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Fulu Holdings Limited
福祿控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2101)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022

The board of directors of Fulu Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company for the year ended December 31, 2022. The consolidated financial statements for the year ended December 31, 2022 have been audited by the Company’s auditor and have been reviewed by the Audit Committee.

FINANCIAL HIGHLIGHTS

	For the year ended		
	December 31,		Increase/
	2022	2021	(Decrease)
	<i>(RMB'000)</i>		%
Revenue	479,863	399,283	20.2
Gross profit	359,236	295,244	21.7
Profit before tax	86,279	75,197	14.7
Profit and total comprehensive income for the year	90,726	68,222	33.0
Attributable to:			
Owners of the parent	97,881	68,222	43.5
Non-controlling interests	(7,155)	–	N/A
Basic earnings per share <i>(RMB)</i>	0.24	0.17	41.2

BUSINESS OVERVIEW AND OUTLOOK

BUSINESS OVERVIEW

As of December 31, 2022, our GMV was RMB16,795,530 thousand, representing a decrease of 21.2% over RMB21,318,167 thousand in 2021. Among them, GMV from the lifestyle segment was RMB3,697,251 thousand, representing an increase of 137.8% over RMB1,555,075 thousand in 2021; GMV from the leisure and entertainment segment was RMB5,788,718 thousand, representing an increase of 3.8% over RMB5,575,512 thousand in 2021; GMV from the telecommunications segment was RMB5,168,140 thousand, representing a decrease of 59.8% over RMB12,856,955 thousand in 2021; GMV from the games segment was RMB1,575,086 thousand, representing an increase of 18.4% over RMB1,330,625 thousand in 2021; and the newly added corporate welfare segment achieved GMV of RMB566,335 thousand within just one year.

Lifestyle segment

In 2022, revenue from the lifestyle segment increased by 38.0% to RMB56,300 thousand on a year-on-year basis, accounting for 11.7% of the total revenue. Arising from the accelerated digital transformation of all walks of life, the categories of our lifestyle segment have been fully expanded, and we have facilitated more transactions of lifestyle service digital goods, resulting in a substantial increase in GMV and revenue. In 2022, the new cooperative brands of our lifestyle segment included Yonghui Superstores, Pupu Mall, Watsons, Vipshop, Chabaidao, etc. We cooperated with more financial channel customers such as Bank of Sanxiang, Blue Ocean Bank, etc. and helped them build membership malls and bonus point malls. Although the gross profit was flat as compared to the same period in 2021, the gross profit margin of the lifestyle segment decreased from 83.7% for the same period in 2021 to 62.8% this year due to lower commission rates on sales of certain products.

Leisure and entertainment segment

In 2022, revenue from the leisure and entertainment segment increased by 24.0% to RMB267,441 thousand on a year-on-year basis, accounting for 55.7% of the total revenue, primarily due to the increase in digital goods transactions we facilitated in the video and audio leisure and entertainment. In 2022, the new cooperative brands of our leisure and entertainment segment included Alibaba Cloud Drive, WeSing, Xigua Video, Xiaomi Film & TV Member, etc. Meanwhile, we continued to further develop the online store operation services, and added new live streaming services for Youku, NetEase Cloud Music, WPS and other brands, resulting in an overall increase of 22.3% in gross profit and a decrease of 1.1% in gross profit margin of the leisure and entertainment segment.

Telecommunications segment

In 2022, revenue from the telecommunications segment decreased by 63.4% to RMB29,755 thousand on a year-on-year basis, accounting for 6.2% of the total revenue. The gross profit margin decreased to 51.0% from 59.0% in the same period of 2021, and the gross profit of the telecommunications segment was lower than other business segments. Revenue from this segment declined significantly in 2022, mainly due to the impact by the adjustment of upstream and downstream industry policies, such as the contraction of resources by communication operators and the reduction of marketing expense of e-commerce platforms. In response to market changes, we have also taken the initiative to make strategic adjustments to the communications business with relatively lower gross profit, and invested limited funds into the businesses with higher gross profit margin to enhance capital efficiency.

Games segment

In 2022, revenue from the games segment increased by 14.1% to RMB70,237 thousand on a year-on-year basis, accounting for 14.7% of the total revenue. Revenue growth in this segment in 2022 was mainly due to the expansion of our supply channels and the continued enrichment of the sales channels in downstream. Although the national regulatory policies have certain constraints on the games industry, we continued to actively explore new business models in the games business, such as tapping overseas markets and entering into the field of live streaming e-commerce, which have brought new expansion of the business of our games segment. Furthermore, we have added a new partnership with Honor of Kings and Tencent Games, enabling us to facilitate more game-related digital goods transactions, and laying a better foundation for the development of our games business in 2023.

Corporate welfare segment

In 2022, revenue from the corporate welfare segment amounted to RMB56,130 thousand, accounting for 11.7% of the total revenue. Our corporate welfare business has achieved gratifying development, and it has been rapidly deployed in super first-tier and first-tier cities across the country within just one year. The team has grown to 340 employees, the GMV amounted to RMB566,335 thousand, and the gross profit margin was 87.6%. Our contracted customers are mainly well-known enterprises or medium and large-sized central enterprises and state-owned enterprises in various industries, such as Beijing Yicai Human Resources Consulting Co., Ltd., YYKJ Service Group Co., Ltd., China Mobile Financial Technology Co., Ltd., China Merchants Hoi Tung Trading Company Limited, Beijing SenseTime Technology Development Co., Ltd., Trade Union Committee of SAP (China) Co. Ltd. Beijing Branch, Volkswagen Group Import (China) Co., Ltd., China Merchants Food (China) Co., Limited, etc.

Fulu Open Platform

In order to further enhance our marketing capabilities and help customers improve their operation efficiency, we are committed to continuously enriching the product matrix of Fulu Open Platform through independent research and development to meet the diversified and differentiated needs of users. In 2022, the total number of SaaS applications on Fulu Open Platform has reached 39. The “SaaS Mall” application launched by us can provide traffic owners with operation solutions under different ecological scenarios, and achieve one-stop connection with over 200+ platforms and systematic access to rich preferential resources. Meanwhile, we create an exclusive application “Juhui Mall” for Fulu partners, which can help Fulu partners quickly and accurately establish exclusive digital goods purchase mall, independently allocate all kinds of marketing and promotion tools, solve their pain points in business operation, and easily commercialize the traffic. Driven by the Fulu partner project, we continued to upgrade the service and support capabilities of the open platform, and have reached deals with 3,378 purchasers in 2022.

IMPACT OF THE COVID-19 PANDEMIC

In 2022, with the reoccurrence of the COVID-19 pandemic, the diversity and transmissibility of the Omicron variants were significantly enhanced, and led to the global pandemic. Despite the tightened national lockdown measures and the various levels of lockdown management all over the country, its rapid spread, strong concealment and strong infectivity have brought great difficulties to the pandemic prevention work. As the PRC government announced the gradual easing of lockdown measures by the end of 2022, national immunization had led to city slowdown for nearly two weeks, during which, most of our employees could not work normally, and the business of the Company slowed down.

OUTLOOK

With the scientific optimization of the prevention and control policy against the COVID-19 pandemic and its gradual easing, we believe that the residents' willingness to consume will continue to release. With the resumption of international flights, domestic and foreign tourism will soon recover, the macro economy will usher in a promising recovery, and China's economic growth will bring us new opportunities. In 2023, we will be ready to the changing situation, foster opportunities and open a new situation to accelerate the iteration of business models and the breakthrough of new projects, actively take control over the cash flow security, provide sufficient financial support for the Group's business development, and achieve efficient collaborative management with the same desire and frequency by upgrading strategic breakdown and implementation capabilities.

We will deeply explore the possibilities of overseas digital business, focus on the development of overseas localization projects, quickly enhance our brand effect and market share in overseas markets, optimize and enhance the user experience of existing products. By covering more high-quality SPUs, we strive to establish a strong and flexible supply chain system, attract more diversified user groups, and form a flywheel effect of overseas business. We expect to create a second growth curve through the demographic dividends and diversified products in overseas emerging markets, which will also enable the Group to replicate other businesses overseas in the future.

