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BABYTREE GROUP

寶寶樹集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1761)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of BabyTree Group (the “**Company**” or “**BabyTree**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended June 30, 2022 together with the comparative figures for the six months ended June 30, 2021.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

KEY HIGHLIGHTS

Set forth below are our key highlights for the six months ended June 30, 2022:

- The number of MAUs on our BabyTree Parenting App remained solid at 21.9 million for the six months ended June 30, 2022.
- The second-day retention rate of our BabyTree Parenting App grew steadily to 52.5% for the six months ended June 30, 2022.
- The number of our community members recorded significant year-on-year growth of 78.8%, while the number of our communities recorded a significant growth of 174.3% to a total of approximately 10.7 thousand for the six months ended June 30, 2022.
- Our C2M business experienced strong boost for the six months ended June 30, 2022. The E-commerce and C2M businesses have generated a total revenue of RMB27.2 million for the six months ended June 30, 2022, representing a year-on-year growth of 103.5%.

KEY OPERATIONAL DATA

	Six months ended June 30, 2022	Six months ended June 30, 2021	Year- on-year change ⁽⁴⁾
Core monetization user traffic (in million) ⁽¹⁾	21.9	21.8	0.2%
Second-day retention rate (%) ⁽²⁾	52.5	51.5	1.0
Number of communities (in thousand) ⁽³⁾	10.7	3.9	174.3%

Notes:

- (1) “Core monetization user traffic” refers to monthly active user (“MAU”) of BabyTree Parenting App, calculated by counting the number of active users during the relevant calendar month. The number of MAUs of our mobile apps is tracked and calculated by Umeng (友盟), a third-party data tracking service provided by Beijing Ruixunlingtong Technology Co., Ltd (北京銳訊靈通科技有限公司). The average total MAUs of BabyTree was 74.8 million as of June 30, 2022.
- (2) “Second-day retention rate” refers to the percentage of active users on BabyTree Parenting Apps that remained active users in the second day. The number of second-day retention rate is tracked and calculated by QuestMobile, a third-party data tracking service provided by Beijing Guishi Information Technology Limited (北京貴士信息科技有限公司).
- (3) “Number of communities” refer to the number of BabyTree WeChat communities. Each of these figures are tracked and calculated by BabyTree Data Laboratory (寶寶樹數據中心), a self-owned data analysis center of the Group.
- (4) The year-on-year change of each of core monetization user traffic and number of communities represents the percentage change. The year-on-year change of second-day retention rate represents the difference between the periods indicated.

KEY FINANCIAL DATA

	Six months ended June 30, 2022 RMB'000 (Unaudited)	Six months ended June 30, 2021 RMB'000 (Unaudited)	Year- on-year change (%)
Revenue	137,130	135,185	1.4
– Advertising	107,878	120,390	(10.4)
– E-commerce	27,203	13,370	103.5
– Others	2,049	1,425	43.8
Gross profit	61,200	84,449	(27.5)
Gross margin	44.6%	62.5%	(17.9) ^(Note)
Loss for the period	(197,290)	(122,455)	61.1

Note: Represents the difference between the gross margin for the six months ended June 30, 2022 and the gross margin for the six months ended June 30, 2021.

BUSINESS REVIEW AND OUTLOOK

1. Leading M&C brand for 15 years

As a trusted maternity and children (“M&C”) brand in the PRC for over 15 years, we strive to deliver products and services of premium quality to our customers, and have benefited greatly from the ever-increasing customer base in the market. Generation Z has now become the key consumer group in the M&C market, who indirectly shifted the industry standards and the service patterns. Traditional parenting methods have been gradually replaced by refined and comprehensive scientific parenting concepts, thereby leading to a quick reformation of the M&C market. During the first half of 2022, based on the report prepared by BigData-Research (比達諮詢), BabyTree Parenting App had ranked first in terms of popularity among Generation Z users on Internet M&C platforms, and was able to solve more parenting issues for Generation Z parents compared to other Internet M&C platforms, as well as enjoying the highest coverage rate among the M&C population. Further, according to the industry market research conducted by NielsenIQ, BabyTree continued to be the first choice of professional M&C App for mothers and fathers during the first half of 2022, and it had ranked first in terms of brand awareness, usage rate and recommendation rate for three consecutive years among the M&C Internet platforms.

Attributable to our systematic development strategies, the stringent implementation thereof and the robust support of Fosun International Limited (“**Fosun**”) (復星國際有限公司), we continued to experience growth amid the ongoing development of COVID-19. As of June 30, 2022, our cash and other liquid financial resources have reached RMB1,462.7 million, with the strong financial resources laying a solid foundation for our daily operations. During the first half of 2022, the user traffic on our core platforms recorded steady growth, with the number of MAUs of the BabyTree Parenting App remaining relatively stable at approximately 21.9 million, among which the post-pregnancy users accounted for 51.7%. In addition, Generation Z mothers also accounted for over 75% of the number of MAUs of the BabyTree Parenting App, whereas the users on our BabyTree Parenting Father Edition accounted for over 15%. As we progress steadily on the construction of post-pregnancy content and operation, we will continue to build upon our plan to expand the age groups and diversity of our users. On the other hand, the second-day retention rate of our products grew steadily to 52.5% during the first half of 2022, with the average daily engagement time reaching approximately 12 minutes.

2. Market Expansion and Policy Evolution

On August 16, 2022, 17 departments of the Chinese government jointly issued the Guiding Opinions on Further Improving and Implementing the Supportive Measures for Encouraging Childbirth (《關於進一步完善和落實積極生育支持措施的指導意見》) (the “**Opinions**”). A number of new methods of implementing the “Third Child Policy” regarding housing, social insurance, childcare, education and maternity leave were introduced nationwide through the Opinions, which were designed to encourage childbirth and embodied the determination of the Chinese government to promote long-term and balanced population development. Some highlights of the Opinions included (i) multi-child families may be eligible to be prioritized for public housing, and may be eligible to obtain more loans from the housing provident fund; (ii) kindergartens were encouraged to admit children aged two to three years old; and (iii) proposals to include the fees for labor analgesia and assisted reproductive technology in local medical insurance coverage. With concrete policies starting to take shape in tier one cities, we believe more supportive measures are expected to be introduced nationwide. According to BigData-Research, apart from the governmental policies that were introduced to resolve real issues in raising children, social environment is also a strong driving force for the expansion of M&C market, which is mainly manifested in three aspects: (i) against the backdrop of the normalized COVID-19 prevention, the number of active users on the Internet M&C platforms continue to expand, which accelerates the integration of online and offline business; (ii) Generation Z has become the main consumer group in the M&C market, who are gradually reshaping the market and promote refined and comprehensive scientific parenting concepts; and (iii) with the continuous upgrade of Chinese families’ consumption structure, the M&C market is heading towards the direction of high-end, high-quality and customization.

