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000).

2 BASIS OF PREPARATION

This interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with the International Accounting Standard (“**IAS**”) 34, “Interim financial reporting”.

The interim condensed consolidated financial information does not include all the notes normally included in the annual financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”).

3 APPLICATION OF NEW AND REVISED IFRSs

In the current period, the Group has adopted all the new and revised IFRSs issued by the International Accounting Standards Board (“**IASB**”) that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. IFRSs comprise International Financial Reporting Standards (“**IFRSs**”), International Accounting Standards (“**IASs**”) and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to the Group’s accounting policies, presentation of the Group’s interim condensed consolidated financial information and amounts reported for the current period and prior years.

The Group has not applied the new IFRSs that have been issued but are not yet effective. The application of these new IFRSs will not have material impact on the interim condensed consolidated financial information of the Group.

4 REVENUE AND SEGMENT INFORMATION

| | Six months ended 30 June | |
|---|---------------------------------|-------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from contracts with customers | | |
| Integrated data technology services | | |
| – Data solutions | 68,491 | 88,885 |
| – Sales of hardware and software and related services as an integrated service | 46,968 | 21,771 |
| – IT maintenance and support services | 3,832 | 10,470 |
| | 119,291 | 121,126 |
| Trading of commodities | 61,720 | – |
| | 181,011 | 121,126 |
| Timing of revenue recognition | | |
| – At a point in time | 108,688 | 21,771 |
| – Over time | 72,323 | 99,355 |
| | 181,011 | 121,126 |

The chief operating decision-maker (“CODM”) has been identified as the directors of the Group. The CODM regards the Group’s business units based on their products and services and has following reportable segments as follows:

- (a) Integrated data technology services – data solutions, sales of hardware and software and related services as an integrated service, and IT maintenance and support services; and
- (b) Trading of commodities.

The Group’s reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

Segment profits or losses do not include share of profits/(losses) of associates, finance income and corporate administrative expenses incurred by the Company.

- (a) The information about reportable segment profit or loss provided to the CODM for the six months ended 30 June 2024 and 2023 are as follows:

| | 2024 | | | 2023 | | |
|--|-------------------------------------|------------------------|-----------------|-------------------------------------|------------------------|-----------------|
| | Integrated data technology services | Trading of commodities | Total | Integrated data technology services | Trading of commodities | Total |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Segment revenue | | | | | | |
| - Data solutions | 68,491 | - | 68,491 | 88,885 | - | 88,885 |
| - Sales of hardware and software and related services as an integrated service | 46,968 | - | 46,968 | 21,771 | - | 21,771 |
| - IT maintenance and support service | 3,832 | - | 3,832 | 10,470 | - | 10,470 |
| - Trading of commodities | - | 61,720 | 61,720 | - | - | - |
| | <u>119,291</u> | <u>61,720</u> | <u>181,011</u> | <u>121,126</u> | <u>-</u> | <u>121,126</u> |
| Segment loss | (37,025) | (64) | (37,089) | (63,017) | - | (63,017) |
| Unallocated (loss)/profit | | | (1,559) | | | 316 |
| Share of profits/(losses) of associates | | | 13 | | | (475) |
| Loss for the period | | | <u>(38,635)</u> | | | <u>(63,176)</u> |
| Other segment information: | | | | | | |
| Depreciation of property, plant and equipment | 3,349 | 21 | 3,370 | 4,132 | - | 4,132 |
| Amortisation of intangible assets | 8,142 | - | 8,142 | 8,329 | - | 8,329 |
| Depreciation of right of use assets | 2,631 | - | 2,631 | 3,396 | - | 3,396 |
| Expected credit losses on financial and contract assets | 1,400 | - | 1,400 | 9,923 | - | 9,923 |
| Impairment loss on property and equipment | - | - | - | 3,100 | - | 3,100 |
| Impairment loss on intangible assets | - | - | - | 12,000 | - | 12,000 |
| Impairment loss on right-of-use assets | - | - | - | 2,700 | - | 2,700 |
| Finance income | 121 | 7 | 128 | 48 | - | 48 |
| Finance costs | (6,929) | - | (6,929) | (3,459) | - | (3,459) |
| Income tax (credit)/expense | (475) | 2 | (473) | (1,452) | - | (1,452) |
| Additions to non-current assets | <u>2,617</u> | <u>328</u> | <u>2,945</u> | <u>4,274</u> | <u>-</u> | <u>4,274</u> |

- (b) The Group's revenue by geographical locations (as determined by the area or country in which the Group operates) is analysed as follows:

| | Six months ended 30 June | |
|----------------|---------------------------------|----------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Mainland China | <u>181,011</u> | <u>121,126</u> |

All the Group's non-current assets are principally located in Mainland China.

For the Group's provision of data solutions and the sales of hardware and software and related services as an integrated service, contracts are for periods of one year or less. For the Group's IT maintenance and support services, the Group bills the amount for each hour of service provided, and therefore, the Group uses "right to invoice" practical expedient to recognise revenue in the amount to which the Group has a right to invoice. As permitted under practical expedient of IFRS 15, the transaction price allocated to these unsatisfied contracts are not disclosed.

5 LOSS BEFORE INCOME TAX

The Group's loss before income tax has been arrived at after charging/(crediting):

| | Six months ended 30 June | |
|---|------------------------------------|-----------------------------|
| | 2024 | 2023 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Employee benefit expenses (including directors' emoluments) | 56,944 | 100,663 |
| Amortisation of intangible assets (<i>Note 9</i>) | 8,142 | 8,329 |
| Expenses related to short-term leases | 316 | 197 |
| Depreciation of right-of-use assets (<i>Note 9</i>) | 2,631 | 3,396 |
| Depreciation of property and equipment (<i>Note 9</i>) | 3,370 | 4,132 |
| Loss on written off of property, plant and equipment | 18 | – |
| Expected credit losses on trade and bill receivables (<i>Note 10</i>) | 1,898 | 3,769 |
| (Reversal of expected credit losses)/expected credit losses on contract assets (<i>Note 11</i>) | (498) | 6,154 |
| Impairment loss on property and equipment (<i>Note 9</i>) | – | 3,100 |
| Impairment loss on intangible assets (<i>Note 9</i>) | – | 12,000 |
| Impairment loss on right-of-use assets (<i>Note 9</i>) | – | 2,700 |
| | <u> </u> | <u> </u> |

6 FINANCE COSTS, NET

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Finance income | | |
| – Interest income on bank deposits | <u>128</u> | <u>48</u> |
| Finance costs | | |
| – Interest expense on bank and other borrowings | (6,236) | (2,513) |
| – Interest expense on amount due to directors | (430) | (772) |
| – Finance charges on lease liabilities | <u>(263)</u> | <u>(174)</u> |
| | <u>(6,929)</u> | <u>(3,459)</u> |
| Finance costs, net | <u>(6,801)</u> | <u>(3,411)</u> |

7 INCOME TAX CREDIT

The amount of income tax credit recorded in the interim condensed consolidated statement of comprehensive income represents:

| | Six months ended 30 June | |
|---------------------------------------|--------------------------|----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Current income tax (expenses)/credit | (96) | 1,564 |
| Deferred income tax credit/(expenses) | <u>569</u> | <u>(112)</u> |
| Income tax credit | <u>473</u> | <u>1,452</u> |

The Company was incorporated in the Cayman Islands and under the current Cayman Islands tax regime, is not subject to income tax.