In the meantime, we will increase the investment in the Group's live streaming business operation, focus on incubation of our live streaming capabilities, further expand the scale of our live streaming rooms by several times, cultivate a live streaming team of more than 100 employees, and enter more live streaming platforms to create the scale effect. We will follow the development trend of the traffic platform business, distribute the local lifestyle service business, conduct in-depth development of catering, tourism, ticketing and other categories, and accelerate the integration of online and offline consumption modes. Through cooperation with the brand owners, we will create more customized, differentiated and exclusive products to provide consumers with better product experience, thereby enhancing the willingness of users to pay; we will also help the brand owners to transform public domain traffic into private domain traffic, forming a benign operation cycle.

Moreover, we will continue to explore and tap the value of C-users: On the one hand, we will increase cross-repurchase to retain high-value user groups in the public domain; on the other hand, based on the needs of high-value user groups, through a series of strategies such as adding more scenario experiences that match user tags, more rich virtual life products and improving the cross-repurchase path of the channel, to precipitate C-users, in order to achieve the breakthrough of the omni-channel public-private domain matrix.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the consolidated statement of profit or loss and other comprehensive income comparative figures for the year ended December 31, 2022 and 2021:

	For the year ended	
	December 31,	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	479,863	399,283
Cost of sales	<u>(120,627)</u>	<u>(104,039)</u>
Gross profit	359,236	295,244
Other income and gains	43,519	46,099
Selling and distribution expenses	(148,632)	(76,841)
Administrative expenses	(98,994)	(141,697)
Research and development costs	(61,289)	(41,357)
Impairment losses on financial and contract assets, net	(5,212)	(2,423)
Other expenses	<u>(839)</u>	<u>(3,168)</u>
Operating profits	87,789	75,857
Finance costs	<u>(1,510)</u>	<u>(660)</u>
Profit before tax	86,279	75,197
Income tax credit/(expense)	<u>4,447</u>	<u>(6,975)</u>
Profit and total comprehensive income for the year	<u>90,726</u>	<u>68,222</u>
Attributable to:		
Owners of the parent	97,881	68,222
Non-controlling interests	<u>(7,155)</u>	<u>–</u>
Non-IFRS measure adjusted profit attributable to owners of the parent for the year ⁽¹⁾	<u>115,078</u>	<u>170,380</u>

Note:

- (1) We define “adjusted profit attributable to owners of the parent for the year” as profit attributable to owners of the parent for the year, adding back listing expenses, foreign exchange gains and losses as well as share-based payment expenses. Adjusted profit attributable to owners of the parent for the year is not a measure required by or presented in accordance with IFRSs. The use of adjusted profit attributable to owners of the parent for the year has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

REVENUE

Our revenue increased by 20.2% from RMB399,283 thousand in 2021 to RMB479,863 thousand in 2022. This increase in revenue was primarily due to an increase in commission income from digital goods-related services driven by an increase in the GMV of digital goods transactions.

Revenue by nature

Our revenue primarily includes (a) commissions from digital goods-related services; (b) commissions from physical goods-related services; and (c) service fees from online store operation services and other value-added services. The following table sets forth revenue breakdown by types of services in 2022 and 2021:

	For the year ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	(RMB in thousands, except for percentage)		(RMB in thousands, except for percentage)	
Digital goods-related services	383,105	79.8	331,700	83.0
Physical goods-related services	27,126	5.7	N/A	N/A
Value-added services				
Online store operation services	56,782	11.8	58,151	14.6
Others ⁽¹⁾	12,850	2.7	9,432	2.4
Total	479,863	100.0	399,283	100.0

Note:

(1) Include user acquisition and management services (e.g. mini-games development services) and IT solutions.

Digital goods-related services. Revenue from digital goods-related services increased by 15.5% from RMB331,700 thousand in 2021 to RMB383,105 thousand in 2022, in which, revenue from the lifestyle segment, the leisure and entertainment segment and the games segment increased significantly.

Physical goods-related services. Revenue from physical goods-related services arises from our new corporate welfare segment in 2022, which achieved revenue of RMB27,126 thousand in the year ended December 31, 2022. As a new core business segment of Fulu, the corporate welfare segment has sustainable competitive advantages through favorable prices and the scale of internet technology.

Value-added services. Our value-added services consist primarily of online store operation services and other value-added services. Revenue from online store operation services slightly decreased by 2.4% from RMB58,151 thousand in 2021 to RMB56,782 thousand in 2022. Revenue from other services increased by 36.2% from RMB9,432 thousand in 2021 to RMB12,850 thousand in 2022, primarily attributable to an increase in the revenue from provision of platform services.

Revenue by segment

We generate revenue from five business segments: (i) leisure and entertainment; (ii) games; (iii) telecommunications; (iv) lifestyle; and (v) corporate welfare. The following table sets forth revenue by segment in 2022 and 2021:

	For the year ended December 31,		2021	
	2022			
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>		<i>(RMB in thousands, except for percentage)</i>	
Leisure and entertainment	267,441	55.7	215,693	54.0
Games	70,237	14.7	61,546	15.4
Telecommunications	29,755	6.2	81,235	20.3
Lifestyle	56,300	11.7	40,809	10.3
Corporate welfare	56,130	11.7	N/A	N/A
Total	479,863	100.0	399,283	100.0

The following table sets forth the GMV attributable to different segments for the years indicated:

	For the year ended December 31,		2021	
	2022			
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>		<i>(RMB in thousands, except for percentage)</i>	
Leisure and entertainment	5,788,718	34.4	5,575,512	26.2
Games	1,575,086	9.4	1,330,625	6.2
Telecommunications	5,168,140	30.8	12,856,955	60.3
Lifestyle	3,697,251	22.0	1,555,075	7.3
Corporate welfare	566,335	3.4	N/A	N/A
Total	16,795,530	100.0	21,318,167	100.0

Leisure and entertainment. Revenue from the leisure and entertainment segment increased by 24.0% from RMB215,693 thousand in 2021 to RMB267,441 thousand in 2022, primarily due to an increase in digital goods transactions we facilitated in the video and audio leisure and entertainment. The GMV of leisure and entertainment digital goods transactions we facilitated increased by 3.8% from RMB5,575,512 thousand in 2021 to RMB5,788,718 thousand in 2022.

Games. Revenue from the games segment increased by 14.1% from RMB61,546 thousand in 2021 to RMB70,237 thousand in 2022. The increase in revenue from the games segment was mainly due to an increase in games-related digital goods transactions we facilitated as a result of our expansion of the sales channels in downstream. The GMV of games-related digital goods transactions we facilitated increased by 18.4% from RMB1,330,625 thousand in 2021 to RMB1,575,086 thousand in 2022.

Telecommunications. Revenue from the telecommunications segment decreased by 63.4% from RMB81,235 thousand in 2021 to RMB29,755 thousand in 2022, mainly due to (i) a decline in transaction volumes as a result of a general reduction in marketing expenses on multiple e-commerce platforms; and (ii) adjustments to the agency policies of telecom carriers, which resulted in lower commission rates and GMV of telecommunications digital goods transactions we facilitated. The GMV of telecommunications digital goods transactions we facilitated decreased by 59.8% from RMB12,856,955 thousand in 2021 to RMB5,168,140 thousand in 2022.

Lifestyle. Revenue from the lifestyle segment increased by 38.0% from RMB40,809 thousand in 2021 to RMB56,300 thousand in 2022, primarily due to a significant increase in digital goods transactions facilitated as a result of expanding the cooperation with some lifestyle brand owners and strengthening the cooperation with customers in downstream financial channel in 2022. The GMV of lifestyle digital goods transactions we facilitated increased by 137.8% from RMB1,555,075 thousand in 2021 to RMB3,697,251 thousand in 2022.

Corporate welfare. The corporate welfare segment, which mainly comprises our new corporate welfare business, achieved revenue of RMB56,130 thousand in the year ended December 31, 2022. The GMV of the corporate welfare-related digital goods and physical goods transactions we facilitated amounted to RMB566,335 thousand in the year ended December 31, 2022.

