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雲工場科技控股有限公司
Cloud Factory Technology Holdings Limited
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2512)

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

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the Reporting Period, together with the comparative figures of the six months ended 30 June 2023.

FINANCIAL HIGHLIGHTS	Six months ended 30 June		Change
	2024	2023	
	RMB'000	RMB'000	(%)
	(Unaudited)	(Unaudited)	
Revenue	369,696	301,862	22.5
Gross profit	47,110	47,771	(1.4)
Profit before tax	14,850	15,071	(1.5)
Profit for the period	12,543	13,186	(4.9)
Earnings per Share (expressed in RMB per Share)	0.03	0.03	—

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	For the six months ended 30 June	
		2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
REVENUE	5	369,696	301,862
Cost of sales		<u>(322,586)</u>	<u>(254,091)</u>
Gross profit		47,110	47,771
Other income and gains	5	4,321	738
Selling and distribution expenses		(3,639)	(3,161)
Administrative expenses		(20,963)	(17,645)
Research and development expenses		(6,683)	(8,805)
Impairment losses on financial assets		(2,335)	(1,961)
Other expenses		(20)	(5)
Finance costs	7	<u>(2,941)</u>	<u>(1,861)</u>
PROFIT BEFORE TAX	6	14,850	15,071
Income tax expense		<u>(2,307)</u>	<u>(1,885)</u>
PROFIT FOR THE PERIOD		<u>12,543</u>	<u>13,186</u>
Attributable to:			
Owners of the parent		12,320	12,899
Non-controlling interests		<u>223</u>	<u>287</u>
		<u>12,543</u>	<u>13,186</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)			
— For profit for the period	10	<u>0.03</u>	<u>0.03</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	For the six months ended 30 June	
	Notes 2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
PROFIT FOR THE PERIOD	<u>12,543</u>	<u>13,186</u>
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>4,409</u>	<u>—</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	<u>4,409</u>	<u>—</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u>16,952</u>	<u>13,186</u>
Attributable to:		
Owners of the parent	16,729	12,899
Non-controlling interests	<u>223</u>	<u>287</u>
	<u>16,952</u>	<u>13,186</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

	<i>Notes</i>	30 June 2024 <i>(RMB'000)</i> (Unaudited)	31 December 2023 <i>(RMB'000)</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	29,152	21,453
Right-of-use assets		1,093	1,408
Other intangible assets		366	166
Deferred tax assets		1,962	1,938
Other non-current assets	<i>12</i>	95,023	78,846
Total non-current assets		127,596	103,811
CURRENT ASSETS			
Trade receivables	<i>13</i>	323,775	197,627
Prepayments, other receivables and other assets	<i>14</i>	262,287	37,962
Cash and cash equivalents		164,639	162,341
Total current assets		750,701	397,930
CURRENT LIABILITIES			
Trade payables	<i>15</i>	191,763	244,135
Other payables and accruals		23,708	31,481
Contract liabilities		681	76
Interest-bearing bank borrowings	<i>16</i>	247,025	166,734
Lease liabilities		532	595
Tax payable		5,384	3,155
Total current liabilities		469,093	446,176
NET CURRENT ASSETS/(LIABILITIES)		281,608	(48,246)
TOTAL ASSETS LESS CURRENT LIABILITIES		409,204	55,565
NON-CURRENT LIABILITIES			
Lease liabilities		375	664
Total non-current liabilities		375	664
Net assets		408,829	54,901

	<i>Notes</i>	30 June 2024 <i>(RMB'000)</i> (Unaudited)	31 December 2023 <i>(RMB'000)</i> (Audited)
EQUITY			
Equity attributable to owners of the parent			
Share capital	<i>17</i>	33	—
Reserves		<u>405,368</u>	<u>54,138</u>
		<u>405,401</u>	<u>54,138</u>
Non-controlling interests		<u>3,428</u>	<u>763</u>
Total equity		<u><u>408,829</u></u>	<u><u>54,901</u></u>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2024

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 10 December 2021. The registered office of the Company is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9009, Cayman Islands.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in the provision of Internet Data Centre (“**IDC**”) solution services, edge computing services, and Information Communications Technology (“**ICT**”) services and other services in the People’s Republic of China.