The Company's subsidiaries established in the PRC are subjected to the PRC Enterprise Income Tax rate of 25% for the six months ended 30 June 2024 (30 June 2023: 25%), while the applicable enterprise income tax rate for Shenzhen Suoxinda Data Technology Co., Ltd. ("**Suoxinda Shenzhen**"), Ruihe Data (Beijing) Technology Co., Ltd. ("**Ruihe Beijing**") and Shenzhen Yinxing Intelligent Date Co., Ltd. ("**Shenzhen Yinxing**") were 15% for both of the six months ended 30 June 2024 and 2023 as these companies were recognised by relevant PRC authorities as National High and New Technological Enterprise ("**NHNT**") and were entitled to a preferential Enterprise Income Tax rate from 2023 to 2026, from 2021 to 2024 and from 2022 to 2025 respectively.

The Company's subsidiaries established in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the six months ended 30 June 2024 (30 June 2023: 16.5%).

8 LOSS PER SHARE

| | Six months ended 30 June | |
|--|---------------------------------|-----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Loss attributable to owners of the Company for the purpose of calculating basic loss per share (<i>RMB'000</i>) | (36,040) | (62,141) |
| Adjustment of loss attributable to non-controlling interests of the subsidiary on conversion of convertible loans into subsidiary's capital (<i>RMB'000</i>) | <u>—</u> | <u>—</u> |
| Loss attributable to owners of the Company for the purpose of calculating diluted loss per share (<i>RMB'000</i>) | <u>(36,040)</u> | <u>(62,141)</u> |
| Weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share (<i>Number of shares in thousand</i>) | <u>657,948</u> | <u>501,226</u> |
| Basic loss per share (<i>RMB cents</i>) | <u>(5.48)</u> | <u>(12.40)</u> |
| Diluted loss per share (<i>RMB cents</i>) | <u>(5.48)</u> | <u>(12.40)</u> |

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares issued during the respective periods and shares granted under share award scheme on 28 December 2021 and 8 April 2022.

Diluted loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding to assume the issue of all dilutive potential ordinary shares. Potential ordinary shares are dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share. Weighted average number of ordinary shares for the purpose of calculating diluted loss per share does not adjust for the effects of share awards and share options because (i) the exercise price of those share options are higher than the average market prices of the Company's shares; and (ii) the impacts of the shares to be issued under share awards scheme has anti-dilutive effects on the basic loss per share amounts presented. (Six months ended 30 June 2023: Weighted average number of ordinary shares for the purpose of calculating diluted loss per share does not adjust for the effects of share awards, share options and convertible loans because (i) the exercise price of those share options are higher than the average market prices of the Company's shares; and (ii) the impacts of the shares to be issued under share awards scheme and convertible loans has anti-dilutive effects on the basic loss per share amounts presented.).

9 PROPERTY AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT-OF-USE ASSETS

| | Property and equipment | Intangible assets | Right-of-use assets |
|---|-----------------------------------|------------------------------|--------------------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Six months ended 30 June 2024 | | | |
| Net book value | | | |
| Opening amount as at 1 January 2024 (Audited) | 19,255 | 80,831 | 14,354 |
| Additions (unaudited) | 400 | 2,186 | 359 |
| Termination of leases (unaudited) | – | – | (2,093) |
| Written off (unaudited) | (18) | – | – |
| Depreciation and amortisation (unaudited) | (3,370) | (8,142) | (2,631) |
| Exchange alignment (unaudited) | 5 | 3 | – |
| | <hr/> | <hr/> | <hr/> |
| Closing amount as at 30 June 2024 (Unaudited) | <u>16,272</u> | <u>74,878</u> | <u>9,989</u> |
| Six months ended 30 June 2023 | | | |
| Net book value | | | |
| Opening amount as at 1 January 2023 (Audited) | 30,508 | 95,795 | 17,023 |
| Additions (unaudited) | 35 | 3,833 | 406 |
| Disposals (unaudited) | (974) | (774) | – |
| Written off (unaudited) | (6) | – | – |
| Depreciation and amortisation (unaudited) | (4,132) | (8,329) | (3,396) |
| Impairment losses (unaudited) | (3,100) | (12,000) | (2,700) |
| Exchange alignment (unaudited) | 14 | 6 | – |
| | <hr/> | <hr/> | <hr/> |
| Closing amount as at 30 June 2023 (Unaudited) | <u>22,345</u> | <u>78,531</u> | <u>11,333</u> |

10 TRADE AND BILL RECEIVABLES

Trade and bill receivables analysis is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--|---|---|
| Trade receivables | 153,152 | 165,018 |
| Less: provision for trade receivables | <u>(64,156)</u> | <u>(62,308)</u> |
| Trade receivables, net | <u>88,996</u> | <u>102,710</u> |
| Bill receivables | 2,193 | 1,578 |
| Less: allowance for expected credit losses | <u>(53)</u> | <u>(3)</u> |
| Bill receivables, net | <u>2,140</u> | <u>1,575</u> |
| Total trade and bill receivables, net | <u>91,136</u> | <u>104,285</u> |

Bill receivable represent the unconditional order in writing issued by a customer of the Group for completed sales which entitle the Group to collect a sum of money from the customer. The bill is non-interest bearing and has a maturity of six months.

As at 30 June 2024, trade receivables of the Group of approximately RMB14,421,000 have been pledged for certain bank borrowings of the Group (31 December 2023: approximately RMB12,795,000) (Note 13(a)).

Movements on the Group's allowance for expected credit losses of trade and bill receivables are as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 30 June 2023 RMB'000 (Unaudited) |
|------------------------------------|---|---|
| At the beginning of the period | (62,311) | (47,660) |
| Increase in expected credit losses | <u>(1,898)</u> | <u>(3,769)</u> |
| At the end of the period | <u>(64,209)</u> | <u>(51,429)</u> |

- (a) The Group allows a credit period of up to 60 days to its customers. The aging analysis of trade receivables based on invoice date is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--------------------|---|---|
| Up to 3 months | 65,198 | 95,467 |
| 3 to 6 months | 1,464 | 2,082 |
| 6 months to 1 year | 26,183 | 9,073 |
| Over 1 year | <u>62,500</u> | <u>59,974</u> |
| | <u>155,345</u> | <u>166,596</u> |

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade and bill receivables. To measure the expected credit losses, trade and bill receivables have been assessed based on credit risk characteristics of the customers with reference to a wide range of factors such as default rates of customers, aging profile of overdue balances, the repayment and default histories of different customers, on-going business relationship with the relevant customers and forward-looking information that affecting the customers' ability to repay the outstanding balances. Financial assets are written off when there is no reasonable expectation of recovery.