The following table sets forth the GMV attributable to our key operating entities:

	For the year ended December 31, 2022	
	GMV	% of the Group's total GMV
	<i>(RMB in thousands, except for percentage)</i>	
Wuhan Fulu	7,983,555	47.5%
Tibet Fulu	5,961,419	35.5%
Wuhan Yiqiyou	1,127,185	6.7%
Wuhan Lishuo	427,085	2.5%
Beijing Fulu Fuxi Technology Co., Ltd	290,665	1.7%
Beijing Yiji Qifu Technology Co., Ltd.	275,670	1.6%
Wuhan Souka	268,522	1.6%
Kashgar Yiqiwan	159,871	1.0%
Wuhan Tianshi	96,411	0.6%
Xinjiang Fulu	60,659	0.4%
Hainan Fulu Network Technology Co., Ltd.	49,025	0.3%
Wuhan Yilu	37,415	0.2%
Zhongzhi Wuxian (Beijing) Technology Co., Ltd.	36,402	0.2%
Hubei Kejin Network Technology Co., Ltd.	20,390	0.1%
Tibet Huluwa	-	-

COST OF SALES

Our cost of sales increased by 15.9% from RMB104,039 thousand in 2021 to RMB120,627 thousand in 2022, primarily due to the increase in the labor cost driven by the increase in the number of employees and the improvement of our staff structure.

Cost of sales by nature

The following table sets forth the components of cost of sales in 2022 and 2021:

	For the year ended December 31,			
	2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>		<i>(RMB in thousands, except for percentage)</i>	
Commissions	40,164	33.3	45,719	43.9
Labor-related costs	71,469	59.2	52,176	50.2
Others ⁽¹⁾	8,994	7.5	6,144	5.9
Total	120,627	100.0	104,039	100.0

Note:

(1) Primarily include fixed-fees paid to digital goods sales channels and costs of server and software.

Commissions decreased by 12.2% from RMB45,719 thousand in 2021 to RMB40,164 thousand in 2022, primarily due to the decrease in the commission service fee required to be paid as a result of the decrease in the digital goods transactions of the telecommunications business we facilitated.

Labor-related costs increased by 37.0% from RMB52,176 thousand in 2021 to RMB71,469 thousand in 2022, primarily because of the increase in the number of employees and the improvement of our staff structure.

Other costs increased by 46.4% from RMB6,144 thousand in 2021 to RMB8,994 thousand in 2022, primarily due to the increase in service fees of the online stores operated and server custody fees.

Cost of sale by segment

The following table sets forth segment cost of sales in 2022 and 2021:

	For the year ended December 31,			
	2022		2021	
	RMB	%	RMB	%
	(RMB in thousands, except for percentage)		(RMB in thousands, except for percentage)	
Leisure and entertainment	53,317	44.2	40,545	39.0
Games	24,854	20.6	23,523	22.6
Telecommunications	14,566	12.1	33,323	32.0
Lifestyle	20,955	17.4	6,648	6.4
Corporate welfare	6,935	5.7	N/A	N/A
Total	120,627	100.0	104,039	100.0

Leisure and entertainment. Cost of sales from the leisure and entertainment segment increased by 31.5% from RMB40,545 thousand in 2021 to RMB53,317 thousand in 2022, primarily due to: (i) an increase in service commissions and platform usage fees charged by sales channels as a result of the higher GMV in leisure and entertainment segment; and (ii) an increase in the number of employees in our leisure and entertainment operation team.

Games. Cost of sales from the games segment increased by 5.7% from RMB23,523 thousand in 2021 to RMB24,854 thousand in 2022, primarily due to an increase in the number of employees in our games operation team.

Telecommunications. Cost of sales from the telecommunications segment decreased by 56.3% from RMB33,323 thousand in 2021 to RMB14,566 thousand in 2022, primarily due to a corresponding decrease in commissions charged from us by e-commerce platforms as we facilitated less telecommunications digital goods transactions through e-commerce platforms.

Lifestyle. Cost of sales from the lifestyle segment increased by 215.2% from RMB6,648 thousand in 2021 to RMB20,955 thousand in 2022, primarily due to (i) an increase in commissions charged from us by e-commerce platforms as we facilitated more lifestyle related digital goods transactions; and (ii) an increase in the number of employees in our lifestyle operation team.

Corporate welfare. Cost of sales from the corporate welfare segment amounted to RMB6,935 thousand in the year ended December 31, 2022, primarily comprising the labor costs for the operation team of the corporate welfare and the platform usage fees charged for facilitating the transaction of enterprise welfare physical goods.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth our gross profit and gross profit margin by each segment for the years ended December 31, 2022 and 2021:

	For the year ended December 31,			
	2022		2021	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>		<i>(RMB in thousands, except for percentage)</i>	
Leisure and entertainment	214,124	80.1	175,148	81.2
Games	45,383	64.6	38,023	61.8
Telecommunications	15,189	51.0	47,912	59.0
Lifestyle	35,345	62.8	34,161	83.7
Corporate welfare	49,195	87.6	N/A	N/A
Total	359,236	74.9	295,244	73.9

Our overall gross profits increased by 21.7% from RMB295,244 thousand in 2021 to RMB359,236 thousand in 2022, primarily driven by an increase in revenue from digital goods-related services, reflecting the growth of our business. Our gross profit margin increased from 73.9% in 2021 to 74.9% in 2022, primarily due to the decrease in the percentage of telecommunications segment with relatively lower gross profit margin.

The gross profit from the leisure and entertainment segment increased by 22.3% from RMB175,148 thousand in 2021 to RMB214,124 thousand in 2022, mainly due to an expansion in product categories and an increase in volume of transactions.

The gross profit from the games segment increased by 19.4% from RMB38,023 thousand in 2021 to RMB45,383 thousand in 2022, mainly due to our expansion of the sales channels in downstream.

The gross profit from the telecommunications segment decreased by 68.3% from RMB47,912 thousand in 2021 to RMB15,189 thousand in 2022, mainly due to a significant decrease in the GMV and revenue of telecommunications digital goods we facilitated.

The gross profit from the lifestyle segment increased by 3.5% from RMB34,161 thousand in 2021 to RMB35,345 thousand in 2022, mainly due to our development of new lifestyle products categories and expansion of the cooperation with customers in downstream financial channel.

The gross profit from the corporate welfare segment amounted to RMB49,195 thousand in the year ended December 31, 2022, mainly comprising the gross profit from digital goods and physical goods transactions facilitated due to the entering into the corporate welfare market.

OTHER INCOME AND GAINS

Our other income and gains decreased by 5.6% from RMB46,099 thousand in 2021 to RMB43,519 thousand in 2022, primarily attributable to a decrease in bank interest income of RMB1,450 thousand.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased by 93.4% from RMB76,841 thousand in 2021 to RMB148,632 thousand in 2022, mainly due to the increase in salary and welfare expenses. Our salary and welfare expenses increased by 399.2% from RMB10,950 thousand in 2021 to RMB54,657 thousand in 2022, due to changes in our employee structure, the expansion of sales staff in each business segment, and the addition of sales staff in our corporate welfare business resulting in the increase in staff salary and welfare. Marketing expenses increased by 14.0% from RMB55,374 thousand in 2021 to RMB63,123 thousand in 2022, attributable to our increased promotional expenses on Tik Tok.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by 30.1% from RMB141,697 thousand in 2021 to RMB98,994 thousand in 2022, primarily due to (i) a decrease in share-based payment expenses of RMB80,806 thousand; (ii) an increase in staff salary and welfare of RMB23,854 thousand; and (iii) an increase of administrative expenses generated from office lease of RMB6,405 thousand.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by 48.2% from RMB41,357 thousand in 2021 to RMB61,289 thousand in 2022, primarily due to the Group's continuously increased strategic investment in SaaS applications and its increased investment in the performance improvement of self-developed intellectual property platform and the corresponding capacity construction for PaaS service.