2. BASIS OF PRESENTATION

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

This interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

The nature and impact of the revised IFRSs are described below: (continued)

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

The Group is principally a provider of IDC solution services, edge computing services, and ICT solution services and other services in Mainland China.

Management monitors the operating results of the Group's operating segment as a whole for the purpose of making decisions about resource allocation and performance assessment. Since this is the only reportable operating segment of the Group, no further operating segment analysis is presented.

Geographical Information

During the reporting period, all of the Group's revenue was derived from customers located in Mainland China and all of the Group's non-current assets were located in Mainland China, and therefore no further geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	For the six months ended 30 June	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	<u>369,696</u>	<u>301,862</u>
Revenue from contracts with customers		
Disaggregated revenue information		
	For the six months ended 30 June	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Types of goods or services		
IDC services	348,699	295,007
Edge computing services	20,997	5,285
ICT services and other services	<u>—</u>	<u>1,570</u>
Total revenue from contracts with customers	<u>369,696</u>	<u>301,862</u>
Geographical market		
Mainland China	<u>369,696</u>	<u>301,862</u>
Timing of revenue recognition		
Services transferred over time	367,870	300,292
Services transferred at a point in time	<u>1,826</u>	<u>1,570</u>
	<u>369,696</u>	<u>301,862</u>

An analysis of other income and gains is as follows:

	For the six months ended 30 June	
	2024	2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Unaudited)
Government grants	3,502	353
Bank interest and investment income	198	115
Interest income from other receivables and long-term receivables	621	232
Gain on disposal of items of property, plant and equipment	—	38
	<u>4,321</u>	<u>738</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	<i>Notes</i>	For the six months ended 30 June	
		2024	2023
		<i>(RMB'000)</i>	<i>(RMB'000)</i>
		(Unaudited)	(Unaudited)
Cost of services provided*		322,586	254,091
Depreciation of property, plant and equipment		2,451	1,141
Depreciation of right-of-use assets		294	223
Amortisation of intangible assets		162	94
Expense relating to short-term leases		34	38
Bank interest and investment income	5	(198)	(115)
Interest income from other receivables and long-term receivables	5	(621)	(232)
Gain/(loss) on disposal of items of property, plant and equipment		24	(38)
Gain on disposal of items of right-of-use assets		(8)	—
Impairment losses (reversed)/recognised for financial assets	<i>12/13/14</i>	2,335	1,961
Listing expense		7,507	6,180
Employee benefit expense (including directors' and chief executive's remuneration):			
— Wages and salaries		13,042	9,746
— Pension scheme contributions and social welfare		1,925	1,350

* certain depreciation of property, plant and equipment included

7. FINANCE COSTS

An analysis of finance costs is as follows:

	For the Six months ended 30 June	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Interest on loans and borrowings	2,915	1,835
Interest on lease liabilities	<u>26</u>	<u>26</u>
	<u><u>2,941</u></u>	<u><u>1,861</u></u>

8. INCOME TAX

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	For the Six months ended 30 June	
	2024	2023
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Current	2,331	1,858
Deferred	<u>(24)</u>	<u>27</u>
Total tax charge for the period	<u><u>2,307</u></u>	<u><u>1,885</u></u>

9. DIVIDENDS

No interim dividend was paid or proposed for ordinary shareholders of the Company during the six months ended 30 June 2024, nor has any dividend been proposed since the end of the reporting period.

Jiangsu Cloud Factory Information Technology Co., Ltd. made distributions to the then shareholders in the amounts of RMB30,000,000 during the six months ended 30 June 2023, respectively, before the date of incorporation of the Company.

10. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 382,083,333 (2023: 375,000,000) in issue during the period on the assumption that the Group's reorganisation in preparation for the Listing, the details of which are set out in the Prospectus, has been effective on 1 January 2024 and has been retrospectively adjusted to reflect the capitalisation issue of 374,000,000 ordinary share of US\$0.00001 each of the Company in May 2024.

11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired assets at a cost of RMB10,179,000 (unaudited), (for the six months ended 30 June 2023: RMB6,233,000 (unaudited)).

Assets with a net book value of RMB29,000 (unaudited) were disposed by the Group during the six months ended 30 June 2024 (for the six months ended 30 June 2023: RMB74,000 (unaudited)), resulting in a net loss on disposal of RMB24,000 (unaudited) (net gain for the six months ended 30 June 2023: RMB38,000 (unaudited)).