The allowance for expected credit losses on trade and bill receivables as of 31 December 2023 and 30 June 2024 are determined as follows:

| | Current | Up to 3 months past due | 3 to 6 months past due | 6 to 12 months past due | Over 12 months past due | Total |
|--|---------|-------------------------------|------------------------------|-------------------------------|-------------------------------|---------|
| 30 June 2024 (unaudited): | | | | | | |
| Weighted average expected loss rate | 1% | 8% | 10% | 12% | 92% | |
| Gross carrying amount (in RMB'000) | 19,773 | 44,605 | 19,460 | 9,342 | 62,165 | 155,345 |
| Allowance for expected credit losses (in RMB'000) | 250 | 3,430 | 2,031 | 1,096 | 57,402 | 64,209 |
| 31 December 2023 (audited): | | | | | | |
| Weighted average expected loss rate | 5% | 2% | 14% | 10% | 95% | |
| Gross carrying amount (in RMB'000) | 80,852 | 15,010 | 5,244 | 6,208 | 59,282 | 166,596 |
| Allowance for expected credit losses (in RMB'000) | 4,296 | 345 | 713 | 608 | 56,349 | 62,311 |

Weighted average expected credit losses rates were determined based on the cash collection performance for customers with respect to the credit terms granted to each customer and also taking into account the forward-looking information. The cash collection patterns are affected by a number of factors including but not limited to the change in customer portfolios of the Group, the effort of cash collection from the customers, the timing of settlement processes by customers of the Group etc.

11 CONTRACT ASSETS/(LIABILITIES)

Contract assets/(liabilities) analysis is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|--|---|---|
| Contract assets | 103,069 | 104,779 |
| Less: allowance for expected credit losses | <u>(32,579)</u> | <u>(33,077)</u> |
| | <u>70,490</u> | <u>71,702</u> |
| Contract liabilities | <u>(620)</u> | <u>(997)</u> |

Movements on the Group's allowance for expected credit losses on contract assets are as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 30 June 2023 RMB'000 (Unaudited) |
|---|---|---|
| At the beginning of the period | (33,077) | (22,538) |
| Decrease/(increase) in expected credit losses | <u>498</u> | <u>(6,154)</u> |
| At the end of the period | <u>(32,579)</u> | <u>(28,692)</u> |

The contract assets are primarily related to the Group's rights to consideration for work completed and not billed because the rights are conditional on the Group's future performance in achieving specified milestones at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically reclassifies contract assets to trade receivables on the date of acceptance reports issued by the customers when such right of collections becomes unconditional other than the passage of time.

The contract assets relate to unbilled work in progress. Except for an individual customer with contract asset amounted to approximately RMB32,095,000 (31 December 2023: approximately RMB32,095,000) has been fully provided in view of increase in credit risk, the remaining balances substantially have the same risk characteristics as the trade receivables. As at 30 June 2024, the Group has recognized impairment on contract assets of approximately RMB32,579,000 (30 June 2023: approximately RMB28,692,000).

12 TRADE PAYABLES

Trade payables analysis is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|----------------|---|---|
| Trade payables | <u>78,230</u> | <u>91,594</u> |

The aging analysis of the trade payables based on invoice dates is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---------------|---|---|
| Up to 30 days | 31,797 | 67,256 |
| 31 to 60 days | 1,252 | 5,075 |
| 61 to 90 days | 2,344 | 3,961 |
| Over 90 days | <u>42,837</u> | <u>15,302</u> |
| | <u>78,230</u> | <u>91,594</u> |

13 BANK AND OTHER BORROWINGS

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|------------------------------------|---|---|
| Non-current | | |
| Bank borrowings <i>(Note (a))</i> | <u>10,000</u> | <u>10,000</u> |
| Current | | |
| Bank borrowings <i>(Note (a))</i> | 66,744 | 64,728 |
| Other borrowings <i>(Note (b))</i> | <u>95,000</u> | <u>101,464</u> |
| | <u>161,744</u> | <u>166,192</u> |
| Total | <u><u>171,744</u></u> | <u><u>176,192</u></u> |

(a) Bank borrowings

The bank loans due for repayment, based on the scheduled repayment dates set out in the loan agreements, are as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|---|---|
| Within 1 year | 66,744 | 64,728 |
| In the second years | – | – |
| In the third to fifth years | <u>10,000</u> | <u>10,000</u> |
| | 76,744 | 74,728 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | <u>(66,744)</u> | <u>(64,728)</u> |
| Amount due for settlement after 12 months | <u><u>10,000</u></u> | <u><u>10,000</u></u> |

The carrying amounts of the bank borrowings approximate their fair values and are denominated in RMB. The weighted average interest rate is 4.3% per annum for the six months ended 30 June 2024 (31 December 2023: 4.2%).

The Group's banking facilities are secured and/or guaranteed by:

- (i) corporate guarantee from independent third parties of approximately RMB Nil as at 30 June 2024 (31 December 2023: RMB5,000,000);
- (ii) pledged bank deposits of approximately RMB889,000 held at bank as at 30 June 2024 (31 December 2023: approximately RMB1,005,000);
- (iii) trade receivables outstanding from specific customers of the Group of approximately RMB14,421,000 as at 30 June 2024 (31 December 2023: approximately RMB12,795,000) (Note 10);
- (iv) property owned by a director of the Company; and
- (v) personal guarantees from Mr. Xue Shouguang (“**Mr. Xue**”), Mr. Chen Zhenping (“**Mr. Chen**”), and legal representatives of two subsidiaries.

(b) Other borrowings

The other borrowings due for repayment, based on the scheduled repayment dates set out in the loan agreements, is as follows:

| | 30 June 2024 RMB'000 (Unaudited) | 31 December 2023 RMB'000 (Audited) |
|---|---|---|
| On demand | 20,000 | 20,000 |
| Within 1 year | <u>75,000</u> | <u>81,464</u> |
| | <u>95,000</u> | <u>101,464</u> |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | <u>(95,000)</u> | <u>(101,464)</u> |
| Amount due for settlement after 12 months | <u>–</u> | <u>–</u> |

In June 2022, the Group entered into a sale and leaseback agreement with an independent third party to obtain a loan at a principal amount of RMB11,000,000. The loan bear interest at 9.2% per annum and is repayable in equal monthly installments by June 2024.

In August and October 2023, the Group entered into certain loans agreements with two independent third parties to obtain loans at principal amounts of RMB20,000,000 and RMB59,000,000 respectively. The loans are unsecured, bears interest at 6% per annum and repayable by February 2024. During the six months ended 30 June 2024, the Group repaid part of loans at principal amounts of RMB20,000,000 and RMB24,000,000 to each of the two independent third parties respectively. The remaining loan at principal amount of RMB35,000,000 is extended to be repayable by August 2024.