NET PROVISION FOR IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Impairment losses on financial and contract assets increased by 115.1% from RMB2,423 thousand in 2021 to RMB5,212 thousand in 2022, primarily due to a provision of impairment loss for a downstream sales channel for the year ended December 31, 2022.

OTHER EXPENSES

Other expenses decreased by 73.5% from RMB3,168 thousand in 2021 to RMB839 thousand in 2022, primarily due to the exchange gain resulting from the exchange rate difference of overseas funds, a decrease of RMB3,018 thousand compared with the exchange loss in 2021.

OPERATING PROFITS

Our operating profit was RMB87,789 thousand in 2022, compared to an operating profit of RMB75,857 thousand in 2021.

FINANCE COSTS

Finance costs increased by 128.8% from RMB660 thousand in 2021 to RMB1,510 thousand in 2022, mainly due to an increase in interest payments after an increase in borrowings and leases.

PROFIT BEFORE TAX

After the deduction of finance costs, our profit before tax was RMB86,279 thousand in 2022, compared to a profit of RMB75,197 thousand in 2021.

INCOME TAX EXPENSES

The income tax credit was RMB4,447 thousand in 2022, while the income tax expense was RMB6,975 thousand in 2021, mainly due to deferred tax recognized for losses available for offsetting against future profits.

PROFIT FOR THE YEAR

As a result of the foregoing, our profit increased by 33.0% from RMB68,222 thousand in 2021 to RMB90,726 thousand in 2022.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the end of the Reporting Period, the Board recommended a final dividend of HK\$0.116 per Share for the year ended December 31, 2022, which will be submitted to Shareholders for approval at the forthcoming AGM of the Company.

RECONCILIATION OF NON-IFRS MEASURES TO THE NEAREST IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we use a non-IFRS measure, adjusted profit for the year, which is not required by, or presented in accordance with, IFRSs. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating projects that our management does not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted profit for the year may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and investors should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRSs.

We defined adjusted profit attributable to owners of the parent for the year as profit attributable to owners of the parent for the year by adding back listing expenses, foreign exchange gains and losses and share-based payment expenses. The following table reconciles our adjusted profit attributable to owners of the parent for the year presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	For the year ended	
	December 31,	
	2022	2021
	(RMB'000)	(RMB'000)
Profit attributable to owners of the parent for the year		
Adjustments:	97,881	68,222
Listing expenses	1,550	3,629
Share-based payment	16,079	95,511
Foreign exchange gains and losses	(432)	3,018
Non-IFRS measure adjusted profit attributable to owners of the parent for the year	115,078	170,380

OTHER FINANCIAL INFORMATION

Capital structure

The Company continued to maintain a healthy and sound financial position. Our total assets increased from RMB1,377,308 thousand as at December 31, 2021 to RMB1,575,477 thousand as at December 31, 2022, while our total liabilities increased from RMB213,379 thousand as at December 31, 2021 to RMB365,095 thousand as at December 31, 2022.

As at December 31, 2022, the Group has pledged certificates of deposit in the amount of RMB20,000 thousand. The Group has no charges on assets.

During the Reporting Period, the Company has granted 3,151,116 new Shares of the Company to RSU nominees pursuant to the general mandate of 2021 Share Award Scheme, the allotment and issuance of which was completed on June 13, 2022. For details, please refer to the Company's announcements dated May 27 and June 13, 2022.

As of December 31, 2022, the Company had 406,467,044 issued shares.

Liquidity and capital resources

Our principal sources of liquidity were cash from operations, and bank loans and other borrowings. As of December 31, 2022, we had cash and cash equivalents of RMB149,825 thousand, which were mainly denominated in Renminbi. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from our operations, bank loans, net proceeds from the Global Offering and other funds raised from capital markets from time to time, when necessary. In order to achieve better risk control, we have put in place relevant policies on cash and finance management and implemented strictly. We will regularly review our liquidity and financing needs.

The following table sets forth a summary of our net cash flow for the years ended December 31, 2022 and 2021:

	For the year ended	
	December 31,	
	2022	2021
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Cash and cash equivalents at beginning of year	209,445	457,892
Cash generated from/(used in) operations	27,988	(118,333)
Income tax paid	(5,505)	(5,532)
Net cash from/(used in) operating activities	22,483	(123,865)
Net cash used in investing activities	(22,406)	(19,592)
Net cash used in financing activities	(59,867)	(101,319)
Net decrease in cash and cash equivalents	(59,790)	(244,776)
Effect of foreign exchange gains and losses	170	(3,671)
Cash and cash equivalents at end of year	149,825	209,445

Net cash used in operating activities

Net cash from operating activities for the year ended December 31, 2022 was RMB22,483 thousand, primarily attributable to profit before taxation of RMB86,279 thousand, as adjusted by:

- (i) non-cash and non-operating items, which primarily comprised RMB16,079 thousand of share-based payment expenses, RMB6,142 thousand of depreciation of right-of-use assets, RMB2,027 thousand of depreciation of fixed assets and RMB3,273 thousand of amortisation of intangible assets; and
- (ii) changes in working capital, which primarily comprised:
 - a. a decrease of RMB41,123 thousand in prepayments, other receivables and other assets, primarily due to a gradual reduction in prepayments for long video goods through enhanced oversight of prepayments, as well as an increase in the turnover of prepayments and the control over their size, resulting in a reduction in capital occupation;
 - b. an increase of RMB212,496 thousand in trade receivables and contract assets, primarily driven by business growth from lifestyle segment and the new corporate welfare segment business;
 - c. an increase of RMB54,710 thousand in trade payables, primarily due to (i) the business growth from lifestyle segment and the new corporate welfare segment business; and (ii) the extension of business credit period;

- d. an increase of RMB55,434 thousand in other payables and accruals, primarily due to (a) an increase in other receivables for the year ended December 31, 2022 because digital goods sales channels made more advances at the end of 2022; and (b) an increase in remuneration payable; and
- e. an increase of RMB20,692 thousand in restricted cash, mainly representing deposits in banks for issuing notes, which amounted to RMB20,000 thousand.

Net cash used in investing activities

Net cash used in investing activities for the year ended December 31, 2022 was RMB22,406 thousand, comprising (i) purchase of financial products of RMB96,500 thousand; (ii) addition to intangible assets of RMB13,136 thousand; (iii) acquisition of fixed assets of RMB2,922 thousand; and partially offset by (iv) proceeds from disposal of financial products of RMB87,277 thousand; and (v) interest received of RMB2,864 thousand.

Net cash used in financing activities

Net cash used in financing activities for the year ended December 31, 2022 was RMB59,867 thousand primarily due to (i) new bank and other borrowings of RMB230,268 thousand; (ii) repayment of bank and other borrowings of RMB200,268 thousand; (iii) payment of interest related expenses of RMB1,510 thousand; (iv) dividends paid of RMB60,937 thousand; and (v) payment of rental amounts of right-of-use assets of RMB6,455 thousand.

Capital expenditures

Our capital expenditures principally consist of expenditures for the purchases of property, plant and equipment and intangible assets. Our capital expenditures increased by 23.3% from RMB13,019 thousand for the year ended December 31, 2021 to RMB16,058 thousand for the year ended December 31, 2022. This was attributable to office renovation expenses and expenses arising from purchase of office furniture, computers and intangible assets for the year ended December 31, 2022.

Indebtedness, off-balance sheet commitment and contingent liabilities

As of December 31, 2022, our total indebtedness amounted to RMB365,095 thousand, as compared with RMB213,379 thousand as of December 31, 2021, of which our interest-bearing indebtedness included lease liabilities of RMB14,208 thousand and interest-bearing bank and other borrowings of RMB40,000 thousand as of December 31, 2022. As of December 31, 2022, our bank and other borrowings were all denominated in RMB. For the year ended December 31, 2022, our bank loans and other borrowings were interest-bearing at rates ranging from 4.35% to 4.80% per annum (for the year ended December 31, 2021: ranging from 4.0% to 5.0%).

As of December 31, 2022, we did not have any off-balance sheet arrangements and material contingent liabilities.

Significant investments held

For the year ended December 31, 2022, we did not have any significant investments.