12. OTHER NON-CURRENT ASSETS

	30 June 2024 (RMB'000) (Unaudited)	31 December 2023 (RMB'000) (Audited)
Long-term receivables	123,586	98,149
Less: Long-term receivables due within one year	(25,832)	(16,839)
Less: Impairment	<u>(2,731)</u>	<u>(2,464)</u>
At the end of the year/period	<u><u>95,023</u></u>	<u><u>78,846</u></u>

13. TRADE RECEIVABLES

	30 June 2024 (RMB'000) (Unaudited)	31 December 2023 (RMB'000) (Audited)
Trade receivables	329,010	200,991
Impairment	<u>(5,235)</u>	<u>(3,364)</u>
At the end of the year/period	<u><u>323,775</u></u>	<u><u>197,627</u></u>

An aging analysis of the trade receivables as at the end of the reporting period, based on the record date and net of loss allowance, is as follows:

	30 June 2024 (RMB'000) (Unaudited)	31 December 2023 (RMB'000) (Audited)
Within 1 year	323,728	197,200
1 to 2 years	<u>47</u>	<u>427</u>
	<u><u>323,775</u></u>	<u><u>197,627</u></u>

14. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2024 (RMB'000) (Unaudited)	31 December 2023 (RMB'000) (Audited)
Long-term receivables due within one year	25,832	16,839
Less: Impairment	<u>(722)</u>	<u>(510)</u>
	25,110	16,329
Other receivables	—	11,666
Deposits	457	472
Prepayment	232,888	3,325
Listing fee	—	6,117
Others	<u>3,880</u>	<u>116</u>
	237,225	21,696
Less: Impairment	<u>(48)</u>	<u>(63)</u>
	237,177	21,633
Total	<u>262,287</u>	<u>37,962</u>

Prepayments, other receivables and other assets are unsecured, non-interest-bearing and have no fixed terms of repayment.

15. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the record date, is as follows:

	30 June 2024 (RMB'000) (Unaudited)	31 December 2023 (RMB'000) (Audited)
Within 1 year	191,554	242,707
1 to 2 years	<u>209</u>	<u>1,428</u>
	<u>191,763</u>	<u>244,135</u>

16. INTEREST-BEARING BANK BORROWINGS

	30 June 2024			31 December 2023		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank borrowings — secured	3.15	2025	20,017	3.45	2024	28,026
Bank borrowings — unsecured	2.90–3.40	2024–2025	<u>227,008</u>	3.00–4.00	2024	<u>138,708</u>
Total			<u><u>247,025</u></u>			<u><u>166,734</u></u>

30 June 2024	31 December 2023
<i>(RMB'000)</i>	<i>(RMB'000)</i>
(Unaudited)	(Audited)

Analysed into:

Bank borrowings repayable:

Within 1 year

<u><u>247,025</u></u>	<u><u>166,734</u></u>
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The Group's borrowings are denominated in RMB.

All of the interests of the Group's borrowings are fixed.

Certain of the Group's bank borrowings are secured by the pledges of the following assets with net carrying values at the end of the reporting period as follows:

	30 June 2024	31 December 2023
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)
Trade receivables	<u><u>—</u></u>	<u><u>15,000</u></u>

The Group's bank borrowings were secured by the pledges of patent rights with a net carrying value of zero at the end of the reporting period.

17. SHARE CAPITAL

	30 June 2024 (RMB) (Unaudited)	31 December 2023 (RMB) (Audited)
Fully paid and issued		
460,000,000 (31 December 2023: 1,000,000) ordinary shares	<u><u>32,722</u></u>	<u><u>64</u></u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital (RMB)
At 31 December 2023	<u>1,000,000</u>	<u>64</u>
Capitalisation issue (Note (a))	374,000,000	26,610
Issue of shares from initial public offering (Note (b))	<u>85,000,000</u>	<u>6,048</u>
At 30 June 2024	<u><u>460,000,000</u></u>	<u><u>32,722</u></u>

Notes:

- (a) Pursuant to a resolution of our Company passed by Shareholder on 14 May 2024, the Company allotted and issued a total of 374,000,000 shares credited as fully paid at par, by way of capitalisation of the sum of US\$3,740 standing to the credit of the share premium account of the Company.
- (b) On 14 June 2024, the Company issued a total of 85,000,000 ordinary shares of US\$0.00001 each at the price of HK\$4.60 per share by means of global offering.