In February and March 2024, the Group entered into certain loans agreements with two independent third parties to obtain loans at principal amounts of RMB20,000,000 and RMB20,000,000 respectively. The loans are unsecured, bears interest at 6% per annum and repayable by August 2024.

At 31 December 2023, the convertible loans of Ruihe (Beijing), an indirect wholly owned subsidiary of the Company, were on demand for repayment as the investor decided not to exercise the conversion option and redeemed the outstanding loans at their principal amounts of RMB20,000,000. Therefore, the outstanding loans of RMB20,000,000 were reclassified from financial liabilities at FVTPL to other borrowings. Up to the date of approval for issuance of the interim condensed consolidated financial statements, the Group is still in the progress of negotiations with the investor for a possible resolution on repayment plan. The loans are secured by certain shares of the Company held by a precedent director and personal guarantee from a precedent director.

The carrying amounts of bank and other borrowings approximate their fair values as at 30 June 2024 and 31 December 2023.

14 LEASE LIABILITIES

| | 30 June 2024 | 31 December 2023 |
|---|-------------------------|---------------------|
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Audited) |
| Within one year | 3,941 | 5,719 |
| One to two years | 2,891 | 3,975 |
| Two to five years | 395 | 2,503 |
| Over five years | 34 | – |
| | <hr/> | <hr/> |
| Total lease payments | 7,261 | 12,197 |
| Less: future finance charges | (433) | (841) |
| | <hr/> | <hr/> |
| Total lease liabilities | 6,828 | 11,356 |
| Less: portion classified as current liabilities | (3,642) | (5,207) |
| | <hr/> | <hr/> |
| Portion classified as non-current liabilities | 3,186 | 6,149 |
| | <hr/> <hr/> | <hr/> <hr/> |

The Group leases various office premises and equipment under lease agreements. The lease liabilities are denominated in RMB. No arrangement has been entered into for variable lease payments.

The Group's expenses related to short-term leases of approximately RMB316,000 for the six months ended 30 June 2024 (30 June 2023: approximately RMB197,000) have been recognised in the interim condensed consolidated statement of comprehensive income.

The total cash outflows for leases including payments of lease liabilities and payments of interest expenses for the six months ended 30 June 2024 is approximately RMB2,555,000 (30 June 2023: approximately RMB2,131,000).

15 DIVIDENDS

No dividends have been paid or declared by the Company during the six months ended 30 June 2024 (30 June 2023: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

I. Industry Background Analysis

In the first half of 2024, China's GDP grew by 5.0% year-on-year, with the overall operation being stable and progressing while stabilizing, new driving forces accelerating, and new progress being made in high-quality development. While China's economic fundamentals remained stable, the quality of economic development continued to improve. In the first half of the year, investment in high-tech industries grew by 10.6% year-on-year, faster than all investments by 6.7 percentage points; the value-added of above-average high-tech manufacturing industries grew by 8.7% year-on-year.

At the industry level, the government continued to introduce policies to promote the construction of a modernized industrial system, accelerate the development of new-quality productivity, promote the innovative development of the digital economy, and deepen the research and development applications of big data and artificial intelligence ("AI"). In the Report on the Implementation of the National Economic and Social Development Plan for 2023 and the Draft National Economic and Social Development Plan for 2024 adopted by the 14th National People's Congress, two actions, namely, "Artificial Intelligence +" and "Data Elements ×", are listed as the major tasks in 2024 to actively foster the development of emerging and future industries, as well as to promote the in-depth integration of digital technology with the real economy.

On 4 January 2024, 17 departments including the National Bureau of Data jointly issued the "Data Elements ×" Three-year Action Plan (2024–2026), which aims to activate the potential of data elements and promote the high-quality development of the digital economy through the deep integration and innovative application of data. Data bureaus and data exchanges have been set up in 23 provinces, cities and regions, including Beijing, Shanghai, Zhejiang Province and Guangdong Province, to make overall plans and promote the construction of data markets and the management of the circulation of data elements. The "Guidance on Strengthening Data Asset Management" issued by the Ministry of Finance aims to build a "market-led, government-guided, multi-party co-construction" data asset governance model, gradually establish and improve the data asset management system, constantly improve and enrich the economic and social value of data assets, and promote the whole process management of data assets as well as compliance, standardization and value-adding.

In 2024, with the official implementation of data assets in financial reports, the development of China's data factor market ushered in a historical key node, the era of data factor industrialization has arrived, and the digital China strategy continues to advance. During the Report Period, the Chinese government and enterprises are actively promoting the prospects of data assets in the financial reports and completing case studies in several provinces and cities across the country.

With strong support from national policies, we expect China's digital economy to expand rapidly. According to the research report of Zhongyan Puhua Industrial Research Institute (中研普華產業研究院), the market size of China's digital economy is expected to reach RMB63.8 trillion in 2024, and the scale of China's digital economy is expected to reach RMB70.8 trillion in 2025, and the overall scale of China's digital economy market will continue to maintain significant growth. According to the data of the National Industry and Information Safety Development Research Center, it is expected that during the "14th Five-Year Plan" period, the compound growth rate of China's data factor market will exceed 25%, the activity of China's data factor circulation market will be significantly increased, and the overall scale will continue to expand, and the total value is expected to reach RMB159.2 billion in 2024. By 2025, the scale is expected to approach RMB200 billion. According to the forecast data of International Data Corporation (IDC) and CCID Consulting, the overall IT investment of China's banking industry is expected to reach RMB513.234 billion by 2026, with a compound annual growth rate of 16.66% from 2022 to 2026; Among them, the IT solution market size of China's banking industry is expected to reach RMB139.011 billion by 2026, with a compound annual growth rate of 23.55% from 2022 to 2026. It is expected that the Group's new business track expansion and financial business development have broad room for growth.

As a leading AI big data and marketing technology enterprise in China, the Group's main business is to provide customers with localized alternative products and solutions for big data, AI and digital marketing. Under the general trend of national policy support and industry development, the Group has ushered in the era wave and policy dividend period of AI big data industry development. The development of industries such as digital economy, data elements, digital assets including in financial reports, big data, AI, AI large model, localization of IT application innovation, software and hardware information technology construction, which are highly relevant to the business, has created a broad development space and growth potential for the Group.

II. Review of performance in the first half of 2024

During the Reporting Period, the Group continued to consolidate its core competitiveness in the fields of data intelligence and marketing technology, deepen existing customer bases such as banking, securities, insurance, funds and manufacturing, continue to expand new strategic business tracks, innovate new business models, and actively explore new fields such as inclusion of data asset in financial statements, financial AI large model, information technology localization, and software and hardware information technology construction. The Group commits to transform to an intelligent comprehensive service providers.