Material acquisitions, disposals and future plans of subsidiaries and affiliated companies

For the year ended December 31, 2022, we did not have any material acquisitions or disposals of subsidiaries or affiliated companies.

Gearing ratio

As of December 31, 2022, we did not have any net debt, as the Group's cash and cash equivalents were much more than its interest-bearing borrowings. As such, the gearing ratio (calculated as net debt divided by total equity plus net debt of the Group) did not apply to us.

Pledge of assets

As at December 31, 2022, the Group has pledged certificates of deposit in the amount of RMB20,000 thousand. The Group has no charges on assets.

Foreign exchange risk management

We mainly carry out our operations in the PRC with most transactions settled in Renminbi. As of December 31, 2022, our cash and cash equivalent balance was denominated in Renminbi. Our management considers that the principal business is not exposed to significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities, but some of our funding raised in Hong Kong is subject to foreign exchange risk.

Future plans for material investments and capital assets

As of December 31, 2022, we did not have other plans for material investments and capital assets.

RELATIONSHIP WITH STAKEHOLDERS

Employee and remuneration policy

As of December 31, 2022, we had 988 employees, all of whom were based in the PRC.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive remuneration packages, which generally include basic wages, variable wages, bonuses and other benefits.

We participate in employee benefit plans mandated by the PRC government, including basic pension insurance, work-related injury insurance, maternity insurance, basic medical insurance, and unemployment insurance and housing provident fund scheme. We must contribute to employee benefit plans based on specified percentages of the total remuneration of our employees up to a maximum amount specified by local governmental authorities.

Customers

Our customers primarily include digital goods vendors, from whom we earn commissions on facilitating sales of their products through our platform. Our customers also include digital goods vendors and digital goods sales channels that use our ancillary value-added services for which we charge fees on a case-by-case basis.

Suppliers

Our suppliers primarily include (i) digital goods sales channels, who charge us commissions; and (ii) data storage and server hosting providers. We select suppliers based on a number of factors, including their user base, market share and reputation.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
REVENUE	4	479,863	399,283
Cost of sales		<u>(120,627)</u>	<u>(104,039)</u>
Gross profit		359,236	295,244
Other income and gains	4	43,519	46,099
Selling and distribution expenses		(148,632)	(76,841)
Administrative expenses		(98,994)	(141,697)
Research and development costs		(61,289)	(41,357)
Impairment losses on financial and contract assets, net		(5,212)	(2,423)
Other expenses		(839)	(3,168)
Finance costs		<u>(1,510)</u>	<u>(660)</u>
PROFIT BEFORE TAX	5	86,279	75,197
Income tax credit/(expense)	6	<u>4,447</u>	<u>(6,975)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>90,726</u>	<u>68,222</u>
Attributable to:			
Owners of the parent		97,881	68,222
Non-controlling interests		<u>(7,155)</u>	<u>–</u>
		<u>90,726</u>	<u>68,222</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year (RMB)	8	<u>0.24</u>	<u>0.17</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,660	2,776
Right-of-use assets		14,511	8,733
Goodwill		674	674
Other intangible assets		26,174	16,311
Investment in an associate		–	40
Deferred tax assets		22,619	5,051
Pledged deposits		20,000	–
Total non-current assets		87,638	33,585
CURRENT ASSETS			
Trade receivables	9	475,747	276,959
Contract assets		55,995	42,287
Prepayments, other receivables and other assets	10	722,040	762,506
Due from related parties		34,289	32,890
Financial assets at fair value through profit or loss		26,621	17,006
Restricted cash		23,322	2,630
Cash and cash equivalents		149,825	209,445
Total current assets		1,487,839	1,343,723
CURRENT LIABILITIES			
Trade payables	11	100,632	45,922
Other payables and accruals		195,918	142,034
Interest-bearing bank and other borrowings		40,000	10,000
Lease liabilities		5,435	2,757
Tax payable		14,337	6,721
Total current liabilities		356,322	207,434
NET CURRENT ASSETS		1,131,517	1,136,289
TOTAL ASSETS LESS CURRENT LIABILITIES		1,219,155	1,169,874

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Lease liabilities		<u>8,773</u>	<u>5,945</u>
Total non-current liabilities		<u>8,773</u>	<u>5,945</u>
Net assets		<u>1,210,382</u>	<u>1,163,929</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		277	275
Reserves		<u>1,216,675</u>	<u>1,163,654</u>
		1,216,952	1,163,929
Non-controlling interests		<u>(6,570)</u>	<u>–</u>
Total equity		<u>1,210,382</u>	<u>1,163,929</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

	Attributable to owners of the parent						Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve and others RMB'000	Share-based payment reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	
At 1 January 2021	273	731,218	19,416	43,722	19,924	291,530	1,106,083
Profit for the year and total comprehensive income	-	-	-	-	-	68,222	68,222
Equity-settled share-based payments	2	(2)	-	95,511	-	-	95,511
Final 2020 dividend declared	-	(105,887)	-	-	-	-	(105,887)
Appropriations to statutory surplus reserve	-	-	-	-	3,635	(3,635)	-
At 31 December 2021	275	625,329	19,416	139,233	23,559	356,117	1,163,929

Year ended 31 December 2022

	Attributable to owners of the parent							Non- controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000	Share premium RMB'000	Merger reserve and others RMB'000	Share-based payment reserve RMB'000	Statutory surplus reserve RMB'000	Retained profits RMB'000	Total RMB'000		
At 1 January 2022	275	625,329	19,416	139,233	23,559	356,117	1,163,929	-	1,163,929
Profit for the year and total comprehensive income	-	-	-	-	-	97,881	97,881	(7,155)	90,726
Equity-settled share-based payments	2	(2)	-	16,079	-	-	16,079	-	16,079
Final 2021 dividend declared	-	(60,937)	-	-	-	-	(60,937)	-	(60,937)
Appropriations to statutory surplus reserve	-	-	-	-	8,961	(8,961)	-	-	-
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	585	585
At 31 December 2022	277	564,390*	19,416*	155,312*	32,520*	445,037*	1,216,952	(6,570)	1,210,382

* These reserve accounts comprise the consolidated reserves of RMB1,216,675,000 (2021: RMB1,163,654,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	5	86,279	75,197
Adjustments for:			
Depreciation of property, plant and equipment	5	2,027	1,484
Amortisation of intangible assets	5	3,273	1,269
Depreciation of right-of-use assets	5	6,142	2,892
Interest income	4	(3,521)	(4,971)
Finance costs		1,510	660
Equity-settled share-based payment expenses	5	16,079	95,511
Gain on disposal of property, plant and equipment		–	(15)
Loss on disposal of an associate		40	–
(Gain)/loss on the fair value change of financial assets at fair value through profit or loss		(392)	77
Loss/(gain) on disposal of right-of-use assets		41	(42)
Foreign exchange (gain)/loss		(170)	3,671
		111,308	175,733
Increase in trade receivables		(198,788)	(144,911)
Increase in contract assets		(13,708)	(5,942)
Decrease/(increase) in prepayments, other receivables and other assets		41,123	(194,486)
Increase in amounts due from related parties		(1,399)	(20,659)
(Increase)/decrease in restricted cash		(20,692)	13,321
Increase in trade payables		54,710	7,725
Increase in other payables and accruals		55,434	50,886
		27,988	(118,333)
Cash generated from/(used in) operations		(5,505)	(5,532)
Income tax paid			
Net cash flows from/(used in) operating activities		22,483	(123,865)

<i>Notes</i>	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial products	(96,500)	(600,562)
Proceeds from disposal of financial products	87,277	587,462
Purchases of property, plant and equipment	(2,922)	(2,735)
Addition to intangible assets	(13,136)	(10,284)
Interest received	2,864	6,487
Proceeds from disposal of property, plant and equipment	11	40
Net cash flows used in investing activities	(22,406)	(19,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling shareholders of a subsidiary	585	–
Payment of listing expenses	(1,550)	(6,857)
(Increase)/decrease in pledged deposits	(20,000)	145,000
New bank and other borrowings	230,268	1,040,212
Principal portion of lease payments	(6,455)	(2,952)
Repayment of bank and other borrowings	(200,268)	(1,169,012)
Dividends paid	(60,937)	(105,887)
Interest paid	(1,510)	(1,823)
Net cash flows used in financing activities	(59,867)	(101,319)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(59,790)	(244,776)
Effect of foreign exchange rate changes, net	170	(3,671)
Cash and cash equivalents at beginning of year	209,445	457,892
CASH AND CASH EQUIVALENTS AT END OF YEAR	149,825	209,445
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	193,147	212,075
Less: Restricted cash	(23,322)	(2,630)
Less: Pledged deposits	(20,000)	–
	149,825	209,445

NOTES

1 CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 31 October 2019. The registered address of the Company is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, Cayman Islands.

