



花房集团
HUAFANG GROUP

2023

Huafang
Group Inc.
花房集团公司

INTERIM REPORT 2023



STOCK
CODE

3611

(Incorporated in the Cayman Islands with limited liability)

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Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

“Audit Committee”	the audit committee of the Company
“Board”	our board of Directors
“CEO”	chief executive officer of the Company
“CG Code”	the “Corporate Governance Code” as contained in Appendix C1 (formerly “Appendix 14”) to the Listing Rules
“China” or “PRC”	the People’s Republic of China, which for the purpose of this interim report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Chairman”	the chairman of the Board
“Company”, “Group”, “Huafang Group” or “we”	Huafang Group Inc. (花房集团公司), an exempted company incorporated under the laws of Cayman Islands with limited liability on 1 June 2021 and except where the context indicated otherwise its subsidiaries
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, i.e., Huafang Technology and its subsidiaries including Mijing Hefeng, Hainan Kailin Technology Co., Ltd. (海南凱林科技有限公司), Beijing Huafang Canlan Technology Co., Ltd. (北京花房燦爛科技有限公司), Beijing Holla Technology Co., Ltd. (北京猴啦科技有限公司), Chengdu Huayang Technology Co., Ltd. (成都花漾科技有限公司), Tianjin Maijike Network Technology Co., Ltd. (天津邁即刻網絡科技有限公司), Sichuan Huayin Technology Co., Ltd. (四川花音科技有限公司), Beijing Huafang Hongfa Technology Co., Ltd. (北京花房鴻發科技有限公司), Beijing Ruzuo Technology Co., Ltd. (北京入座科技有限公司) and Chengdu Yuanjin Culture Media Co., Ltd. (成都元錦文化傳媒有限公司), the financial accounts of which have been consolidated and accounted for as if they were subsidiaries of the Company by virtue of the Contractual Arrangements
“Contractual Arrangements”	a series of contractual arrangements we entered into to allow the Company to exercise control over the business operation of the Consolidated Affiliated Entities and enjoy all the economic interests derived therefrom, as more particularly described in the section headed “Contractual Arrangements” in the Prospectus
“Director(s)”	the director(s) of the Company
“Global Offering”	the Hong Kong Public Offering and the International Offering as defined and described in the Prospectus
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“HOLLA Group”	a group of companies operated under EXU INC., including EXU (HK) LIMITED, Monkey, Inc., Chatwith, Inc., Oviedo Interactives Limited and Mitu Inc Limited, each of which is the subsidiary of the Company

Definitions

“Huafang Technology”	Beijing Huafang Technology Co., Ltd. (北京花房科技有限公司) (formerly known as Beijing 6.cn Technology Co., Ltd. (北京六間房科技有限公司)), a limited liability company incorporated under the laws of PRC on 17 March 2006
“IPO”	the Company’s initial public offering of its Shares
“Last Corresponding Period”	the six months ended 30 June 2022
“Listing Date”	12 December 2022, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Mijing Hefeng”	Beijing Mijing Hefeng Technology Co., Ltd. (北京密境和風科技有限公司), a limited liability company incorporated under the laws of PRC on 24 December 2014
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix C3 (formerly “Appendix 10”) to the Listing Rules
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 21 November 2022
“Prospectus”	the prospectus of the Company dated 30 November 2022
“Relevant Period”	the six months ended 30 June 2023
“RMB”	Renminbi, the lawful currency of the PRC
“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) of par value US\$0.0001 each in the issued share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Songcheng Performance”	Songcheng Performance Development Co., Ltd. (宋城演藝發展股份有限公司), a controlling shareholder of the Company, a company incorporated in the PRC on 21 September 1994 and listed on the Shenzhen Stock Exchange since 9 December 2010 (stock code: 300144), which is principally engaged in investment, development and operation of theme parks, tourism, and cultural performances
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “U.S. dollar”	United States dollars, the lawful currency of the United States of America
“%”	per cent



Corporate Information

BOARD OF DIRECTORS

Non-executive Director and Chairman of the Board

Mr. Zhou Hongyi

Executive Director

Ms. YU Dan (*CEO*)

Other Non-executive Directors

Mr. CHEN Shengmin

Mr. ZHAO Dan

Independent Non-executive Directors

Mr. CHEN Weiguang

Mr. LI Bing

Ms. QIAN Aimin

COMPANY SECRETARY

Ms. LAI Janette Tin Yun

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Ms. YU Dan

Ms. LAI Janette Tin Yun

AUDIT COMMITTEE

Ms. QIAN Aimin (*Chairman*)