1. ***Consolidate the existing business, expand the strategic new track, and enable the development of new quality productivity***

(1) Consolidate existing business

During the Reporting Period, the Group continued in-depth cooperation with a major state-owned bank's headquarter to expand the bank's new business in various fields, such as warehouse application development project, implementation of new regulations on financial asset impairment, Examination and Analysis System Technology (EAST) product and domestic upgrading project, construction project of new generation credit card core system, general ledger system, centralized acquisition system and fraud detection system project and business clients management system integration and migration project, etc. It reflects the Group's market influence and comprehensive competitive advantage in data application fields such as data governance, data standardization, data services, data analysis applications, data maintenance and data security, and also shows that customers highly recognize the comprehensive strength of the Group's products, technical solutions and professional delivery capabilities.

At the same time, the Group also successfully renewed the implementation project of one warehouse and four markets (marketing market) in a provincial joint-stock city in Southwest China, giving full play to the technical advantages of the Group in data intelligence and marketing technology, and deeply empowering customers from multiple business scenarios such as customer analysis insight, customer base refinement management and smart marketing system construction.

In addition, during the Reporting Period, the Group successfully won the bid for a data application model research and development service project of an agricultural commercial bank in the Northeast region, further expanding the Group's influence in the national financial institutions market.

(2) *Expand strategic new track*

While consolidating and maintaining long-term cooperation with financial institution customers represented by the banking industry, the Group continues to explore new businesses, new scenarios, new models and new tracks. The Group gave full play to its technological and resource advantages in the field of digital intelligence, and during the Reporting Period, Advantage Financial Holdings (Shanghai) Asset Management Co., Ltd.* (優勢金控(上海)資產管理有限公司), as the general partner, Quanzhou Big Data Operation Service Co., Ltd.* (泉州大數據運營服務有限公司) (“**Quanzhou Big Data**”), Quanzhou Licheng Culture & Tourism Investment Group Co., Ltd.* (泉州鯉城文旅投資集團有限公司), Beijing eGOVA Co., Ltd.* (北京數字政通科技股份有限公司) and Shenzhen Suoxinda Data Technology Co., Ltd.* (深圳索信達數據技術有限公司), a subsidiary of the Company, as limited partners, entered into a partnership agreement to jointly invest RMB100 million to establish a new partnership. The purpose of the partnership is to actively explore the innovative application of data assets, expand the application business model of more industry data elements, improve the application and promotion of big data in government and enterprises, financial institutions and internet systems, and promote the construction of domestic IT, smart cities and the development of information and innovation industries. During the Reporting Period, the Group also signed a number of strategic cooperation agreements with Quanzhou Licheng District People's Government and Quanzhou Big Data, a company under the Quanzhou SASAC, and established the Ruihe Data South China Intelligence Center to jointly promote the integration of Quanzhou's digital economy industry, accelerate the potential release of data element resources, and accelerate the high-quality development of new quality productivity.

2. *Strengthen independent innovation, master the independent intellectual property rights of core technologies, and drive sustainable competitiveness*

Adhering to the concept of independent innovation, the Group continues to make innovative breakthroughs in the field of products and technologies, and continues to refine and upgrade its flagship products and technology solutions such as smart marketing, label portrait, regulatory compliance and big data application. From the data platform, data analysis, data application to data operation, the end-to-end technology and service system has been established, and the software and hardware product development and technical solution service capabilities have been strengthened. The Group has self-developed distributed database, data governance suite, data asset management platform, data management and integrated development suite and other data platform products with independent intellectual property rights, combined with intelligent marketing, regulatory reporting and other data application software and AI innovative products, to help customers connect the front, middle and background full link data.

As at 30 June 2024, the Group has applied for a total of 244 national intellectual property rights certificates, of which 47 national invention patent authorization certificates and 140 computing software copyright certificates have been obtained. During the Reporting Period, the Group’s “Lingxi Integrated Intelligent Marketing Platform” completed the mutual certification of joint solutions with 17 ecological partners such as Alibaba Cloud; At the same time, the “Full Data Asset Visualization Project” jointly declared by the Group and a joint-stock commercial bank won the “2024 China Data Asset Management Best Practice Case”.

3. *Build a new ecosystem of open and integrated strategic cooperation and create a new situation for cooperation in the digital industry*

During the Reporting Period, the Group attached great importance to cooperation with strategic ecological partners, actively participated in the layout of new ecological cooperation, cooperated with a number of domestic head internet institutions, government and enterprises, and jointly provided customers with full-stack localization of AI big data implementation and deployment schemes.

In January 2024, the Group and 13 leading technology enterprises such as Alibaba Cloud jointly released 17 joint solutions, covering cloud native decentralized transformation of core systems in the field of banking, securities and insurance, data asset reconstruction of financial institutions and AI application scenario exploration.

In April 2024, the Group participated in the Second Regional Bank Digital Intelligence Integration Innovation Summit hosted by Huawei to discuss and share cutting-edge technologies in the field of big data and AI big model. At present, the White Paper on the Construction of Regional Bank Data Capability System jointly prepared by the Group and Huawei and other strategic partners has been released. With the technical strength and rich experience of leading domestic data intelligence and marketing technology leaders, the Group shares its own technical achievements and practical experience in smart marketing and AI big data solutions. The Group went deep into various characteristic business scenarios of regional banks, and promoted the digital transformation and development of regional banks with innovative solutions.

During the Reporting Period, the Group participated in the Seventh Digital China Construction Summit held in Fuzhou, and cooperated with Quanzhou Big Data to sign contracts on projects in the fields of digital infrastructure, AI, computing services, data factor services, etc., to jointly promote the digital transformation of state-owned enterprises in Quanzhou. At the same time, the Group also plans to participate in the case studies of new quality productivity in Nanshan District, Shenzhen, and build an industry-university-research, investment and education practice base with the Southern University of Science and Technology. Through various modes such as government-enterprise linkage and school-enterprise cooperation, the Group aims to achieve the deep integration of AI big data industry and constantly promote the high-quality development of new quality productivity and digital economy.

In summary, in the first half of 2024, on the basis of consolidating the original business, the Group made progress in its transformation into an integrated service provider of industrial digital intelligence. The Group is committed to providing customers with high-quality software and hardware products, technical solutions and services. By further expanding the ecological cooperation network, the Group will strengthen its competitive advantage in the field of digital intelligence.

III. Future Prospects

In the second half of 2024, as the government vigorously promotes the development of new quality productivity and the construction of digital China, we expect a new round of growth will be ushered in the fields of data elements, data asset entry, AI, AI large model and financial information and creation technology, and the transformation and upgrading of digital intelligence, inclusion of digital asset in financial statements and data element market development will maintain strong demand. It provides a solid market foundation for the high-quality development of the industry.

Next, the Group will continue to consolidate and strengthen the basic business of financial institutions, maintain the first-mover advantage in the field of data intelligence and marketing technology, adhere to the data-based, wisdom as the body, innovation as the wing, quality as the foundation, and continue to focus on core business areas. At the same time, the Group will continue to expand the strategic new track, and actively explore emerging fields such as the prospect of inclusion of data asset in financial statements, the innovative application of data factor market, the localization of information and innovation, and the construction and application of software and hardware information technology to achieve interconnected development; We will strengthen internal and external cooperation and complementarity in ecological resources.