Policies for boosting population growth coupled with transformation of consumer patterns placed the M&C market in an unprecedented favorable position. It is estimated by BigData-Research that the M&C market size will reach approximately RMB5.5 trillion by the end of 2022. We put faith in the prospects of the M&C industry and ourselves to take advantage of such new opportunities.

3. Continue to deliver excellent products and efficient community operation

Continuous fission of communities on external platforms

As of June 30, 2022, we had a total of approximately 10.7 thousand different WeChat communities, with the number of active community members reaching 1.4 million. We have continued to establish a diversified community ecosystem through developing scenario-specific traffic diversion of the communities, identifying strategies to recover our user base and establishing a user tag system. Within the WeChat communities were parents of babies and children aged between -1 and 6 years old, with the average community activity reaching 20% and covering over 60 cities. Leveraging on our established ecosystem, we have continued to gain commercial support, so as to maintain the uniqueness of the BabyTree private domain and our leading position in the M&C industry.

We continue to deliver high-quality content on external platforms to expand the influence of BabyTree web-wide. As of the date of this announcement, we have set foot on platforms including Weibo (微博), Xiaohongshu (小紅書), Douyin (抖音), Kuaishou (快手), WeChat official account (微信公眾號), WeChat Channels (微信視頻號) and Toutiao (頭條), etc., with the cumulative number of followers on such external platforms reaching nearly 3 million, and such figure has continued to grow steadily. Going forward, we aim to further attract user traffic to our BabyTree Parenting App through continuous improvement of our accounts on external platforms and continue to improve the exposure of our brand.

In terms of commercialization, with “C2M + business solutions” set as the core of our operations, we have extended our business model into “offline local services + sale of M&C courses”. During the first half of 2022, revenue generated from the community E-commerce end was approximately RMB6.4 million, which had effectively facilitated the stable growth of the Company’s results of operation.

Optimization of core product functions

During the first half of 2022, we continued to upgrade and optimize our core products. Our efforts included upgrading users’ search experience, search process and layout of the search results, in which we supplemented a variety of information in terms of quantity, quality and professionalism, as well as optimizing the note-taking function. In particular, we optimized the note-taking function by including various guidance functions and referral incentives, after which, the average number of photos and videos uploaded daily by users to the note-taking function reached over 350,000.

Refined user management

Improving membership system

During the first half of 2022, we improved the membership system by upgrading member benefits and the services provided both on our own platform and external platforms, such as providing discount for shopping and access to professional content on our BabyTree Parenting App, and cooperating with a number of enterprises to construct joint membership systems, including co-introducing some member benefits with other brands such as KaDa Story (卡嗶故事), Ivy Parents (春藤家長) and 58 Daojia (58到家), which effectively increased the number of paid membership.

Going forward, we will expand the BabyTree user base through continuous upgrade of internal member benefits and the introduction of external member benefits, so as to cultivate user loyalty and achieve a win-win scenario for our users and our own commercialization.

Upgrading the creator service, distribution and creation center 2.0

During the first half of 2022, more Key Opinion Consumers and Key Opinion Leaders (“KOL(s)”) were incubated from our members through the “Creator Contest”. A total of 3,261 certified creators had participated in the contest, which involved over ten categories of leaders, and more than 50 leaders who had over 500,000 followers. Approximately 160,000 pieces of high-quality content have been produced in the contest, covering various themes including parenting, travel, food, emotion, photography, handicraft and preschool education. Through developing an ecosystem between BabyTree Parenting App and Douyin via promoting certain classic intellectual property (“IP”), such as our self-owned account “Dagang on Child-bearing” (大剛說育兒), we were able to form an incubation system, which laid a strong foundation for future promotions for IPs of experts on the BabyTree Parenting App and expanding the influence scope of the KOLs.

Reinforcing the synergetic effects between online and offline user activities

During the first half of 2022, our platform has hosted more than 2,000 online and offline activities, including livestreaming sessions, platform activities, community activities and E-commerce activities, which greatly reinforced the synergetic effects created among users, between users and customers, and between users and the Company, and further strengthened the brand awareness of BabyTree. Through these activities, we formed the Sapling Program (樹苗計劃) and the Local Mom Club (城市寶媽會), which in turn developed more offline local activities.

Refined Mika IP (米卡)

During the first half of 2022, we rebuilt the Mika IP, improved its value in interactivity, entertainment and scalability by supplementing further IP contents, such as games, stories, life and topics, which include 30 episodes of original stories, 44 parent-child games and 73 pieces of daily videos. In the meantime, the Mika IP was integrated into livestreaming sessions and theme activities, which helped to bring users and the platform closer together. In the future, we plan to incubate more Mika-related content, so as to extend the user life cycle, and to expand the viable directions for our content and business development.

4. Continue to upgrade our technical support

Upgraded content recommendation mechanism

During the first half of 2022, driven by our algorithms, we improved our capabilities in sustainable provision of premium content and refined operation, established the multi-level horse racing closed-loop system for content distribution, activated content with high interaction rate and click-through rate, and optimized the recommendation mechanism for premium content with more specific focus. As a result, the purchasing experience in browsing content has been greatly improved, the overall content browsing time of general users and new users has increased by more than 35% and 75%, respectively.

Upgraded E-commerce recommendation mechanism

Through probing into the behavior path of user consumption and incorporating big data analysis, we integrated a development plan so as to upgrade the product recommendation mechanism. Based on more accurate matching algorithms between people, products and traffic, the conversion rate of shopping mall users and the E-commerce users' purchasing experience has been significantly improved.

Upgraded research and development capabilities

We continued to research and apply our cross-platform capabilities, conducted research and development (“**R&D**”) across iOS, Android and Web platforms, which greatly increased the product iteration rate, effectively solved users' pain points and improved user experience. We also upgraded the mobile end construction and quality experience, increased the downloading and installation conversion rate and improved H5 page loading speed, which greatly improved users' reading and overall user experience.