18. COMMITMENTS

For the six months ended 30 June 2024 and the year ended 31 December 2023, neither the Group nor the Company had any significant commitments.

19. RELATED PARTY TRANSACTIONS

(a) Significant related parties' transactions

In addition to the transactions detailed elsewhere in this financial information, the Group had the following transactions with related parties during the period:

	For the Six months ended 30 June	
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
Repayments from related parties: Controlling Shareholder	—	84,251

These transactions were interest-free and had no fixed terms of repayment.

(b) Compensation of key management personnel of the Group

	For the Six months ended 30 June	
	2024 (RMB'000) (Unaudited)	2023 (RMB'000) (Unaudited)
Short-term employee benefits	4,294	3,646
Pension scheme contributions	<u>287</u>	<u>297</u>
Total compensation paid to key management personnel	<u><u>4,581</u></u>	<u><u>3,943</u></u>

20. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts of the Group's financial instruments reasonably approximate to their fair values.

Management has assessed that the fair values of cash and cash equivalents, financial assets included in prepayments, other receivables and other assets, trade receivables, trade payables and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the finance manager. The valuation process and results are discussed twice a year for interim and annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

21. EVENTS AFTER THE RELEVANT PERIODS

There are no significant events after the end of the reporting period.

22. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 27 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

In the first half of 2024, our business operations and development maintained stable progress with an upward momentum. We achieved significant growth in our Edge Computing Services and expanded our business to new geographic locations. To implement our business strategies, we have continued to expand our Edge Computing Services into districts and counties in response to emerging needs for our services (the “**Lower-tier Region Network Strategy**”) to ensure proactive implementation of national policies and strategies. Following the Implementation Opinions on Deepening the “Eastern Data and Western Computing” Project and Accelerating the Construction of a National Integrated Arithmetic Network (關於深入實施“東數西算”工程加快構建全國一體化算力網的實施意見) jointly issued by the National Development and Reform Commission, the National Data Administration, the Office of the Central Cyberspace Affairs Commission, the Ministry of Industry and Information Technology and the National Energy Administration, we insisted on our strategies to pursue regional opportunities horizontally, deepen service offerings vertically, and heighten resources dedication to our research and development to further enhance our customers’ experiences and operational efficiency.

During the six months ended 30 June 2024, we pursued our Lower-tier Region Network Strategy with the aim to optimise the deployment of our cross-regional data centre resources and equipment and promote the efficient use of data. Our research and development focuses on (i) the innovation of AI algorithm models, AIoT Services and CDN Services with a view to empower our Edge Computing Services for providing our clients with a variety of solutions to deal with specific business scenarios; and (ii) the enhancement in our provision of IDC Solution Services to better serve our clients. During the Reporting Period, we achieved a total revenue of RMB369.7 million, representing an increase of 22.5% compared with the same period in the previous financial year. Leveraging our existing service offering, research and development capabilities, established client base and self-built brand *Lingjing Cloud*, we strive to drive the comprehensive and integrated development of our IDC Solution Services and Edge Computing Services in a well-coordinated manner to further consolidate our competitive edge, marking new milestones on our journey to high-quality development.

Our IDC Solution Services achieved a steady increase in revenue of 18.2% for the Reporting Period when compared with the corresponding period in the previous financial year. With a view to increase our market share, we expanded the provision of IDC Solution Services to more geographic locations, such as Suqian and Taizhou in Jiangsu Province and Jiangxi Province.

In addition, our Edge Computing Services recorded a significant growth in business volume and our revenue in relation thereto increased by nearly 300% for the Reporting Period when compared with the corresponding period in the previous financial year. Considering the rapid development of CDN, IoT and 5G technology in recent years, edge computing has become one of the major themes and directions in technological innovation. Our Edge Computing Services has illustrated great potential in many industries, such as smart transportation, smart manufacturing and smart city management. In the first half of 2024, we continuously optimised the AI road inspection functionality on our EdgeAIoT platform by incorporating functions such as closed-loop dispatch maintenance to meet our clients’

changing demand. We upgraded our existing AI algorithm models by more than 50 times and developed nearly a hundred types of new AI algorithm models applicable to different industries and scenarios, such as pavement distress detection, drone river patrolling, smart urban management patrolling and elevator and electric vehicle alert in smart community. Together with the expansion in business, the total number of accumulated data samples exceeded 20 million sets, which further promotes the development of our AI algorithm models.