Specifically, the Group will implement the new development strategy from the following aspects, continue to build core competitiveness, forge new development engines, and achieve steady development:

1. In terms of product innovation and research and development, we take AI big data, AI and large model product research and development as the core competitiveness of the Company. At the same time, the Group has deeply explored and optimized existing technologies, actively explored emerging technologies in the industry, enhanced the application of generative AI and AI large model technology, and continued to upgrade core products by repeated calculation and constantly improve the level of product intelligence. Through the continuous collection of user feedback, analysis of market trends and research of industry dynamics, accurately grasp the market demand, continuous optimization and improvement of products, to provide users with more convenient, efficient and accurate services. Through technological innovation and product optimization, the Group will build barriers to technological competition, consolidate its dominant position in the market, and lay a solid foundation for the Group's long-term development.
2. In terms of strategic business track development, the Group relies on AI big data and AI technology with competitive advantages to expand strategic new track, based on the advantages of financial industry customers, expand potential customers in other industries, deepen the market universality of software and hardware products and solutions, keep up with the national digital economy and new quality productivity development dividends, seize the market opportunities of innovative application of data elements, inclusion of data asset in financial statements, localization replacement of information creation and transformation of data intelligence, and provide customers with software and hardware products and integrated solutions.

3. In terms of customer delivery services, the Group has established and improved cross-departmental and cross-regional resource coordination and sharing mechanisms, and strengthened the quality of project management by enhancing the efficiency of team collaboration and communication, so as to ensure the fluency and efficiency of services. While doing a good job in customer service for large financial institutions, we will continue to expand small and medium-sized financial institutions and customers in new areas to meet diversified customer needs. At the same time, we focus on close cooperation with government, enterprises, universities, institutions, associations, business schools and other resources, make full use of all resources, inject new vitality into the development of the Group, and promote the steady development of the Group.
4. In terms of ecological partnership cooperation, the Group is committed to building a diversified ecological cooperation system. The Group actively deepens strategic partnerships with Internet giants such as Huawei Cloud, Alibaba Cloud, Baidu Cloud and BitteDance to build a new ecosystem of digital finance and industrial technology; At the same time, strengthen strategic cooperation with Baode Computer System Co., LTD. (寶德計算機系統股份有限公司 (“**Baode Computing**”)) and Quanzhou Big Data, continuously improve the ecosystem of upstream and downstream partners through technology ecological sharing and resource complementary advantages, form a close industrial chain collaboration, and jointly promote the deep integration of AI big data and industrial economy.

In the current digital era, big data and AI have become an important engine for the development of new quality productivity and digital economy. The Group has been focusing on the field of big data and AI for 20 years, relying on its profound accumulation, following the direction of national strategy, giving full play to its technological advantages in the field of big data and AI, constantly innovating and improving, and continuously improving customer satisfaction by providing excellent products and solutions. At the same time, The Group will accelerate its expansion in the fields of data elements, inclusion of data asset in financial statements, AI, AI large model and financial information and innovation technology, and strive to become a leading integrated service provider of data intelligence.

FINANCIAL REVIEW

1 Revenue

| | Six months ended 30 June | |
|--|--------------------------|-----------------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Revenue | | |
| Data solutions | 68,491 | 88,885 |
| Sales of hardware and software and related services as an integrated service | 46,968 | 21,771 |
| Information technology maintenance and support services | 3,832 | 10,470 |
| Trading of commodities | 61,720 | – |
| | <u>181,011</u> | <u>121,126</u> |

Revenue of the Group for the Reporting Period was approximately RMB181,011,000, marking an increase of approximately 49.4% or approximately RMB59,885,000 as compared to the first half of 2023. The change was mainly due to the strategic reorientation of the Group's business and the expansion of new track during the Reporting Period, committed to the innovative application of data elements, inclusion of data asset in the financial statements and the localization of the alternative IT innovation, the followings were main changes in the composition of revenue during the Reporting Period: (1) The Group expanded its sales of software, hardware and related services, resulting in an increase in revenue of approximately 115.7% or approximately RMB25,197,000 during the Reporting Period; (2) The Group expanded its new business model and added the commodity trading business during the Reporting Period, resulting in revenue of approximately RMB61,720,000 (1H2023: RMB Nil). (3) Revenue from the Group's data solutions business decreased by approximately 22.9% or approximately RMB20,394,000 compared to the first half of 2023 as IT and marketing budgets tightened due to the impact of the macro economy and the increasing maturity of information systems of large financial institutions; and (4) Revenue from information technology maintenance and support services decreased by approximately 63.4% or approximately RMB6,638,000 compared to the first half of 2023.

2 Gross profit and gross profit margin

Gross profit for the Reporting Period was approximately RMB14,577,000, reflecting a decrease of approximately 42.4% or approximately RMB10,725,000 compared to the first half of 2023. Gross margin was approximately 8.1% (1H2023: approximately 20.9%).

The decrease in gross profit and gross profit margin was mainly due to the adjustment of the revenue structure in the first half of 2024, and the increase in the proportion of trading of commodities, sales of hardware and software and related services as an integrated services. The characteristics of the above business determine that their gross profit margin are significantly different from the gross profit margin of data solutions business which the Group has been involving. The adjustment of the composition of revenue is mainly to pave the way for the future development of related businesses.

3 Selling expenses

For the Reporting Period, our selling expenses were approximately RMB5,528,000, marking a decrease of approximately 51.2% or approximately RMB5,805,000 as compared to that of the first half of 2023, which is equivalent to approximately 3.1% of the Group's revenue for the Reporting Period (1H 2023: approximately 9.4%). The decrease in selling expenses was mainly attributable to: (1) The related manpower costs were reduced by approximately 47.6% or approximately RMB3,866,000 as compared to the first half of 2023 through the Group's restructuring of its organisational structure and the optimisation of its remuneration incentive mechanism; (2) Promotion expenses decreased by approximately 91.6% or approximately RMB999,000 as compared to the first half of 2023; and (3) office expenses decreased by approximately 91.3% or approximately RMB870,000 compared to the first half of 2023.

4 Research and development expenses

For the Reporting Period, our research and development expenses were approximately RMB19,449,000, representing a decrease of approximately 15.2% or approximately RMB3,485,000 as compared to that of the first half of 2023, equivalent to approximately 10.7% of the Group's revenue for the Reporting Period (1H 2023: approximately 18.9%). The decrease in research and development expenses was mainly due to the increasing maturity of the products previously developed by the Group and the current focus on the promotion and application of the products, resulting in a decrease of approximately 17.4% or approximately RMB2,590,000 in the employee expenses of the research and development team as compared to the first half of 2023.