5. Continue to grow our monetization business – B2B business solutions

Brand advertising

During the first half of 2022, the market for Internet advertising was volatile and unstable due to the impact of COVID-19. According to Questmobile's data, the market size of Internet advertising shrank by 2.3% during the first half of 2022 compared to the same period in 2021, and it was predicted that the overall market will be facing an unprecedented restructuring. Under such circumstances, brands will focus more on the effectiveness of their advertising strategies, including factors such as sales volume, attraction to new customers and membership, etc. We endeavored to build our brand and improve our advertising capabilities to deliver the desired results for our advertising customers.

During the first half of 2022, the revenue derived from traditional brand advertising remained stable. Due to the severe impact of COVID-19 in the second quarter of 2022 in China, the revenue generated from advertising execution for the first half of 2022 reached RMB88.7 million, representing a 3.3% decrease from the RMB91.6 million recorded for the same period in 2021, among which, domestic brand contributed approximately 33% of the revenue.

Change in mindset and diversified business solutions – from traffic-based to capability-based mechanism

The key to our monetization strategy amid the nationwide macroeconomic downturn was our change in mindset. We adjusted from capitalizing on user traffic to our capabilities, and applied the capabilities to the private domain communities and the entire ecosystem. In the first half of 2022, the M&C brands contributed approximately RMB70.6 million, representing approximately 80% of the Group's revenue generated from traditional brand advertising. Among which, newly established domestic brand clients contributed approximately 59% of our total revenue for the first half of 2022, which included brands from infant formula and daily consumer goods. Accordingly, we experienced continuous breakthroughs in our integrated marketing capabilities, in particular, for the first half of 2022, we secured six IP projects, which have been well recognized by brand customers.

M&C related business expansion

While maintaining efficient services for major advertising customers, the Company had consistently made efforts to explore advertising customers in M&C related industries. During the first half of 2022, the M&C related brands contributed approximately RMB18.1 million, representing approximately 20% of the Group's revenue generated from traditional brand advertising. Our newly developed customers were derived from different industries, such as cosmetics brands, seasoning brands and nutrient supplement brands. Despite the difficulties caused as a result of COVID-19, the Company has managed to keep its M&C related business expansion at basically the same level as that for the first half of 2021.

Outlook for the second half of 2022

For the second half of 2022, we aim to continue to develop our advertising business guided by our change of mindset strategy – to capitalize on our capabilities rather than user traffic – in three main directions: (i) to continue to expand our core category customer base; (ii) to coordinate our third party operation business (“**BOP**”) team and customer-to-manufacturer (“**C2M**”) team internally so as to meet the web-wide needs of integrating quality and efficiency; and (iii) to further improve our integrated marketing capabilities. While deepening our cooperation with existing customers in different fields such as automobile, makeup, household appliances and finance, we will utilize our experience gained from the existing business lines and formulate an integrated plan that consists of BabyTree exclusive user insights, collaborative ideas and ecological resources of each industry that we intend to expand into. We will strive to provide advertising customers with web-wide integrated marketing strategies, rather than those restricted to the data traffic on BabyTree platforms.

Performance-based self-serve advertising

In recent years, brands are no longer satisfied with mere advertisement placement. Instead, performance-based advertisement and innovation in the form of advertisement are highly sought after by advertisers. In light of this, we have continued to capitalize on the self-serve advertising services during the first half of 2022. However, primarily due to the nationwide macroeconomic downturn and our adjustments to the operational strategies for this business segment, the revenue for this business segment declined as a result. During the first half of 2022, the revenue generated from self-serve advertising amounted to RMB19.2 million, representing a year-on-year decrease of 33.3%, while the profit margin remained at 95% due to the tech-driven business nature.

In July 2022, we completed upgrading our system to the 4.0 version and achieved substantial breakthroughs in our test run in some of our newly engaged industries such as health related, E-commerce coupons and insurance, in which we secured customers to place long-term advertisements with us, and such cases will provide us valuable learning experience in order to guide our future development in self-serve advertising business.

6. Robust growth of M&C family life scenario-based C2M and E-commerce

During the first half of 2022, the Company's E-commerce and C2M businesses have generated revenue of RMB27.2 million, representing an 103.5% growth compared to RMB13.4 million for the same period in 2021. The substantial growth was mainly attributable to (i) our excellent capabilities in channel operations, which accelerated our improvements in the commercialization of our communities; and (ii) the rapid development of our C2M products. During the first half of 2022, community e-commerce contributed approximately RMB6.4 million to our Group's total revenue, representing a year-on-year growth of 477%. Meanwhile, the growth on our product-end was mainly contributed by the richness of our C2M products. The Group's co-branded C2M products, which included diapers, maternity bags, toiletries and nutrients, generated revenue of RMB10.2 million, representing a year-on-year growth of 413%.

BabyTree's M&C family life scenario-based C2M is committed to building a platform to provide young families with high quality products, and focuses on four main groups of people including "pregnant women, mothers, infants and children". By focusing on family scenario, lifestyle and consumption trend, the BabyTree C2M self research program covered ten product categories, including but not limited to maternity nutrition, scientific feeding, M&C personal care and complementary baby food, in which the construction of six category lines involving "pregnancy, childbirth, infants and children" has been completed as of June 30, 2022, all of which have reached the stage of project approval. For instance, we have launched the pregnancy nutrition product "prune juice", which represented a significant breakthrough in the Company's sales of nutritional supplements. We will continue to develop new products in the future to enrich the product line.

In terms of intelligent parenting, our "Mika early education all-in-one machine" – as a product of "content + AIoT" – was based on content that BabyTree accumulated for 15 years, and had combined with Fosun Huohuo Rabbit (火火兔) serial intelligent hardware to build a multi-scenario smart M&C life experience, the first batch of which were immediately sold out after they hit the market on April 29, 2022.

In terms of M&C cleaning, we applied unique formula ingredients in our wash and care series for moms and infants, which are now on the market and have received positive feedbacks from consumers for being high quality and good in value.