Research and development

The markets in which we operate, especially the edge computing services market, are highly competitive. Therefore, our success hinges on our ability to adapt to changes in technologies and our clients' needs. During the Reporting Period, our research and development mainly covers the following areas:

- *Enhancement of IDC Solution Services.* We are in the process of developing a defence system in response to certain Internet security risks existed in Internet data centres, which shall be capable of proactively assessing network traffic and identifying potential security risks. We have also attempted to integrate the technologies of our EdgeAIoT Services into the real-time monitoring system of Internet data centres to detect emergent situations at an early stage and minimise the damages to property as well as the impact on our operation.
- *Enhancement of EdgeCDN Services.* We plan to further enhance our EdgeCDN Services by (i) upgrading our edge node deployment system built upon the lower-tier decentralised network, which can facilitate the reasonable allocation of IP resources and traffic flow, and provide customised DNS deployment strategies to accommodate different business demands and network conditions; and (ii) developing a storage system with distributed architecture which can provide object storage services to clients.
- *Enhancement of EdgeAIoT Services.* Since our EdgeAIoT Services have been commercialised for a relatively short period of time, we have continued to invest time and resources in improving the performance and quality of our service offerings. In particular, we achieved larger improvements in relation to lightweight enhancement of algorithm models, appropriate deployment of edge nodes, enhancement of model training on cloud and edge OTA update, which further enhance our clients' experience.

Prospect

The realisation of low-altitude economy boosts the demand for edge computing and lower-tier network in mobile scenarios, such as transportation and logistics. The nationwide trend of digitalisation and quantisation lead to the rising need of edge computing and intelligent computing, which show great potential for the Company's development. With the support of our established client and supplier, we will seize the opportunities to keep refining our solutions applicable to varying market needs. Apart from developing our current business by strengthening marketing capabilities, we will actively make progress to generate growth and strive for new business opportunities.

In the second half of the year, we will continue consolidating the foundation of basic cloud services and collaborating with operators to advance our Edge Computing Services. Meanwhile, we will focus on the lower-tier markets further and improve our infrastructure based on the Lower-tier Region Network Strategy to support rising digital needs in offline scenarios, thereby reducing costs and increasing efficiency for our clients. Furthermore, in the process of integrating computing network and lower-tier network, we will cooperate with telecommunication carriers, well-known universities, and other partners with leading positions in their respective areas to explore the application scenarios of AI, large model training and computing power.

FINANCIAL OVERVIEW

Revenue

The Group generated revenue from three operating segments, (i) IDC Solution Services; (ii) Edge Computing Services; and (iii) ICT Services and Other Services. For the six months ended 30 June 2024, the Group recorded a total revenue of approximately RMB369.7 million when compared with approximately RMB301.9 million for the corresponding period in 2023, representing an increase in its total revenue of 22.5%. Such increase was primarily attributable to the ordinary expansion in the Group's business, particularly the significant development of its Edge Computing Services as illustrated below.

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 six months ended 30 June			
	2024		2023	
	RMB'000 (Unaudited)	%	RMB'000 (Unaudited)	%
IDC Solution Services	348,699	94.3	295,007	97.7
Edge Computing Services	20,997	5.7	5,285	1.8
ICT Services and Other Services	—	—	1,570	0.5
	<u>369,696</u>	<u>100.0</u>	<u>301,862</u>	<u>100.0</u>

IDC Solution Services

The Group's revenue from IDC Solution Services increased by 18.2% to RMB348.7 million for the six months ended 30 June 2024 (30 June 2023: RMB295.0 million), which was the results of the Group's ordinary expansion in business built upon the Group's established reputation, client base and business network.

Edge Computing Services

The Group's revenue from Edge Computing Services increased by nearly 300% to RMB21.0 million for the six months ended 30 June 2024 (30 June 2023: RMB5.3 million), primarily attributable to (i) the increasing demand from our existing clients; and (ii) the increase in the number of new clients who have engaged us for our Edge Computing Services.

ICT Services and Other Services

We generated insignificant revenue from ICT Services and Other Services for the six months ended 30 June 2024 (30 June 2023: RMB1.6 million), primarily due to our strategy to place increasing focus on our IDC Solution Services and Edge Computing Services, which tend to generate stable and sustainable revenue.