5 Administrative expenses

During the Reporting Period, our administrative expenses were approximately RMB24,053,000, representing an increase of approximately 1.6% or approximately RMB375,000 compared to the first half of 2023. The main reasons for the adjustment in the composition of administrative expenses are: (1) The related employee expenses decreased by about 8% or about RMB1,132,000 as compared with the first half of 2023 as a result of the optimization of the administrative management team; (2) Legal and professional services decreased by approximately 45.1% or RMB1,115,000 during the Reporting Period compared to the first half of 2023; (3) Depreciation, amortization of intangible assets and depreciation of office property leased-use rights assets decreased by approximately 9.5% or approximately RMB718,000; and (4) Share-based payment expenses arising from share options and award shares previously granted were approximately RMB39,000, (first half of 2023: reversal of share-based payment expenses of approximately RMB2,898,000).

6 Income tax credit

During the Reporting Period, we had income tax credits of approximately RMB473,000 (first half of 2023: Income tax credits of approximately RMB1,452,000). The change was mainly due to lower pre-tax losses during the Reporting Period.

7 Loss for the period

Net loss for the Reporting Period decreased by 38.8% or approximately RMB24,541,000 from the same period last year to approximately RMB38,635,000 (first half of 2023: Net loss of RMB63,176,000). The main reasons for the decrease in loss during the Reporting Period were listed out as below.

- (1) For the Reporting Period, due to the optimization of the Group's project management model and the improvement of accounts receivable management, the provision for impairment of the Group's financial and contract assets decreased by approximately RMB8,523,000 or approximately RMB1,400,000 compared to the corresponding period of the previous year;
- (2) During the Reporting Period, the Group reduced its selling expenses by approximately RMB5,805,000 to RMB5,528,000 as compared to the corresponding period of the previous year by adjusting its organizational structure and optimizing its compensation incentive system;
- (3) The products previously developed by the Group have reached a higher level of maturity and the current focus has shifted to the promotion and application of the products, resulting in a decrease in research and development expenses of approximately RMB3,485,000 to approximately RMB19,449,000 during the Reporting Period;
- (4) During the Reporting Period, there were no impairment losses recorded on intangible assets (1H 2023: approximately RMB12,000,000).

8 Loss for the Reporting Period attributable to owners of the Company

During the Reporting Period, the loss attributable to owners of the Company for the period was approximately RMB36,040,000 (first half of 2023: Loss attributable to owners of the Company was approximately RMB62,141,000). The change was mainly due to the decrease in net loss during the Reporting Period.

9 Loss per share

For the Reporting Period, the Company's basic and diluted loss per share decreased by 55.8% to RMB5.48 cents and its basic and diluted loss per share for the first half of 2023 was approximately RMB12.4 cents.

10. Liquidity and financial resources

| | Six months ended 30 June | |
|---|--------------------------|----------------|
| | 2024 | 2023 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| | (Unaudited) | (Unaudited) |
| Net cash inflow/(outflow) from operating activities | (32,104) | (51,588) |
| Net cash inflow/(outflow) from investing activities | (5,308) | (698) |
| Net cash inflow/(outflow) from financing activities | <u>(7,228)</u> | <u>106,448</u> |

A *Operating activities*

The Group's net cash outflow from operating activities for the Reporting Period was approximately RMB32,104,000, marking a decrease of approximately RMB19,484,000 compared to the net cash outflow from operating activities for the first half of 2023, mainly due to the decrease in project procurement, compensation expenses and other miscellaneous expenses during the Reporting Period.

B *Investing activities*

The Group's net cash outflow from investing activities for the Reporting Period was approximately RMB5,308,000, reflecting an increase of approximately RMB4,610,000 compared to the net cash outflow from investment activities for the first half of 2023, The main reason was the cash outflow of RMB1,950,000 generated by the Group's investment Quanzhou Advantage Industrial Investment (Quanzhou) Partnership (Limited Partnership) during the Reporting Period.

C *Financing activities*

The Group's net cash outflow from financing activities for the Reporting Period was approximately RMB7,228,000 and net cash inflow from financing activities for the first half of 2023 was approximately RMB106,448,000. The main reason was that no shares were issued during the Reporting Period, while the net proceeds from the issuance of shares in the first half of 2023 were approximately RMB127,394,000.

11 Capital structure

A *Bank and other borrowings*

As at 30 June 2024, our short-term bank borrowings were approximately RMB66,744,000 and other borrowings were approximately RMB95,000,000. Long-term bank borrowings were approximately RMB10,000,000.

B *Debt Securities*

As at 30 June 2024, the Group did not have any debt securities.

C *Contingent liabilities*

As at 30 June 2024, the Group does not have any material contingent liabilities or guarantees.

D *Treasury Policy*

The Group adopts a prudent approach to financial management in relation to treasury policy. The Board of directors closely monitors its liquidity position to ensure that its assets, liabilities and other commitments are structured to meet the Group's funding requirements at all times.

E *Gearing ratio*

As at 30 June 2024, the Group's gearing ratio was approximately 216.4% (31 December 2023: approximately 150.2%). The increase in gearing ratio was mainly due to a decrease in total equity of approximately RMB36,826,000 during the Reporting Period compared to the beginning of the Reporting Period.

Gearing ratio was calculated by dividing the sum of our bank and other borrowings, convertible bond borrowings and borrowings payable to Directors at the end of the Reporting Period by our total equity.

12 Pledge of assets

A As at 30 June 2024, the Group's bank borrowings were collateralized and/or secured by:

- (i) corporate guarantee from independent third parties of approximately RMB Nil (31 December 2023: RMB5,000,000);
- (ii) pledged bank deposits of approximately RMB889,000 held at bank (31 December 2023: approximately RMB1,005,000);
- (iii) trade receivables outstanding from specific customers of the Group of approximately RMB14,421,000 (31 December 2023: approximately RMB12,795,000);
- (iv) assets owned by a Director; and
- (v) personal guarantees from Mr. Xue Shouguang (“**Mr. Xue**”), Mr. Chen Zhenping (“**Mr. Chen**”) and legal representatives of two subsidiaries.

B As at 30 June 2024, other borrowings of the Group were collateralized and/or secured by certain shares of the Company held by a Director and personal guarantee from a precedent director.

13 Significant investments held

During the Reporting Period, the Group did not hold significant investments that had a material impact on the Group's overall operations.

14 Capital commitments

As at 30 June 2024, the Group did not have any capital commitments.

15 Significant investments, acquisitions and dispositions of subsidiaries, associates and joint ventures

There were no significant investments or significant acquisitions and dispositions of subsidiaries, associates and joint ventures during the Reporting Period.

16 Foreign exchange risk

As the majority of the Group's business transactions, assets and liabilities were denominated primarily in the functional currencies of the Group entities, the Group is exposed to certain foreign currency risks. The Group implemented an effective management policy to closely monitor movements in foreign exchange rates and regularly review foreign exchange risks. The Group will consider hedging significant foreign currency risks when necessary.

17 Future plans for significant investments or capital assets

The Group does not currently have any other plans for significant investments or capital assets now.

OTHER INFORMATION

REMUNERATION POLICY AND EMPLOYMENT BENEFITS

The Group had 398 employees altogether in Mainland China and Hong Kong as at 30 June 2024. The Group offers a comprehensive and competitive remuneration, retirement scheme and benefit package to its employees. Discretionary bonus is offered to the staff depending on their performance. The Group is required to make contribution to a social insurance scheme in Mainland China. The Group provided training programmes to employees to equip them with the requisite working skills and knowledge.