Refined operation of our self-operated online mall

During the first half of 2022, we continued to enrich on-site marketing activities on the BabyTree Parenting App, such as 515 Fosun Family Day (515復星家庭日), 618 Mid-year Promotion (618年中大促) and Super Brand Day (超級品牌日), to increase user activity on our platform. Meanwhile, we continued to upgrade the E-commerce aspect in the BabyTree Parenting App, such as the logic design of the E-commerce search functions, and optimized the design of channel pages so as to increase conversion rate of E-commerce users on our platform. As of the first half of 2022, we also continued to optimize the supply chain management, in which we had a total of 194 registered merchants on our platform.

Substantial growth of community E-commerce

During the first half of 2022, sales generated from our WeChat communities accounted for 23.4% of our C2M sales revenue, representing an increase of 15.4 percentage points from 8% for the first half of 2021.

We continued to strengthen our capabilities in WeChat community operations and supply chain management to enable users to purchase the most needed products as soon as they enter into the community page. During the first half of 2022, approximately 30% of the new users joining our communities placed orders with us within the first month. Since the beginning of 2022, the number of registered mom partners on our platform increased from 8,000 as at December 31, 2021 to 37,126 as at June 30, 2022.

Continuous expansion on other external channels

In terms of the efforts made on third-party media platforms, Douyin was a key contributor to our growth. Our BabyTree Douyin team consistently achieved breakthroughs during the first half of 2022. We had several hot videos which were selected into Douyin top recommendations, with the total exposure amounted to over 1.8 million views, while the number of viewers in a single livestreaming session reached over 40,000, which laid solid foundation for the increase and expansion of our channel matrix for the second half of the year.

Exploring offline channels

Apart from our self-operated mall and other online channels, we started to explore offline channels since the second quarter of 2022 to enrich product distribution channels and establish an omni-channel matrix layout. We will also continue to make full use of the resources of Fosun's ecosystem to lay the foundation for future hot sale business lines of our C2M products.

Third-party operation business (BOP)

As of June 30, 2022, the revenue generated from our BOP business reached RMB8.2 million. We have continued to deepen our cooperation with a number of domestic and foreign brands, such as the Australian cosmeceutical brand Dr. Roebuck's, Junlebao (君樂寶), Beingmate (貝因美) and Liby (立白). Through continuous enhancement of our integrated marketing and third-party brand operation capabilities, we could link up our online and offline sales and operation channels, expand the full-scope marketing map and empower the Group's overall advertising and C2M E-commerce. Going forward, we will continue to improve the channel establishment capabilities of the BOP business and introduce high quality M&C and family brands to set an advanced industrial model.

Outlook for the second half of 2022

Our platform will continue to penetrate the user behavior of the new generation of mothers during the second half of 2022. While taking into account of the current consumption trend, our platform will continue to trace the source of high-quality supply chain and create family-related full-scenario brands using our self-developed and self-operated C2M products. Through implementing the scenario-based, data-based and R&D-driven strategy, and leveraging on the advantages of Fosun’s ecological chain, we will continue the establishment of category lines revolving around M&C groups and promote the all-round establishment of BabyTree C2M co-branded products through third-party cooperation.

We will also endeavor to build an omni-channel matrix layout. Apart from our self-owned community E-commerce mall and self-operated communities, we aim to enhance our performance in other online channels, such as Douyin, Taobao (淘寶), Pinduoduo (拼多多), JD.com (京東), as well as offline channels. In the meantime, through leveraging the B2B channel within Fosun’s ecosystem, we will strive to build an all-round channel network, to lay the foundation for the future sale of our self-operated and jointly operated products.

7. Continue to leverage the resources of Fosun’s ecosystem

During the first half of 2022, the Group has deepened its cooperation with Fosun’s ecosystem, including for the development of various products such as “Health” (大健康) and “Happiness” (大快樂).

We aim to leverage on Fosun’s ecosystem in order to improve the overall supply capacity of BabyTree C2M products. During the first half of 2022, we cooperated with 27 companies within Fosun’s ecosystem and have jointly introduced over 375 products with stock keeping unit (SKU) numbers introduced into the market. For instance, we have co-developed the “Mika early education all-in-one machine” with Huohuo Rabbit, the first batch of which had immediately sold out after it was introduced into market. We also cooperated with Fosun Jinmei Global Technology Innovation Center (復星津美全球科創中心) and achieved significant breakthroughs on the self-operation of wash and care products, including eight co-developed products which have already been introduced into the market as of June 30, 2022. In the meantime, we are currently cooperating with seven companies within Fosun’s ecosystem, such as Thomas Cook and Fosun Selection (復星甄選), in order to further promote new C2M products of the Group.

8. ESG commitment

We continue to view the development of our environmental, social and corporate governance (“**ESG**”) practices and capabilities as one of the Group’s key priorities and we have always adhered to the concept of sustainable development, actively fulfilled our corporate social responsibilities, and integrated environmental management into our business decisions.

During the first half of 2022, we closely monitored the impact that our daily operations had on the environment, including gas emissions, use of natural resources and climate change. We continued to provide amicable work environment for our employees and give priority to their rights, benefits and health. We set stringent standards for the quality of our products and services, managed and monitored our supply chain according to clear and coherent policies. We disciplined ourselves and have always been committed to the social causes that benefit the common good. During the first half of 2022, we were awarded a “Silver Award of Sustainable Development Category” by HKSSA (Hong Kong Sustainable Strategic Advisory) for our long-standing dedication to ESG principles and practices. The honors will remain constant reminders of the principles we adhere to while further improving our market share in the M&C industry, and a signal of our strong social responsibility and the directions we shall follow thereafter.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE FOR THE SIX MONTHS ENDED JUNE 30, 2022

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	137,130	135,185
Cost of revenue	<u>(75,930)</u>	<u>(50,736)</u>
Gross profit	61,200	84,449
Other income	5,951	25,855
Other net (losses)/gains	(22,132)	3,353
Selling and marketing expenses	(135,328)	(114,467)
General and administrative expenses	(70,971)	(90,694)
Research and development expenses	(28,352)	(27,493)
Loss from operations	(189,632)	(118,997)
Net finance (expense)/income	(133)	1,000
Fair value changes of financial instruments measured at fair value through profit or loss	(7,161)	(3,408)
Share of loss of associates	(364)	(1,026)
Loss before tax	(197,290)	(122,431)
Income tax expense	–	(24)
Loss for the period	(197,290)	(122,455)
Attributable to:		
Equity shareholders of the Company	(197,290)	(122,451)
Non-controlling interests	–	(4)