Cost of Sales

The Group's cost of sales increased by 27.0% to RMB322.6 million for the six months ended 30 June 2024 (30 June 2023: RMB254.1 million). The increase was generally in line with our business and service expansion in each of our IDC Solution Services and Edge Computing Services.

IDC Solution Services

The cost of sales from IDC Solution Services increased by 23.5% to RMB308.2 million for the six months ended 30 June 2024 (30 June 2023: RMB249.5 million), primarily attributable to the increase in costs of bandwidth and cabinet resources, which generally corresponded with the increase in revenue generated from IDC Solution Services.

Edge Computing Services

The cost of sales from Edge Computing Services increased by over 250% to RMB14.4 million for the six months ended 30 June 2024 (30 June 2023: RMB4.0 million), which was largely in line with our increase in revenue generated from Edge Computing Services.

ICT Services and Other Services

The cost of sales incurred in our provision of ICT Services and Other Services for the six months ended 30 June 2024 were insignificant (30 June 2023: RMB575,000) for the reason mentioned above.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's overall gross profit decreased by 1.4% to RMB47.1 million for the six months ended 30 June 2024 (30 June 2023: RMB47.8 million), while its overall gross profit margin decreased from 15.8% to 12.7%, respectively.

IDC Solution Services

The gross profit margin of our IDC Solution Services for the six months ended 30 June 2024 was 11.6% (30 June 2023: 15.4%), which was largely similar to our IDC Solution Services' gross profit margin of 11.9% for the year ended 31 December 2023 as disclosed in the Prospectus. The high gross profit margin recorded by us for the six months ended 30 June 2023 was primarily attributable to our suppliers' one-off rebate or compensation for breaching the guarantee of maintaining 99.90% uptime for Internet connectivity.

Edge Computing Services

The gross profit margin of our Edge Computing Services for the six months ended 30 June 2024 was 31.4% (30 June 2023: 24.2%). Since our EdgeAIoT Services under the segment of Edge Computing Services have been commercialised for a relatively short period of time, it is expected that our gross profit margin in Edge Computing Services would experience temporary fluctuation.

Other income and gains

The Group's other income and gains increased by over 500% to RMB4.3 million for the six months ended 30 June 2024 (30 June 2023: RMB738,000), primarily due to the recognition of a government subsidy amounting to RMB3 million from the local government of Xinwu District, Wuxi in relation to the listing of our Shares on the Main Board of the Stock Exchange.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 12.5% to RMB3.6 million for the six months ended 30 June 2024 (30 June 2023: RMB3.2 million), primarily attributable to the expansion of our sales team which led to increased costs of human resources.

Administrative Expenses

The Group's administrative expenses increased by 19.3% to RMB21.0 million for the six months ended 30 June 2024 (30 June 2023: RMB17.6 million), mainly because of the increase in (i) the number of administrative staff leading to higher staff costs; and (ii) the listing expenses recognised during the six months ended 30 June 2024.

Research and Development Expenses

The Group's research and development expenses decreased by 23.9% to RMB6.7 million for the six months ended 30 June 2024 (30 June 2023: RMB8.8 million). Despite our dedicated commitment in research and development, we recorded a decrease in such expenses because (i) the material requirements in research and development projects vary in accordance with the nature and progress of the projects; and (ii) the material requirements in certain projects had been satisfied before the six months ended 30 June 2024.

Impairment losses on financial assets

The Group's impairment losses on financial assets increased by 15.0% to RMB2.3 million for the six months ended 30 June 2024 (30 June 2023: RMB2.0 million), mainly due to the increase in our trade receivables and long-term receivables recognised during the period, resulting in an increase of bad debt provision.

Other expenses

The Group's other expenses increased to RMB20,000 for the six months ended 30 June 2024 (30 June 2023: RMB5,000), mainly attributable to the disposal of certain fixed assets.

Finance costs

The Group's finance costs increased by 52.6% to RMB2.9 million for the six months ended 30 June 2024 (30 June 2023: RMB1.9 million). Such increase was primarily due to the increase in our interest expenses on loans and borrowings.