Directors and senior management of the Group receive compensation in the forms of salaries, contributions to pension schemes and other allowances and benefits in kind subject to applicable laws, rules and regulations. The primary goal of the remuneration policy with regard to the remuneration packages of the executive Directors and senior management is to enable the Group to retain and motivate them by linking their compensation with performance as measured against corporate objectives achieved.

The Group did not experience any significant problems with its employees or disruption to its operations due to labour disputes, nor have experienced any difficulties in the recruitment and retention of experienced staff during the Reporting Period.

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

Neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Reporting Period.

As of 30 June 2024, there were no treasury shares held by the Company.

USE OF PROCEEDS FROM THE SHARE OFFER

The Shares of the Company were listed on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 13 December 2019 by way of share offer (the “**Share Offer**”). The Company offered 100,000,000 Shares at an offer price of HK\$1.50 per Share. According to the Company’s annual report for the year ended 31 December 2019 (“**2019 Annual Report**”) dated 27 April 2020, the actual net proceeds from the Share Offer were approximately HK\$104.0 million after deduction of listing expenses (the “**Net Proceeds**”). Set out below are the status of the use of Net Proceeds from the Share Offer:

| | Allocation percentage % of Net Proceeds | Allocation of the Net Proceeds (HK\$ million) | Utilised Net Proceeds as at 30 June 2024 (HK\$ million) | Unutilised Net Proceeds as at 30 June 2024 (HK\$ million) |
|--|--|--|---|---|
| Strengthening and expansion of our data solution offerings through continuously attracting and retaining high- quality personnel and offering attractive compensation packages to retain our employees | 20% | 20.8 | 20.8 | – |
| Enhancement of our sales and marketing efforts including corporate branding activities (Note) | 20% | 20.8 | 20.8 | – |
| Development of the financial AI laboratory, the display centre and office facilities of the Haina Property in Shenzhen (Note) | 35% | 36.4 | 36.4 | – |
| Potential strategic acquisition to supplement our organic growth | 6.35% | 6.6 | 6.6 | – |
| Working capital and other general corporate purposes | 18.65% | 19.4 | 19.4 | – |
| Total | 100% | 104.0 | 104.0 | – |

Note: As disclosed in the announcements of the Company dated 2 December 2020 and 24 December 2021, the Company originally intended to apply approximately 35.0% of the Net Proceeds from the Share Offer, or approximately HK\$36.4 million for the development of the financial AI laboratory, the display centre and office facilities of the Haina Property (as defined in the 2019 Annual Report) in Shenzhen. However, as one of the conditions precedent for the completion of acquisition of the Haina Property (as defined in the 2019 Annual Report) could not be fulfilled, the Company terminated the acquisition of the Haina Property (as defined in the 2019 Annual Report) with the relevant seller on 2 December 2020. As a result, the Board intended to apply the unutilised Net Proceeds for such purpose to search for new locations for the development of the Group’s financial AI laboratory, display centre and office facilities. The Board has also subsequently resolved to extend the timetable for using all the unutilised Net Proceeds to on or before 31 December 2022 for the Group’s long term business development and better utilisation of the unutilised Net Proceeds. As additional time is needed for searching suitable locations, the Board has further resolved to extend the timetable for using the remaining proceeds of approximately HK\$3.5 million for development of the financial AI laboratory, the display centre and office facilities to by 31 August 2023, which was further extended to by 31 March 2024.

Compliance with the Corporate Governance Code

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) as the basis of the Company’s corporate governance practices. The code provision C.2.1 of Part 2 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Xue Shouguang was appointed as the chairman and the chief executive officer on 18 July 2023. The Board believes that having the same individual in both roles as the chairman and the chief executive officer will ensure that the Company has consistent leadership and the ability to make and implement the overall strategy of the Company effectively. The Board believes that this structure does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Company’s circumstances. Save as disclosed above, the Board has reviewed the Company’s corporate governance practices and is satisfied that the Company had complied with all the code provisions set out in the Part 2 of the CG Code during the Reporting Period.

Following the re-designation of Mr. Fei Xiang from an independent non-executive Director to an executive Director on 8 January 2024, the Company did not meet the requirements of (i) having at least three independent non-executive Directors on the Board; (ii) having independent non-executive Directors representing at least one-third of the Board; and (iii) having at least three members in the audit committee of the Company (“**Audit Committee**”) under Rules 3.10(1), 3.10A, and 3.21 of the Listing Rules, respectively. On 14 March 2024, following the appointments of Dr. Jin Yong and Dr. Tian Yu as independent non-executive Directors and members of the Audit Committee, the Company has re-complied with the said Listing Rules requirements.

Compliance with the Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its code of conduct regarding Directors’ dealing in the Company’s securities. Specific enquiry has been made to all the Directors and the Directors have confirmed that they had complied with the Model Code throughout the Reporting Period.

The Company has also adopted the Model Code as the standard of dealings in the Company’s securities by the relevant employees who are likely to possess inside information of the Company and/or its securities. No incident of non-compliance of the Model Code by the employees was noted by the Company during the Reporting Period.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the Reporting Period (1H2023: Nil).

Sufficient Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this announcement, the Company has maintained a sufficient public float for the issued shares (i.e. at least 25% of the issued shares being held by the public) as required under the Listing Rules as at the date of this announcement.

Material Litigation

The Company was not involved in any material litigation or arbitration during the Reporting Period nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.

Audit Committee and Review of Financial Information

The Audit Committee has reviewed the unaudited interim condensed consolidated financial information of the Group for the Reporting Period. The Audit Committee has also discussed with senior management members matters relating to the accounting policies and practices adopted by the Company and internal control. Based on the review and discussions with the senior management and the auditor, the Audit Committee was satisfied that the Group's unaudited interim condensed consolidated financial statements were prepared in accordance with applicable accounting standards and had fairly presented the Group's financial position and results for the Reporting Period.

The interim condensed consolidated financial information of the Group for the Reporting Period has not been audited by the Company's auditor.

Events after the End of the Reporting Period

There has been no other significant events that might affect the Group since the end of the Reporting Period and up to the date of this announcement.

Publication of Interim Results Announcement and Interim Report

This interim results announcement has been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.datamargin.com). The interim report of the Company for the Reporting Period will be dispatched to the shareholders of the Company (if requested) and made available on the same websites in due course.

By Order of the Board
Ruihe Data Technology Holdings Limited
Xue Shouguang
Chairman of the Board

Hong Kong, 23 August 2024

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Xue Shouguang, Ms. Zhao Yiqing and Mr. Fei Xiang, three non-executive Directors, namely, Dr. Wu Fu-Shea, Mr. Wu Xiaohua and Mr. Chen Zhenping, and three independent non-executive Directors, namely, Mr. Yang Haifeng, Dr. Jin Yong and Dr. Tian Yu.