During the year, the subsidiaries now comprising the Group were principally engaged in the provision of services to facilitate digital goods transactions and online store operating services.

In the opinion of the directors, the ultimate controlling shareholder of the Group is Mr. Fu Xi.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (“**IASB**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same Reporting Period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest; and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received; (ii) the fair value of any investment retained; and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to IFRSs 2018-2020</i>	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the “**Conceptual Framework**”) issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

- (d) *Annual Improvements to IFRS 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that are applicable to the Group is as follows:
- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five reportable operating segments as follows:

- (a) Leisure and entertainment, which primarily includes commissions earned from facilitating the sale of digital goods offered by leisure and entertainment content providers, operating services for online stores and other services provided to leisure and entertainment content providers;
- (b) Games, which primarily includes commissions earned from facilitating the sale of digital goods offered by games producers, operating services for online stores and other services provided to games producers;
- (c) Telecommunications, which primarily includes commissions earned from providing digital goods-related agency services and other services to telecom providers;
- (d) Lifestyle, which primarily includes commissions earned from facilitating the sale of digital goods offered by lifestyle service providers and other services provided to lifestyle service providers.
- (e) Corporate welfare, which primarily includes commissions earned from providing employee benefits solutions to corporate clients.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment operating profit, which is a measure of gross profit. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision-maker for review.

Year ended 31 December 2022	Leisure and entertainment RMB'000	Games RMB'000	Telecommuni- cations RMB'000	Lifestyle RMB'000	Corporate welfare RMB'000	Total RMB'000
Segment revenue						
External customers (note 4)	<u>267,441</u>	<u>70,237</u>	<u>29,755</u>	<u>56,300</u>	<u>56,130</u>	<u>479,863</u>
Segment cost	<u>(53,317)</u>	<u>(24,854)</u>	<u>(14,566)</u>	<u>(20,955)</u>	<u>(6,935)</u>	<u>(120,627)</u>
Gross profit	<u>214,124</u>	<u>45,383</u>	<u>15,189</u>	<u>35,345</u>	<u>49,195</u>	<u>359,236</u>
<i>Reconciliation:</i>						
Unallocated income and gains						43,519
Corporate and unallocated expense						(314,966)
Finance costs						<u>(1,510)</u>
Profit before tax						<u>86,279</u>
Year ended 31 December 2021	Leisure and entertainment RMB'000	Games RMB'000	Telecommuni- cations RMB'000	Lifestyle RMB'000	Total RMB'000	
Segment revenue						
External customers (note 4)	<u>215,693</u>	<u>61,546</u>	<u>81,235</u>	<u>40,809</u>		<u>399,283</u>
Segment cost	<u>(40,545)</u>	<u>(23,523)</u>	<u>(33,323)</u>	<u>(6,648)</u>		<u>(104,039)</u>
Gross profit	<u>175,148</u>	<u>38,023</u>	<u>47,912</u>	<u>34,161</u>		<u>295,244</u>
<i>Reconciliation:</i>						
Unallocated income and gains						46,099
Corporate and unallocated expense						(265,486)
Finance costs						<u>(660)</u>
Profit before tax						<u>75,197</u>

Geographical information

(a) Revenue from external customers

All significant external customers of the Group are located in Mainland China. Accordingly, no geographical information of external customers is presented.

(b) Non-current assets

All significant non-current assets of the Group are located in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

Revenue derived from services to customers, which individually accounted for 10% or more of the Group's revenue, is set out below:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Customer A from the leisure and entertainment segment and the games segment	70,129	73,822
Customer B from the leisure and entertainment segment	<u>67,794</u>	<u>72,592</u>

4 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Digital goods-related services		
– acted as an agent	383,105	331,700
Physical goods-related services		
– acted as an agent	27,126	–
Online stores operating services		
– acted as an agent	56,782	58,151
Others		
– acted as a principal	<u>12,850</u>	<u>9,432</u>
	<u>479,863</u>	<u>399,283</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

Year ended 31 December 2022

Segments	Leisure and entertainment RMB'000	Games RMB'000	Telecommuni- cations RMB'000	Lifestyle RMB'000	Corporate welfare RMB'000	Total RMB'000
Types of services						
Provision of digital goods-related services	227,831	51,403	29,171	50,398	24,302	383,105
Provision of physical goods-related services	-	-	-	-	27,126	27,126
Provision of online store operating services	37,477	17,782	534	989	-	56,782
Others	2,133	1,052	50	4,913	4,702	12,850
Total revenue from contracts with customers	<u>267,441</u>	<u>70,237</u>	<u>29,755</u>	<u>56,300</u>	<u>56,130</u>	<u>479,863</u>
Timing of revenue recognition:						
Services transferred at a point in time	<u>267,441</u>	<u>70,237</u>	<u>29,755</u>	<u>56,300</u>	<u>56,130</u>	<u>479,863</u>

Year ended 31 December 2021

Segments	Leisure and entertainment RMB'000	Games RMB'000	Telecommuni- cations RMB'000	Lifestyle RMB'000	Total RMB'000
Types of services					
Provision of digital goods-related services	185,162	31,397	81,235	33,906	331,700
Provision of online store operating services	30,518	26,970	-	663	58,151
Others	13	3,179	-	6,240	9,432
Total revenue from contracts with customers	<u>215,693</u>	<u>61,546</u>	<u>81,235</u>	<u>40,809</u>	<u>399,283</u>
Timing of revenue recognition:					
Services transferred at a point in time	<u>215,693</u>	<u>61,546</u>	<u>81,235</u>	<u>40,809</u>	<u>399,283</u>

The Group's revenue was derived solely from its operation in Mainland China.

(ii) **Performance obligations**

Information about the Group's performance obligations is summarised below:

Provision of digital goods-related services

The performance obligation is satisfied upon delivery of specific digital goods from upstream digital goods providers to downstream digital goods users. Payment is generally due within 1-6 months from delivery. In addition, payment in advance is sometimes required based on credit evaluation.

Provision of physical goods-related services

The performance obligation is satisfied upon delivery of the physical products and payment is generally due within 1-6 months from delivery.

Provision of online store operating services

The performance obligation is satisfied upon the completion of each digital goods transaction through the online stores of the digital goods vendors or upon delivery of the related services. Payment is generally due within 1-6 months from the rendering of the services.

The directors are of the opinion that there was no remaining performance obligation at the end of the Reporting Period.

Other income and gains

	<i>Notes</i>	2022 RMB'000	2021 RMB'000
Tax incentives on input value-added tax	(i)	35,491	23,446
Other government grants	(ii)	3,531	16,183
Interest income		3,521	4,971
Others		976	1,499
		43,519	46,099

- (i) The Group enjoyed the tax incentives on input value-added tax according to the related regulations in the PRC.
- (ii) Other government grants had been received from the PRC local government authorities as reimbursement of the Group's operating and research and development activities. There are no unfulfilled conditions related to these government grants.