Revenue

Our total revenue increased by 1.4% to RMB137.1 million for the six months ended June 30, 2022, compared to RMB135.2 million for the six months ended June 30, 2021, primarily due to an increase in revenue from our E-commerce business. The following table sets forth our revenue by segment for the periods indicated:

	Six months ended June 30,		2021	
	2022	% of total	Amount	% of total
	Amount	revenues	Amount	revenues
	RMB'000		RMB'000	
Advertising	107,878	78.7%	120,390	89.1%
E-commerce	27,203	19.8%	13,370	9.9%
Others	2,049	1.5%	1,425	1.0%
Total	137,130	100.0%	135,185	100.0%

Advertising

Revenue from our advertising business decreased by 10.4% to RMB107.9 million for the six months ended June 30, 2022, compared to RMB120.4 million for the six months ended June 30, 2021. The decrease was primarily because under the influence of COVID-19, the macroeconomic environment in China has deteriorated, and our advertising customers started to tighten their budgets, resulting in a decline in our advertising business.

E-commerce

Revenue from our E-commerce business increased by 103.5% to RMB27.2 million for the six months ended June 30, 2022, compared to RMB13.4 million for the six months ended June 30, 2021, primarily due to the increase in sales volume web-wide and the rapid development of our C2M products.

Others

Revenue from others increased by 43.8% to RMB2.0 million for the six months ended June 30, 2022, compared to RMB1.4 million for the six months ended June 30, 2021, primarily due to the increase in the number of our customers.

Cost of Revenue

Our cost of revenue increased by 49.7% to RMB75.9 million for the six months ended June 30, 2022, compared to RMB50.7 million for the six months ended June 30, 2021, primarily due to the increased cost of advertising execution and the increased cost of our C2M products driven by its revenue growth.

The following table set forth our cost of revenue by segment for the periods indicated:

	Six months ended June 30, 2022		2021	
	Amount <i>RMB'000</i>	% of total cost of revenue	Amount <i>RMB'000</i>	% of total cost of revenue
Advertising	62,086	81.8%	48,589	95.8%
E-commerce	13,813	18.1%	2,050	4.0%
Others	31	0.1%	97	0.2%
Total	75,930	100.0%	50,736	100.0%

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 27.5% to RMB61.2 million for the six months ended June 30, 2022, compared to RMB84.4 million for the six months ended June 30, 2021. Our gross profit margin decreased to 44.6% for the six months ended June 30, 2022, compared to 62.5% for the six months ended June 30, 2021. The following table sets forth our gross profit and gross profit margin by segment for the periods indicated:

	Six months ended June 30, 2022		2021	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Advertising	45,792	42.4%	71,801	59.6%
E-commerce	13,390	49.2%	11,320	84.7%
Others	2,018	98.5%	1,328	93.2%
Total	61,200	44.6%	84,449	62.5%

Other Income

Our other income decreased by 77.0% to RMB6.0 million for the six months ended June 30, 2022, compared to RMB25.9 million for the six months ended June 30, 2021, primarily due to the decrease in investment income of financial assets measured at fair value through profit or loss.

Other Net (Losses)/Gains

Our other net losses were RMB22.1 million for the six months ended June 30, 2022, while our other net gains were RMB3.4 million for the six months ended June 30, 2021, primarily due to net foreign exchange losses.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 18.2% to RMB135.3 million for the six months ended June 30, 2022, compared to RMB114.5 million for the six months ended June 30, 2021, primarily due to the increased expenses in our traffic acquisition and operation promotion, which helped increase our active users. Selling and marketing expenses as a percentage of revenue increased to 98.7% for the six months ended June 30, 2022 from 84.7% for the six months ended June 30, 2021.

General and Administrative Expenses

Our general and administrative expenses decreased by 21.7% to RMB71.0 million for the six months ended June 30, 2022, compared to RMB90.7 million for the six months ended June 30, 2021, primarily due to the decrease in related expenses as a result of improved operational efficiency. General and administrative expenses as a percentage of revenue decreased to 51.8% for the six months ended June 30, 2022 from 67.1% for the six months ended June 30, 2021.

R&D Expenses

Our R&D expenses increased by 3.1% to RMB28.4 million for the six months ended June 30, 2022, compared to RMB27.5 million for the six months ended June 30, 2021. Research and development expenses as a percentage of revenue increased to 20.7% for the six months ended June 30, 2022 from 20.3% for the six months ended June 30, 2021.

Loss from Operations

As a result of the foregoing, we recorded loss from operations of RMB189.6 million for the six months ended June 30, 2022 compared to RMB119.0 million for the six months ended June 30, 2021.

Net Finance (Expense)/Income

Our net finance (expense)/income primarily comprises interest income from deposits in banks and other financial institutions and interest expense on lease liabilities. Our net finance (expense)/income decreased by 113.3% to a net financial expense of RMB0.1 million for the six months ended June 30, 2022, compared to a net financial income of RMB1.0 million for the six months ended June 30, 2021, primarily due to the decrease in the interest income from deposits in banks and other financial institutions.

Fair Value Changes on Financial Instruments Measured at Fair Value through Profit or Loss

Our fair value loss on financial instruments measured at fair value through profit or loss increased by 110.1% to RMB7.2 million for the six months ended June 30, 2022, compared to RMB3.4 million for the six months ended June 30, 2021 due to market fluctuations.

Share of Loss of Associates

Our share of loss of associates decreased by 64.5% to RMB0.4 million for the six months ended June 30, 2022, compared to RMB1.0 million for the six months ended June 30, 2021.

Income Tax Expense

We did not record income tax credit or expense for the six months ended June 30, 2022, whereas we recorded income tax expense of RMB24 thousand for the six months ended June 30, 2021.

Loss Attributable to Equity Shareholders of the Company

As a result of the foregoing, loss attributable to equity shareholders of the Company increased to RMB197.3 million for the six months ended June 30, 2022, compared to RMB122.5 million for the six months ended June 30, 2021.

Capital Structure

Our total assets decreased from RMB2,052.3 million as of December 31, 2021 to RMB1,930.1 million as of June 30, 2022. Our total liabilities increased from RMB163.0 million as of December 31, 2021 to RMB165.1 million as of June 30, 2022. Liabilities-to-assets ratio changed from 7.9% as of December 31, 2021 to 8.6% as of June 30, 2022.