Mr. LI Bing

Mr. CHEN Shengmin

REMUNERATION COMMITTEE

Mr. CHEN Weiguang (*Chairman*)

Ms. QIAN Aimin

Ms. YU Dan

NOMINATION COMMITTEE

Mr. ZHOU Hongyi (*Chairman*)

Mr. CHEN Weiguang

Mr. LI Bing

AUDITOR

Mazars CPA Limited
Certified Public Accountants
 42nd Floor, Central Plaza
 18 Harbour Road
 Wanchai
 Hong Kong

REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited
 Third Floor, Century Yard
 Cricket Square
 P.O. Box 902, Grand Cayman
 KY1-1103
 Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building 5, Yard 6
 Jiuxianqiao Road
 Chaoyang District
 Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
 348 Kwun Tong Road, Kowloon
 Hong Kong

PRINCIPAL BANK

China Merchants Bank Co., Ltd.
 Beijing Century City Sub branch
 No. 1 Chuihong Garden, Indigo Factory
 Haidian District
 Beijing, PRC

HONG KONG LEGAL ADVISOR

Wilson Sonsini Goodrich & Rosati
 Suite 1509, 15/F, Jardine House
 1 Connaught Place, Central
 Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

COMPLIANCE ADVISOR

Goldlink Capital (Corporate Finance) Limited
28/F, Bank of East Asia Harbour View Centre,
56 Gloucester Road, Wanchai,
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE AND BOARD LOT

Stock code: 3611
Board lot: 1,000

WEBSITE

www.huafang.com



Management Discussion and Analysis

MARKET AND BUSINESS REVIEW

Affected by complex market environment and other aspects, challenges and opportunities coexisted in the first half of 2023. The Group reinforced its core live streaming business ecosystem, provided high-quality content and product experience for users, and continued to promote solid growth in its overseas social business matrix. At the same time, the Group fulfilled advantages in the “Huafang Lab” innovative mechanism, noticed frontier changes in market and new reform in technology, and made overall arrangement for the Group’s innovative business and new opportunities.

I. Focused on the essence of entertainment live streaming business, and built a product power with premium content as its cornerstone

As its core businesses, the Group’s two entertainment live streaming flagship products, namely “Huajiao” and “6.cn”, actively tackled challenges arisen from market changes. Adhering to premium content as its core product power and becoming user-centric, the Group continually optimized content quality of the platform, and improved customer’s experience in watching live streaming and interaction. In addition, entertainment live streaming business also continued to explore partial innovation under traditional business model, and applied artificial intelligence, virtual avatar and other technologies to various fields, such as content creation, operational efficiency enhancement and compliance review, aiming to build an entertainment live streaming platform with high quality for users.

II. Overseas entertainment social matrix began to take shape, and achieved stable and sound growth on the whole

A number of the Group’s overseas social networking and entertainment service products have satisfied the strong social entertainment needs and diverse preferences of users by continuously enhancing their content and operation management and optimizing the product community ecology based on different cultures and user habits, as well as the needs of users in different regions (including North America, Europe, the Far East and the Middle East and North Africa). In the first half of 2023, the revenue from overseas social business achieved a year-on-year increase of 55.1% and the average MAUs (monthly active users) increased by 66.4%, thereby realizing steady and sound growth on the whole.

III. Continued to discover and explore cutting-edge opportunities and bring users differentiated product experience

As an important mechanism for the Group’s strategic innovation, “Huafang Lab” has continued to pay attention to the cutting-edge of the industry and explore the in-depth integration of new modes, new technologies and new business models into the Group’s mature business. With the rapid development of AIGC (artificial intelligence-generated content) technology and Large Language Model (“LLM”) since last year, their application in the pan-entertainment and social fields has become the direction of the Group’s innovative layout, and has been initially verified in different scenarios such as audio and video live streaming and socializing. In the future, the Group will actively explore more possibilities of AIGC+X to bring users more differentiated entertainment and social product experience.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

In the face of the ever-changing market landscape and external environment, the Group will actively embrace changes and challenges and continually develop its traditional entertainment live streaming business, so as to achieve healthy and steady development in the long run. At the same time, the Group will insist on continuous iteration and innovation, focus on the development of overseas social networking market scale, and actively grasp the trend of the rapid rise of artificial intelligence in order to seek new business growth engines.