5 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Employee benefit expense* (including directors' and chief executive's remuneration):		
Wages and salaries	179,574	103,221
Equity-settled share-based payment expenses	16,079	95,511
Pension scheme contributions	22,543	7,635
Social security contributions and accommodation benefits	25,584	9,019
	243,780	215,386
Research and development costs	61,289	41,357
Promotion and marketing expenses	63,123	55,374
Commission to third party platforms	40,164	45,719
Listing expenses	1,550	3,629
Foreign exchange (gain)/loss	(432)	3,018
Platform usage fees and others	8,994	6,144
Auditor's remuneration	2,600	2,600
Depreciation of right-of-use assets	6,142	2,892
Depreciation of property, plant and equipment	2,027	1,484
Amortisation of intangible assets	3,273	1,269
Impairment losses on financial and contract assets, net	5,212	2,423

* Employee benefit expenses of RMB55,765,000 (2021: RMB38,382,000) were included in the research and development costs for the Reporting Period.

6 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The majority of the Company's subsidiaries are domiciled in the PRC. Pursuant to the PRC Corporate Income Tax Law (the "**PRC Tax Law**") effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC during the Reporting Period was 25% of their taxable profits.

Wuhan Souka was accredited as a high and new technology enterprise ("**HNTE**") in the year ended 31 December 2021. For the year ended 31 December 2022, Wuhan Souka renewed its HNTE certificate and was entitled to a Corporate Income Tax rate of 15%.

Xinjiang Fulu was established in Horgos Development Zone of Xinjiang on 27 December 2016, which was exempted from income tax in the first year in which operation income is obtained for a five-year period according to the regulations set out by the local authority. Since Xinjiang Fulu started operation in 2017 and generated operation income in 2018, the tax exemption period commenced from the year of 2018.

Xinjiang Huluwa was established in Horgos Development Zone of Xinjiang on 25 February 2019, which was exempted from income tax from the first year in which operation income is obtained for a five-year period according to the regulations set out by the local authority. Since Xinjiang Huluwa started operation in 2019, the tax exemption period commenced from the year of 2019.

Kashgar Yiqiwan was established in Xinjiang and Kashgar Yiqiwan was entitled to a preferential tax rate of 15% for the year ended 31 December 2022 according to the strategy of large-scale western development in the PRC (Caishui [2021] No.23).

Tibet Fulu was established in Tibet and was entitled to a preferential tax rate of 15% for the year ended 31 December 2022 according to the strategy of large-scale western development in the PRC (Caishui [2021] No.23).

According to the additional regional tax preference in Tibet, Tibet Fulu was entitled to a preferential CIT rate of 9% instead of 15% in 2021. Tibet Fulu was unable to be entitled to the additional regional tax preference according to the strategy of Measures for the Implementation of the Corporate Income Tax Policy of the Tibet Autonomous Region (Zangzhengfa [2022] No.11).

The major components of the income tax expense are as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current — PRC		
Charge for the year	13,121	4,005
Deferred tax	(17,568)	2,970
	<hr/>	<hr/>
Total tax (credit)/charge for the year	(4,447)	6,975

A reconciliation of the tax expenses applicable to profit before tax at the statutory rate for the PRC to the tax expenses at the Group's effective tax rate is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Profit before tax	86,279	75,197
	<hr/>	<hr/>
Tax at the PRC statutory income tax rate	21,570	18,799
Lower tax rates for specific entities	(28,102)	(19,404)
Tax effect of:		
Expenses not deductible for tax	5,045	13,538
Tax losses not recognised	7,802	–
Tax losses utilised from previous periods	(1,082)	(603)
Tax incentives on eligible expenditures	(8,431)	(4,510)
Adjustments in respect of changes in tax rates on opening deferred tax	(1,959)	(118)
Adjustments in respect of current tax of previous periods	710	(727)
	<hr/>	<hr/>
Tax (credit)/charge at the Group's effective tax rate	(4,447)	6,975

7 DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Final declared and paid — HKD0.176 (2021: HKD0.32) per ordinary share	60,937	105,887
	<hr/>	<hr/>

On 19 May 2022, the final dividend of HKD0.176 (2021: HKD0.32) per ordinary share of the Company for the year ended 31 December 2021 was approved and declared payable by the shareholders at the annual general meeting of the Company, and had been fully paid as of the date of this report.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 401,842,019 (2021: 400,345,318) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed unlocking of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u>97,881</u>	<u>68,222</u>
	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	401,842,019	400,345,318
Effect of dilution — weighted average number of ordinary shares:		
— Restricted share unit scheme	<u>2,218,515</u>	<u>829,585</u>
	<u>404,060,534</u>	<u>401,174,903</u>
Basic earnings per share (RMB)	<u>0.24</u>	<u>0.17</u>
Diluted earnings per share (RMB)	<u>0.24</u>	<u>0.17</u>

9 TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Trade receivables	480,744	279,930
Impairment allowance	(4,997)	(2,971)
	475,747	276,959

The Group's credit period is generally one to six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the transaction date and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	359,162	213,208
4 to 6 months	92,942	25,857
7 to 12 months	16,680	33,777
Over 12 months	6,963	4,117
	475,747	276,959

10 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments to digital goods providers:		
Non-refundable	449,071	503,404
Refundable	27,744	64,835
Deposits to digital goods providers	102,898	73,585
Other receivables	74,364	72,052
Prepaid value-added tax	68,830	46,811
Prepayments for various services	3,769	4,763
	726,676	765,450
Impairment allowance	(4,636)	(2,944)
	722,040	762,506

The movements in the loss allowance for impairment of refundable prepayments and deposits to digital goods providers and other receivables are as follows:

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	2,944	20,249
Impairment losses, net	3,128	707
Written off	(1,436)	(18,012)
At end of year	4,636	2,944

Refundable prepayments, deposits and other receivables mainly represent refundable prepayments and deposits to digital goods providers, receivables from online platform operators (such as Tmall and JD) and other receivables from third parties. Where applicable, an impairment analysis is performed at the end of each Reporting Period by considering the probability of default of the industry. Except for specific balances for which a 100% ECL rate is determined, as at 31 December 2022, the probability of default applied ranged from 0.001% to 1.17% (2021: 0.001% to 1.38%) and the loss given default was estimated to be 64.5% (2021: 66.92%). The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there were no comparable companies in the industry as at 31 December 2022 ranged from 1.30% to 1.93%.

11 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the Reporting Period, based on the transaction date, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 3 months	92,375	43,578
4 to 6 months	5,268	80
7 to 12 months	1,006	1,418
Over 12 months	1,983	846
	100,632	45,922

Trade payables are non-interest-bearing and are normally settled on credit terms within 6 months.

OTHER INFORMATION

FINAL DIVIDENDS

After due consideration of Shareholders' as well as the Company's long-term interests, the Board recommended the final dividend of HK\$0.116 per Share for the year ended December 31, 2022, which will be paid in Hong Kong dollars, subject to the approval of Shareholders at the Company's forthcoming AGM. The final dividend, if approved by the Shareholders at the forthcoming AGM, will be paid on or before Tuesday, June 13, 2023 to Shareholders whose name appear on the register of members of the Company on Wednesday, June 7, 2023.

USE OF PROCEEDS FROM LISTING

The Company listed its Shares on the Stock Exchange on September 18, 2020. Net proceeds from the Listing (after deduction of the underwriting fees, commission and relevant total expenses paid and payable by us in connection thereto) were approximately HK\$803.42 million, which has been applied for the following purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. From the Listing Date to December 31, 2022, the Group has utilized:

- approximately HK\$241.03 million to facilitate digital goods transactions for more digital goods vendors and increase the varieties of digital goods transactions we facilitate, which has been fully utilized;
- approximately HK\$160.68 million to increase the number of our digital goods sales channel partners, which has been fully utilized;
- approximately HK\$160.68 million to develop the Group's value-added services, such as membership management and interactive advertising services, virtual employee benefits services for enterprise customers, games leveling and companion services and professional games account leasing services, which has been fully utilized;
- approximately HK\$80.35 million to fund the Group's working capital and other general corporate purposes, which has been fully utilized; and
- the Group has not utilized the proceeds from the Listing for the potential acquisitions of businesses and assets complementary to our business, including companies in games-related industries, while the net proceeds intended to be used for this purpose amounted to HK\$160.68 million.