The current ratio (being the ratio of total current assets to the total current liabilities) was 10.8 as of June 30, 2022, compared to 11.6 as of December 31, 2021.

Liquidity, Financial Resources and Gearing Ratio

Our cash and other liquid financial resources (comprising (i) cash and cash equivalents, including cash at banks and other financial institutions and deposits with banks; and (ii) short-term bonds portfolios and wealth management products we bought), increased from RMB1,416.6 million as of December 31, 2021 to RMB1,462.7 million as of June 30, 2022, primarily due to increase in working capital.

We adopt a prudent treasury management policy to ensure that our Group maintains a healthy financial position. As of June 30, 2022, we did not have any outstanding borrowings. Accordingly, no gearing ratio is presented.

Capital Expenditure

Our capital expenditures, consisting of payments for the purchase of property, plant and equipment and intangible assets, were incurred mainly for servers, computers and office equipment. Our capital expenditures were RMB1.2 million as of June 30, 2022, compared to RMB1.5 million as of December 31, 2021.

Foreign Exchange Risk

We had cash at banks and other financial institutions denominated in foreign currencies, which exposed us to foreign exchange risk. During the Reporting Period, we used foreign exchange options to hedge against our exposure to foreign exchange risk. We manage currency risk by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

Contingent Liabilities

As of June 30, 2022, we did not have any material contingent liabilities.

Material Acquisitions and Future Plans for Material Investments

During the six months ended June 30, 2022, we did not conduct any material acquisitions and disposals of subsidiaries, associates and joint ventures.

As at the date of this announcement, we did not have any future plans for material investments.

Significant Investments

As of June 30, 2022, none of the investments in the Group's financial assets measured at fair value through profit or loss had reached 5% of the Group's total assets as of June 30, 2022. Accordingly, the Group did not have any significant investments held as of June 30, 2022.

Pledge of Assets

As at June 30, 2022, bank balance of RMB6.6 million was pledged which were mainly used to secure investments.

Significant Event after the Reporting Period

There were no material events subsequent to June 30, 2022 which could have a material impact on our operating and financial performance as of the date of this announcement.

Interim Dividend

The Board did not recommend the payment of an interim dividend for the six months ended June 30, 2022.

Company Information

The Company was incorporated in the Cayman Islands on February 9, 2018 as an exempted company with limited liability, and the shares were listed on the Main Board of the The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on November 27, 2018.

Employees

As of June 30, 2022, we had 484 full-time employees, substantially all of whom were based in China, primarily in Beijing and Shanghai, with the rest based in Wuhan, Guangzhou and Hangzhou. Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

SHARE OPTION SCHEME

A share option scheme was adopted at the annual general meeting of the Company held on June 13, 2019 and was amended at the extraordinary general meeting held on October 26, 2021. For details of the amendments, see the circular issued by the Company on October 7, 2021. The purpose of the share option scheme is to attract, retain and motivate talented employees to strive towards long term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group. The share option scheme will link the value of the Company with the interests of the participants, enabling the participants and the Company to develop together and promote the Company’s corporate culture.

The share option scheme remains valid for a period of ten years commencing on June 13, 2019. As of June 30, 2022, no option had been granted or agreed to be granted, and thus no options had been exercised, cancelled or lapsed under the share option scheme. As a result, the total number of Shares available for grant under the share option scheme was 166,071,160, representing 10% of the total Shares in issue of the Company as of October 26, 2021, being the date of approval of the increased share option scheme mandate.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
	Note	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	3	137,130	135,185
Cost of revenue		<u>(75,930)</u>	<u>(50,736)</u>
Gross profit		61,200	84,449
Other income		5,951	25,855
Other net (losses)/gains		(22,132)	3,353
Selling and marketing expenses		(135,328)	(114,467)
General and administrative expenses		(70,971)	(90,694)
Research and development expenses		<u>(28,352)</u>	<u>(27,493)</u>
Loss from operations		(189,632)	(118,997)
Net finance (expense)/income	4(a)	(133)	1,000
Fair value changes on financial instruments measured at fair value through profit or loss		(7,161)	(3,408)
Share of losses of associates		<u>(364)</u>	<u>(1,026)</u>
Loss before taxation	4	(197,290)	(122,431)
Income tax expense	5	–	(24)
Loss for the period		<u>(197,290)</u>	<u>(122,455)</u>
Attributable to:			
Equity shareholders of the Company		(197,290)	(122,451)
Non-controlling interests		–	(4)
Loss for the period		<u>(197,290)</u>	<u>(122,455)</u>
Loss per share	6		
Basic and diluted (RMB)		<u>(0.12)</u>	<u>(0.07)</u>

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Loss for the period	<u>(197,290)</u>	<u>(122,455)</u>
Other comprehensive income/(expense) for the period (after tax and reclassification adjustments)		
<i>Items that are or may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translating of financial statements of the Company and overseas subsidiaries	78,900	(16,157)
Share of an associate's other comprehensive income/(expense)	<u>601</u>	<u>(5)</u>
Other comprehensive income/(expense) for the period	<u>79,501</u>	<u>(16,162)</u>
Total comprehensive expense for the period	<u>(117,789)</u>	<u>(138,617)</u>
Attributable to:		
Equity shareholders of the Company	(117,789)	(138,609)
Non-controlling interests	<u>–</u>	<u>(8)</u>
Total comprehensive expense for the period	<u>(117,789)</u>	<u>(138,617)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Note</i>	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Non-current assets			
Property, plant and equipment	7	35,863	38,662
Intangible assets		4,925	4,609
Interests in associates		36,159	38,922
Financial assets measured at fair value through profit or loss		178,045	232,416
Deferred tax assets		38,428	38,428
		293,420	353,037
Current assets			
Inventories		10,577	2,511
Contract assets		10,773	18,991
Trade receivables	8	105,181	99,737
Prepayments and other receivables		39,790	152,095
Other current assets		7,623	9,292
Financial assets measured at fair value through profit or loss		418,008	175,757
Cash and bank balances		1,044,691	1,240,856
		1,636,643	1,699,239
Current liabilities			
Trade payables	9	29,447	23,433
Accruals and other payables		99,532	100,688
Contract liabilities		5,524	7,592
Lease liabilities		15,650	14,398
Derivative financial instruments		1,648	114
Current taxation		–	63
		151,801	146,288
Net current assets		1,484,842	1,552,951
Total assets less current liabilities		1,778,262	1,905,988