I. Consolidating the cornerstone of entertainment live streaming business and proactively embrace new changes in the market

The Group will further develop its principal businesses of entertainment live streaming and socializing, optimize its flagship products such as Huajiao and 6.cn, provide high-quality live streaming content and create a healthy operating environment, to ensure the stable and sustainable development of the core businesses. Meanwhile, the Group will make continuous effort to improve user experience, conduct in-depth cooperation with outstanding content makers, and actively explore new contents and forms of live streaming, so as to provide quality and diversified entertainment, social contact and companionship value for our users. As a pioneer in the live streaming industry, the Group has been embracing technological advance and market changes, and will promote the combination of new technologies such as AIGC and its pan-entertainment live streaming business, and actively search for new growth opportunities and innovation potentials to cope with the ever-changing market environment.

II. Focusing on overseas social hit products to achieve breakthrough in scale growth

With the rapid development of global mobile social networking, the Group's overseas social networking business has continued to grow and has formed a matrixed, localized and refined operation system. Continuing to leverage its overseas teams' abundant experience in international operation, the Group will centralize its advantageous resources and develop hit products, thus accelerating its scale growth; seek new business opportunities in overseas market more enthusiastically, and make arrangements in the advantageous resources more rationally, so as to build up its principal products and key regions and drive its business to grow at a high rate, with a view to further enhancing the Group's market share and brand influence in overseas social networking.

III. Promote innovation and exploration in the field of AI and turn it into a new growth curve

Based on the current rapid development in LLM and artificial intelligence, and with an aim to promote the Group's innovation and exploration in the field of AI and to build a second business curve, "Huafang Lab", the Group's strategic brand project, will be committed to exploring innovative AI projects, so as to ensure that the Group maintains its competitive strengths in this field, and at the same time, continue to develop innovative projects such as virtual avatar, application of augmented reality ("AR") and virtual reality ("VR") technologies, new forms of socializing and other segments in the social networking field.

In addition, the Group will actively fulfill its social responsibility and continue to uphold high ethical standards, expecting to further contribute value to society through the provision of more in-depth online platform services. To maintain the sustainability of its businesses, the Group will formulate environmental, economic, and social strategies, and will continue to create long-term value for its shareholders, employees, users and the society by consistently adhering to its mission of "connecting people with technology and spreading happiness through companionship" and its vision of "building a top influential online social entertainment ecosystem in the world".



Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The Group generates revenue primarily from (1) live streaming and audio social networking services, (2) overseas social networking services operated under HOLLA Group and (3) other services. During the Relevant Period, the Group generated the vast majority of its revenue from operations in China.

The Group's total revenue decreased by 34.4% to approximately RMB1.6 billion for the Relevant Period as compared to approximately RMB2.5 billion for the Last Corresponding Period.

The revenue generated from live streaming and audio social networking decreased by 38.0% to approximately RMB1.5 billion in the Relevant Period, as compared to approximately RMB2.4 billion in the Last Corresponding Period. This was mainly due to the challenging external environment and the Group's implementation of more cautious operating strategies throughout the year.

The revenue generated from overseas social networking increased by 55.1% to approximately RMB126.1 million in the Relevant Period as compared to approximately RMB81.3 million in the Last Corresponding Period primarily due to the Group's expansion of its overseas markets.

During the Relevant Period, the Group generated revenue from other services, consisting of (1) advertisement services, which was offered to enterprise customers during live streaming sessions, and (2) website technical services offered to enterprise customers. The Group recognizes revenue when it has satisfied the performance of the Group's obligations under the service contracts. The Group's revenue from other services was approximately RMB13.6 million for the Relevant Period, compared with approximately RMB0.3 million for the Last Corresponding Period.

Cost of Sales

The Group's cost of sales primarily consisted of (1) host costs, which are revenue shared with hosts or talent agencies, (2) employee expenses in connection with the Group's live streaming and other services, (3) bandwidth expenses and server custody costs, (4) payment processing costs, (5) share-based compensation expenses, (6) depreciation and amortization cost, (7) service fees, and (8) other cost of sales, including advertising costs, operation and production costs and other costs of revenues.

The Group's cost of sales decreased by 36.2% to approximately RMB1.2 billion for the Relevant Period, as compared to approximately RMB1.8 billion for the Last Corresponding Period which is in line with the decrease of revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decreased by 29.4% to approximately RMB453.6 million in the Relevant Period, as compared to approximately RMB642.7 million in the Last Corresponding Period, and the Group's gross profit margin in the Relevant Period was 27.9%, compared to 25.9% in the Last Corresponding Period.

Selling and Marketing Expenses

The Group's selling and marketing expenses primarily consisted of promotion and advertising expenses, operating expenses, employee expenses in connection with the Group's selling and marketing activities, share-based compensation, depreciation and amortization cost, agency services fees and others.