COMPLIANCE WITH CG CODE

The Company is committed to maintaining a high standard of corporate governance practices with a view to enhance the management efficiency of the Company as well as preserving the interests of its Shareholders as a whole. During the year ended December 31, 2022, saved for the deviation from code provision C.2.1 as explained below, the Company has complied with the code provisions set out in the CG Code.

The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Fu Xi currently performs these two roles and is responsible for the Group's strategies, corporate culture and oversees our senior management team. The Board considers that Mr. Fu Xi acting as both the chairman and the chief executive officer will ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning for the Group, and it is appropriate and beneficial to our business development and prospects that Mr. Fu Xi continues to act as both the chairman and the chief executive officer at the current stage of development of the Company. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Therefore the Board does not propose to separate these two roles. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended December 31, 2022, which will be sent to the Shareholders in due course.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Company's audited consolidated financial statements for the year ended December 31, 2022. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control and financial reporting matters.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended December 31, 2022 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

AGM AND CLOSURE OF THE REGISTER OF MEMBERS

The Company intends to hold the AGM on Tuesday, May 30, 2023. The register of members of the Company will be closed from Wednesday, May 24, 2023 to Tuesday, May 30, 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no Share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong Share Registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, May 23, 2023.

Subject to the approval by the Shareholders at the AGM, the proposed final dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Wednesday, June 7, 2023. The register of members of the Company will also be closed from Monday, June 5, 2023 to Wednesday, June 7, 2023, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend. To qualify for the final dividend (subject to the approval of Shareholders), unregistered holders of Shares of the Company shall lodge relevant share transfer documents with the Hong Kong Share Registrar for registration, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, June 2, 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fulu.com), and the annual report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fulu.com) and will be dispatched to the Shareholders in accordance with the Listing Rules in due course.

By order of the Board
Fulu Holdings Limited
Fu Xi
Chairman

Wuhan, Hubei Province, China
March 28, 2023

As of the date of this announcement, the Board comprises Mr. Fu Xi, Mr. Zhang Yuguo, Mr. Shui Yingyu, Mr. Zhao Bihao and Mr. Mao Feng as executive Directors; and Mr. Li Wai Chung, Ms. Wang Yuyun and Mr. Wong Sincere as independent non-executive Directors.

DEFINITIONS

“AGM”	the forthcoming annual general meeting of the Company to be held on Tuesday, May 30, 2023
“Audit Committee”	the audit committee of the Company
“Auditor”	the external auditor of the Company
“Board”	the board of Directors
“Company” or “Fulu”	Fulu Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 2101)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the contractual arrangements, namely the PRC Holdcos and their respective subsidiaries
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to each of Mr. Fu Xi, Mr. Zhang Yuguo, Mr. Shui Yingyu, Mr. Zhao Bihao, FuXi Limited, Fuxu Holdings, Fuzhi Holdings, Zhangyuguo Holdings, Shuiyingyu Holdings and Zhaobihao Holdings or all of them as a group of Controlling Shareholders
“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Directors”	director(s) of the Company
“Fulu Open Platform”	our proprietary technology platform that offers applications to digital goods vendors and digital goods sales channels to enable them to better manage the digital goods and services transaction process
“Fulu Technology” or “WFOE”	Fulu (Wuhan) Technology Co., Ltd (福祿(武漢)科技有限公 司), a limited liability company established in the PRC on December 25, 2019 and a wholly-owned subsidiary of the Company
“FuXi Limited”	FuXi Limited, a limited liability company incorporated in the BVI on June 27, 2019 and wholly owned by Mr. Fu Xi. It is one of our Controlling Shareholders

“Fuxu Holdings”	Fuxu Holdings Limited, a limited liability company incorporated in the BVI on September 12, 2019 and wholly owned by FuXi Limited. It is one of our Controlling Shareholders
“Fuzhi Holdings”	Fuzhi Holdings Limited, a limited liability company incorporated in the BVI on September 3, 2019 and wholly owned by FuXi Limited. It is one of our Controlling Shareholders
“Global Offering”	the Hong Kong public offering and the International offering of the Company’s Shares
“GMV”	gross merchandize value, which equals to the sales price per item (inclusive of VAT) multiplied by the number of items sold. The GMV of digital goods transactions we facilitated as disclosed in this announcement excludes the GMV of digital goods transactions that occur in online stores we operate for digital goods vendors
“Group” or “the Group”, “we”, “us”, or “our”	the Company, our subsidiaries and the Consolidated Affiliated Entities from time to time, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the subsidiaries as if they were the subsidiaries of the Company at the relevant time (or the Company and any one or more of its subsidiaries, as the context may require)
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Kashgar Yiqiwan”	Kashgar Yiqiwan Network Technology Co., Ltd. (喀什一起玩網絡科技有限公司), a limited liability company established in the PRC on March 27, 2017, and one of the PRC Holdcos
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	September 18, 2020, being the date on which the Shares were listed on the Main Board of the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Luzhi Holdings”	Luzhi Holdings Limited, a limited liability company incorporated in the BVI on September 20, 2019 and owned as to 14.55%, 3.06%, 2.99%, 5.67%, 2.24%, 36.20%, 10.91%, 3.51%, 2.75%, 4.02%, 9.85% and 4.25% by Mr. Yang Yuquan, Mr. Liu Lufeng, Ms. Shen Yaling, Mr. Wang Qiang, Ms. Guo Chenxi, Mr. Xu Jian, Mr. Ren Wei, Mr. Mei Qiaojun, Mr. Li Jun, Mr. Ding Chao, Mr. Chen Tianjun and Mr. Tian Xuan, respectively
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
“Nomination Committee”	the nomination committee of the Company
“PRC” or “China”	the People’s Republic of China, for the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“PRC Holdcos”	Kashgar Yiqiwan and Wuhan Fulu
“Prospectus”	the prospectus of the Company dated September 7, 2020
“Remuneration Committee”	the remuneration committee of the Company
“Reporting Period”	the year ended December 31, 2022
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Securities and Futures Ordinance” or “SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of US\$0.0001 each in the capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Shuiyingyu Holdings”	Shuiyingyu Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Tibet Fulu”	Tibet Fulu Network Technology Co., Ltd. (西藏福祿網絡科技有限公司), a limited liability company established in the PRC on December 8, 2016, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Tibet Huluwa”	Tibet Huluwa Network Technology Co., Ltd. (西藏葫蘆娃網絡科技有限公司), a limited liability company established in the PRC on May 15, 2019, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“US\$”	U.S. dollars, the lawful currency of the United States of America
“VAT”	value-added tax
“Wuhan Fulu”	Wuhan Fulu Network Technology Co., Ltd. (武漢福祿網絡科技有限公司), a limited liability company established in the PRC on March 24, 2009, and one of our PRC Holdcos
“Wuhan Lishuo”	Wuhan Lishuo Technology Co., Ltd. (武漢立碩科技有限公司), a limited liability company established in the PRC on January 6, 2017, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Wuhan Souka”	Wuhan Souka Technology Co., Ltd. (武漢搜卡科技有限公司), a limited liability company established in the PRC on June 8, 2017, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Wuhan Tianshi”	Wuhan Tianshi Technology Co., Ltd. (武漢天識科技有限公司), a limited liability company established in the PRC on July 24, 2014, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu

“Wuhan Yilu”	Wuhan Yilu Network Technology Co., Ltd. (武漢億祿網絡科技有限公司), a limited liability company established in the PRC on November 19, 2015, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Kashgan Yiqiwan
“Wuhan Yiqiyou”	Wuhan Yiqiyou Network Technology Co., Ltd. (武漢一起遊網絡科技有限公司), a limited liability company established in the PRC on June 4, 2012, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Xinjiang Fulu”	Xinjiang Fulu Network Technology Co., Ltd. (新疆福祿網絡科技有限公司), a limited liability company established in the PRC on December 27, 2016, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Xinjiang Huluwa”	Xinjiang Huluwa Network Technology Co., Ltd. (新疆葫蘆娃網絡科技有限公司), a limited liability company established in the PRC on February 25, 2019, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Zhangyuguo Holdings”	Zhangyuguo Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“Zhaobihao Holdings”	Zhaobihao Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“%”	per cent