Income tax expenses

The Group's income tax expense increased by 21.1% to RMB2.3 million for the six months ended 30 June 2024 (30 June 2023: RMB1.9 million). Our income tax expenses mainly comprised of the current and deferred income tax in the PRC. The increase in income tax expenses was primarily due to the reduction in our research and development expenses which in turn affected our additional value-added tax deductions for the six months ended 30 June 2024.

Profit for the Period

As a result of the foregoing, the Group recorded a profit of RMB12.5 million for the six months ended 30 June 2024, compared with a profit of RMB13.2 million for the corresponding period in 2023.

Trade Receivables

As at 30 June 2024, the Group's trade receivables amounted to RMB323.8 million as compared with RMB197.6 million as at 31 December 2023. Such increase was primarily due to our increase in revenue for the six months ended 30 June 2024.

Prepayments, Other Receivables and Other Assets

As at 30 June 2024, the Group's prepayments, other receivables and other assets amounted to RMB262.3 million as compared with RMB38.0 million as at 31 December 2023. Such increase was primarily due to prepayments in relation to certain machines and equipment as well as bandwidth, cabinets and other resources.

Trade Payables

As at 30 June 2024, the Group's trade payables amounted to RMB191.8 million, representing a decrease of 21.4% as compared with RMB244.1 million as at 31 December 2023. Such decrease was mainly attributable to our settlement of certain amounts due to suppliers in relation to data centre resources.

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 30 June 2024, the Group's cash and cash equivalents were RMB164.6 million (31 December 2023: RMB162.3 million).

Indebtedness

	As at 30 June 2024 <i>RMB'000</i> (Unaudited)	As at 31 December 2023 <i>RMB'000</i> (Audited)
Interest-bearing bank borrowings	247,025	166,734
Lease liabilities	<u>907</u>	<u>1,259</u>
	<u>247,932</u>	<u>167,993</u>

CONTINGENT LIABILITIES

As at 30 June 2024, the Group did not have any significant contingent liabilities (31 December 2023: nil).

CAPITAL COMMITMENT

As at 30 June 2024, the Group did not have any capital commitment (31 December 2023: nil).

OTHER INFORMATION

EMPLOYEE REMUNERATION AND RELATIONS

As at 30 June 2024, the Group had a total of 92 employees. The Group's total employee expenses (including directors' emoluments) for the six months ended 30 June 2024 was RMB15.0 million (30 June 2023: RMB11.1 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 programmes 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.

COMPLIANCE WITH THE MODEL CODE ON SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct for securities transactions by the Directors. The Company has made specific enquiries to all Directors regarding any non-compliance with the Model Code. All Directors have confirmed that they had complied with the required standard set out in the Model Code for the six months ended 30 June 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2024, the Company had applied the principles and complied with all applicable code provisions of the CG Code, save and except the deviation below:

Pursuant to code provision C.2.1 contained in Part 2 of the CG Code, the roles of chairman and CEO should be separated and should not be performed by the same individual. Currently, Mr. Sun is the chairman and CEO of the Company, which deviated from the code provision C.2.1 of the CG Code. The Board believes that it is to the benefit of the business prospect and operational efficiency of the Group to vest the roles of chairman and CEO in the same person due to its unique role, Mr. Sun's experience in the industry, personal profile and roles in the Group. This dual role provides strong and consistent market leadership and is crucial to efficient business planning and decision-making of the Company. As all major decisions of the Group are made in consultation with members of the Board and the relevant Board committees, and there are three independent non-executive Directors on the Board offering independent perspectives, the Board is of the view that adequate safeguards are in place to ensure sufficient balance of powers within the Board.

In order to maintain good corporate governance and to fully comply with code provision C.2.1 contained in Part 2 of the CG Code, the Board will regularly review the need to appoint different individuals to perform the roles of chairman of the Board and CEO separately.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Stock Exchange on the Listing Date. 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\$336.8 million. As at the date of this announcement, the Company has not utilised the net proceeds raised from the Global Offering and it intends to use the net proceeds in the same manner and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds".

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

INTERIM DIVIDENDS

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024.

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed consolidated interim results of the Group for the Reporting Period and discussed with the management of the Company on the accounting principles and practices adopted by the Group. The Audit Committee is of the opinion that the unaudited condensed consolidated interim results of the Group have been prepared in compliance with the applicable accounting standards and the Listing Rules and that adequate disclosures have been made and does not have any disagreement with the accounting treatment adopted by the Company.

SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

No major subsequent events affecting the Group have occurred since the end of the Reporting Period and up to the date of this announcement.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.cloudcsp.com). The interim report for the six months ended 30 June 2024 containing all the information required by the Listing Rules will be published on the aforementioned websites and despatched to any Shareholder who elected to receive printed version of corporate communication in due course.

DEFINITION

In this interim results announcement, the following expressions shall have the following meanings unless the context requires otherwise:

“5G”	the fifth generation of broadband cellular network technology standards, that conforms to various International Mobile Telecommunication Specifications, which is standard for mobile telecommunications defined by the International Telecommunication Union
“AI” or “Artificial Intelligence”	artificial intelligence, an area of computer science that focuses on mimicking human intelligence by machines
“AIoT”	artificial intelligence of things, the combination of the connectivity from the IoT infrastructure with data-driven knowledge obtained from AI to achieve more efficient IoT operations, improve human-machine interactions and enhance data management and analytics
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors

“CDN” or “content delivery network”	a distributed network of servers that can efficiently deliver web content to users
“CEO”	the chief executive officer of the Company
“CG Code”	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Cayman Islands”	the Cayman Islands, a British Overseas Territory
“Company”	Cloud Factory Technology Holdings Limited (雲工場科技控股有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 10 December 2021
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules, which collectively refers to Mr. Sun and Ru Yi IT
“Director(s)”	the director(s) of the Company
“DNS”	domain name server
“EdgeAIoT Services”	a form of service which combines AIoT with Edge Computing Services
“EdgeCDN Services”	the provision of CDN services with our edge computing infrastructure
“Edge Computing Services”	a form of infrastructure and computing service under the brand of Lingjing Cloud (靈境雲) provided by our Group, including the provision of content delivery network and other functionality
“Global Offering”	the Hong Kong public offering and the international offering of the offer shares
“Group”	the Company, its subsidiaries and consolidated affiliated entities or any of them
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“ICT”	information and communication technology, which refers to all devices, networking components, applications and systems that combined to enable people and organisations to interact in the digital world and capture transmit and display data and information electronically

“ICT Services and Other Services”	the custom-fit ICT services and other services provided by our Group, including the provision of information communications technology solutions, system development and maintenance, consultation services, provision of cloud computing hardware resources, network acceleration service, text messaging service, call service and corporate mini-application development
“IDC Solution Services”	IDC solution services provided by our Group, including the provision of colocation services and infrastructure management services
“Internet of Things” or “IoT”	the networked interconnection of everyday objects, generally viewed as a self-configuring wireless network of sensor whose purpose would be to interconnect all things. The concept is that if all objects of daily life are equipped with radio tags, they can be identified and managed by computers in the same way humans can. The Internet of Things should encode 50 to 100 trillion objects and follow the movement of those objects
“internet” or “the Internet”	an interconnected system of networks that connects computers around the world and is publicly accessible
“Lingjing Cloud (靈境雲)”	our cloud business which offers our Edge Computing Services launched in 2022
“Listing Date”	14 June 2024, 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 C3 to the Listing Rules
“Mr. Sun”	Mr. Sun Tao (孫濤), the Chairman, chief executive officer, an executive Director and a Controlling Shareholder of the Company
“OTA”	over-the-air, a method of wirelessly distributing an application and/or its updates to end users’ devices
“PRC” or “China”	the People’s Republic of China, excluding, for the purposes of this announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated 5 June 2024

“Reporting Period”	the six months ended 30 June 2024
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Ru Yi IT”	Ru Yi Information Technology Co., LTD, a business company incorporated in the British Virgin Islands on 5 November 2021, which is wholly owned by Mr. Sun
“Share(s)”	ordinary share(s) of the Company with nominal value of US\$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“US\$”	US dollars, the lawful currency of the United States of America
“%”	per cent

By order of the Board
Cloud Factory Technology Holdings Limited
Sun Tao
Executive Director and Chief Executive Officer

Hong Kong, 27 August 2024

As at the date of this announcement, the board of Directors of the Company comprises Mr. Sun Tao, Mr. Jiang Yanqiu, Mr. Ji Lijun and Mr. Zhu Wentao as executive Directors; and Mr. Ip Mun Lam, Mr. Cui Qi and Ms. Zhao Hong as independent non-executive Directors.