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(CONTINUED)**

As at 30 June 2022

	30 June 2022	31 December 2021
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Non-current liabilities		
Lease liabilities	13,214	16,570
Deferred tax liabilities	115	115
	<u>13,329</u>	<u>16,685</u>
Net assets	<u>1,764,933</u>	<u>1,889,303</u>
Equity		
Share capital	1,152	1,152
Reserves	1,764,493	1,885,282
	<u>1,765,645</u>	<u>1,886,434</u>
Total equity attributable to equity shareholders of the Company	1,765,645	1,886,434
Non-controlling interests	(712)	2,869
	<u>1,764,933</u>	<u>1,889,303</u>
Total equity	<u>1,764,933</u>	<u>1,889,303</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

For the six months ended 30 June 2022

(Expressed in RMB unless otherwise indicated)

1 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard (“IAS”) 34, Interim financial reporting (“IAS 34”), issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 30 August 2022.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of any changes in accounting policies are set out in note 2.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Company and its subsidiaries (together, the “Group”) since the 2021 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

- Amendments to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to IFRS 3, Reference to the Conceptual Framework
- Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRSs, Annual Improvements to IFRSs 2018-2020

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are providing advertising, e-commerce and other services to customers.

(i) *Disaggregation of revenue*

Revenue of the Group are all from contracts with customers within the scope of IFRS 15. The amount of each significant category of revenue is as follows:

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Advertising	107,878	120,390
E-commerce	27,203	13,370
Others	2,049	1,425
	<u>137,130</u>	<u>135,185</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in note 3(b).

No geographical information is presented as more than 90% of the Group's revenue during the six months ended 30 June 2022 and 2021 was in the People's Republic of China (the "PRC").

The Group's customer base is diversified and includes only one customer (six months ended 30 June 2021: one customer) with whom transactions has exceeded 10% of the Group's revenues during the reporting period. During the six months ended 30 June 2022, revenues from advertising to this customer amounted to approximately RMB16,001,000 (six months ended 30 June 2021: RMB19,346,000).

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

Contracts with advertising customers always have an original expected duration of less than one year. And contracts with individual customers for e-commerce and other services are always satisfied within one month.

The Group has applied the practical expedient in paragraph 121 of IFRS 15 and therefore the information about revenue that the Group will be entitled to when it satisfied the remaining performance obligations is not disclosed for contracts that have an original expected duration of one year or less.

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified three reportable segments.

- Advertising;
- E-commerce, which includes direct sales and marketplace; and
- Others, which include content monetization, insurance agent service and other services.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the period is set out below.

	For the six months ended 30 June 2022			
	Advertising	E-commerce	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Disaggregated by timing of revenue recognition				
Over time	107,878	–	–	107,878
Point in time	–	27,203	2,049	29,252
Revenue from external customers	107,878	27,203	2,049	137,130
Inter-segment revenue	–	768	–	768
Reportable segment revenue	<u>107,878</u>	<u>27,971</u>	<u>2,049</u>	<u>137,898</u>
Reportable segment (loss)/profit (adjusted EBITDA)	<u>(109,666)</u>	<u>(18,254)</u>	<u>1,925</u>	<u>(125,995)</u>
Depreciation and amortisation	(6,450)	(961)	(5)	(7,416)
Recognition of loss allowance on trade and other receivables and contract assets, net	(11,525)	(4,664)	(16)	(16,205)
Net finance (expense)/income	(63)	10	–	(53)
Unallocated other income				3,275
Unallocated share of losses of associates				(364)
Unallocated fair value change on financial instruments measured at fair value through profit or loss ("FVPL")				(7,161)
Unallocated depreciation and amortisation				(1,659)
Unallocated net finance expense				(80)
Unallocated other costs				<u>(41,632)</u>
Loss before taxation				(197,290)
Income tax expense				–
Loss for the period				<u>(197,290)</u>

3 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

	For the six months ended 30 June 2021			
	Advertising RMB'000 (unaudited)	E-commerce RMB'000 (unaudited)	Others RMB'000 (unaudited)	Total RMB'000 (unaudited)
Disaggregated by timing of revenue recognition				
Over time	120,390	–	–	120,390
Point in time	–	13,370	1,425	14,795
Revenue from external customers	120,390	13,370	1,425	135,185
Inter-segment revenue	–	1,115	–	1,115
Reportable segment revenue	<u>120,390</u>	<u>14,485</u>	<u>1,425</u>	<u>136,300</u>
Reportable segment (loss)/profit (adjusted EBITDA)	<u>(47,893)</u>	<u>(10,356)</u>	<u>389</u>	(57,860)
Depreciation and amortisation	(12,842)	(1,043)	(119)	(14,004)
Recognition of loss allowance on trade and other receivables and contract assets, net	(33,371)	(14)	(135)	(33,520)
Net finance income	907	41	8	956
Unallocated other income				20,880
Unallocated share of losses of associates				(1,026)
Unallocated fair value change on financial instruments measured at FVPL				(3,408)
Unallocated depreciation and amortisation				(1,821)
Unallocated recognition of loss allowance on other receivables				(210)
Unallocated net finance income				44
Unallocated other costs				<u>(32,462)</u>
Loss before taxation				(122,431)
Income tax expense				<u>(24)</u>
Loss for the period				<u>(122,455)</u>

The measure used for reporting segment profit is “adjusted EBITDA” i.e. “adjusted earnings before interest, taxes, depreciation and amortisation”, where “interest” is regarded as including investment income and “depreciation and amortisation” is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group’s earnings are further adjusted for items not specifically attributed to individual segments, such as net recognition of loss allowance on trade and other receivables and contract assets, share of losses of associates, fair value change on financial instruments measured at FVPL and other head office or corporate administration costs.

There were no separate segment assets and segment liabilities information provided to the Group’s senior executive management, as they do not use this information to allocate resources to or evaluate the performance of the operating segments.

4 LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Net finance expense/(income)

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest income from deposits in banks and other financial institutions	(558)	(1,501)
Interest expense on other borrowings	–	110
Interest expense on lease liabilities	691	391
	<u>133</u>	<u>(1,000)</u>

(b) Other items

The following expenses/(income) are included in cost of revenue, other income, other net (losses)/gains, selling and marketing expenses, general and administrative expenses and research and development expenses.

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Amortisation of intangible assets	701	793
Consultancy fee to related companies	10,669	–
Cost of inventories	10,577	1,113
Depreciation charge		
– owned property, plant and equipment	752	3,734
– right-of-use assets	7,622	11,298
Investment income on financial assets measured at FVPL	(3,963)	(20,877)
Net foreign exchange loss/(gain)	21,759	(3,587)
Recognition of loss allowance on trade receivables and contract assets, net	16,205	11,511
Recognition of loss allowance on other receivables		
– due from a related company	–	22,000
– due from third parties	–	219
(Reversal of write-down)/write-down of inventories	(59)	195
Staff costs	116,983	114,377
	<u>116,983</u>	<u>114,377</u>

5 INCOME TAX EXPENSE

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current tax		
PRC Enterprise Income Tax		
Provision for the period	—	24

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

The Group has no assessable profit in Hong Kong during the period and is not subject to any Hong Kong Profits Tax. Hong Kong Profits Tax rate during the period is 16.5% (six months ended 30 June 2021: 16.5%).

In accordance with the Enterprise Income Tax Law (“**Income Tax Law**”) of the PRC, enterprise income tax rate for the Group’s PRC subsidiaries during the period is 25% (six months ended 30 June 2021: 25%).

According to the relevant PRC Income Tax Law, the Company’s subsidiary, BabyTree (Beijing) Information and Technology Co., Ltd. (“**BabyTree Information**”) (寶寶樹(北京)信息技術有限公司) was certified as a New and High Technology Enterprise in Beijing since 2016, and is entitled to a preferential income tax rate of 15%. The current certification of New and High technology Enterprise held by BabyTree Information will expire on 1 December 2022.

Taxation for overseas subsidiaries is charged at the appropriate current rates of taxation ruling in the relevant countries.

6 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the company of RMB197,290,000 (six months ended 30 June 2021: RMB122,451,000) and the weighted average of 1,660,712,000 ordinary shares (six months ended 30 June 2021: 1,660,712,000 shares).

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

There was no difference between the basic and diluted loss per share during the six months ended 30 June 2022 and 2021 as there were no dilutive potential shares outstanding for the both periods.

7 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2022, the Group entered into a lease modification agreement for existing leased office which resulted in lease modification and increased in cost of right-of-use asset by approximately RMB5,354,000 (six months ended 30 June 2021: Nil) and no additions to right-of-use assets (six months ended 30 June 2021: additions to right-of-use assets of approximately RMB20,084,000).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired items of electronic equipment and office equipment with a cost of approximately RMB221,000 (six months ended 30 June 2021: RMB324,000). No owned assets were disposed during the six months ended 30 June 2022 (six months ended 30 June 2021: items of electronic equipment and office equipment with a net carrying amount of approximately RMB113,000 were disposed and resulting in a loss on disposal of approximately RMB37,000).

8 TRADE RECEIVABLES

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	<i>(unaudited)</i>	<i>(audited)</i>
Amounts due from third parties	243,292	220,734
Amounts due from related parties	28,282	28,282
Less: Loss allowance	(166,393)	(149,279)
	<u>105,181</u>	<u>99,737</u>

Ageing analysis

As of the end of each of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022	31 December 2021
	RMB'000	RMB'000
	<i>(unaudited)</i>	<i>(audited)</i>
Within 6 months	102,266	82,989
6 months to 1 year	2,570	16,470
1 to 2 years	345	278
	<u>105,181</u>	<u>99,737</u>

The credit terms agreed with customers are normally 30–90 days from the date of billing or 60–120 days after the date of advertisement posted. No interests are charged on the trade receivables.

9 TRADE PAYABLES

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Amounts due to third parties	29,157	23,107
Amounts due to related parties	<u>290</u>	<u>326</u>
	<u>29,447</u>	<u>23,433</u>

Ageing analysis

As of the end of each of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	30 June 2022 RMB'000 (unaudited)	31 December 2021 RMB'000 (audited)
Within 6 months	17,024	13,850
6 months to 1 year	7,812	2,543
1 to 2 years	191	624
Over 2 years	<u>4,420</u>	<u>6,416</u>
	<u>29,447</u>	<u>23,433</u>

10 DIVIDENDS

During the six months ended 30 June 2022 and 2021, no dividends were declared or paid by the Company to its equity shareholders.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the six months ended June 30, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any other listed securities of the Company.

Compliance with the Corporate Governance Code (the "CG Code")

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Board is of the view that during the six months ended June 30, 2022, the Company has complied with all of the code provisions as set out in the CG Code.

Nonetheless, since July 28, 2021, the position of the Chief Executive Officer of the Company has been vacant up to the date of this announcement, and the responsibilities of the Chief Executive Officer have been assumed by Mr. GAO Min, our executive Director and co-Chairman, during such vacancy. The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider the re-establishment of the role of the Chief Executive Officer.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the Model Code for the six months ended June 30, 2022.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of part 2 of the CG Code. No incident of non-compliance with the Employee Written Guidelines by the Company's relevant employees has been noted for six months ended June 30, 2022 and up to the date of this announcement after making reasonable enquiry.

Audit Committee and Review of Financial Statements

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. CHEN Guanglei (chairman), Mr. De-chao Michael YU and Mr. SHIAH Hung-Yu (with Mr. CHEN Guanglei possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group’s operations and internal controls.

The Audit Committee has reviewed together with the management, the accounting principles and policies adopted by the Group and the Group’s unaudited interim results for the six months ended June 30, 2022, and was of the opinion that the preparation of such interim results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

Publication of Interim Results Announcement and Interim Report

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (ir.babytree.com). The interim report of the Company for the six months ended June 30, 2022 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and made available on the same websites in due course.

By Order of the Board
BabyTree Group
寶寶樹集團
GAO Min
WANG Huainan
Co-Chairmen

Hong Kong, August 30, 2022

As at the date of this announcement, the Board comprises Mr. GAO Min and Mr. XU Chong as executive Directors; Mr. WANG Huainan, Mr. QIAN Shunjiang, Mr. CHEN Bing, Mr. CHEN Weijun, Mr. WU Ying and Mr. Christian Franz REITERMANN as non-executive Directors; and Mr. CHEN Guanglei, Mr. De-chao Michael YU, Mr. SHIAH Hung-Yu and Ms. Jin SU as independent non-executive Directors.