The Group's selling and marketing expenses decreased by 16.0% to approximately RMB219.2 million in the Relevant Period as compared to approximately RMB261.1 million in the Last Corresponding Period, primarily attributable to a decrease in marketing and promotion fees.

Management Discussion and Analysis

General and Administrative Expenses

The Group's general and administrative expenses primarily consisted of employee expenses, professional service fees, share-based compensation, depreciation and amortization expenses, travel expenses and entertainment expenses, and others.

The Group's general and administrative expenses increased by 158.6% to approximately RMB143.8 million in the Relevant Period as compared to approximately RMB55.6 million in the Last Corresponding Period, primarily due to an increase in share-based compensation expenses.

Research and Development Expenses

The Group's research and development expenses primarily consisted of employee expenses, technical service fees, share-based compensation, depreciation and amortization expenses, travel expenses and others.

The Group's research and development expenses increased by 1.0% to approximately RMB116.1 million in the Relevant Period as compared to approximately RMB114.9 million in the Last Corresponding Period.

Other Income

Other income consists of (1) investment income from financial products issued by banks, (2) additional deduction of input value-added tax, (3) interest income from bank savings, (4) government grants, and (5) others.

Other income decreased by 11.5% to approximately RMB29.8 million in the Relevant Period as compared to approximately RMB33.7 million in the Last Corresponding Period primarily due to (i) VAT (value-added tax) preference policies adjusted from 10% to 5% since January 2023, and (ii) the foreign exchange gain driven by the appreciation of U.S. dollar against Renminbi.

Impairment Loss on Goodwill

Impairment loss on goodwill was approximately RMB681.8 million in the Relevant Period, mainly due to the decline in the revenue and earnings projection resulted from the combined effects of the overall reduced future growth expectations in the PRC market and the whole downturn of the industry, combinedly with the fact that the actual operating results falls short of expectation during the first half of 2023, the fair value less costs of disposal ("FVLCD") result of cash-generating unit ("CGU") of 6.cn was assessed to be below than its value-in-use ("VIU") result. Therefore, the recoverable amount of CGU of 6.cn at 30 June 2023 was determined based on the VIU by the management of the Group.

Operating Loss

As a result of the foregoing, operating loss was approximately RMB677.4 million in the Relevant Period, compared with an operation profit of approximately RMB244.8 million in the Last Corresponding Period.

Finance Costs

Finance cost decreased by 18.9% to approximately RMB1.1 million in the Relevant Period as compared to approximately RMB1.3 million in the Last Corresponding Period.

Income tax expenses

Income tax expenses decreased by 74.6% to approximately RMB10.2 million in the Relevant Period as compared to approximately RMB40.2 million in the Last Corresponding Period.



Management Discussion and Analysis

Loss for the Period

As a result of the foregoing, loss for the period was approximately RMB688.7 million in the Relevant Period, compared with a profit of approximately RMB203.3 million in the Last Corresponding Period.

Non-IFRS Measure

In order to supplement the Group's financial information presented in accordance with the International Financial Reporting Standards (the "IFRS"), the Group uses adjusted net profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRSs. The Group's adjusted net profit (non-IFRS measure) represents the Group's profit for the period, adjusted to add back share-based compensation expenses, listing expenses and impairment loss on goodwill. The Group believes that adjusted net profit (non-IFRS measure) provides investors and other persons with useful information to understand and evaluate the Group's consolidated results of operation in the same manner as it helps the Group's management. However, adjusted net profit (non-IFRS measure) presented by us may not be comparable to the similar financial measure presented by other companies. There are limitations to the non-IFRS measure used as an analytical tool, and you should not consider it in isolation or regard it as a substitute for the Group's results of operation or financial position analysis that is presented in accordance with IFRSs.

	Six months ended 30 June	
	2023	2022
	RMB in thousands	
(Loss)/Profit for the period	(688,672)	203,267
Add:		
Share-based compensation expenses	63,190	18,354
Listing expenses	–	2,716
Impairment loss on goodwill	681,763	–
Adjusted net profit (non-IFRS measure)	56,281	224,337

Liquidity and Financial Resources

The Group continued to maintain a solid and healthy financial position. Other than the funds raised through the Global Offering in December 2022, the Group funded its own cash requirement from its operations. The Group intends to finance its expansion and business operations with internal resources and through sustainable growth.

The Group's total assets was approximately RMB2.6 billion as of 30 June 2023, as compared to approximately RMB3.4 billion as of 31 December 2022. The Group's total liabilities was approximately RMB450.1 million as of 30 June 2023, as compared to approximately RMB565.3 million as of 31 December 2022.

As of 30 June 2023, the current ratio (the current assets to current liabilities ratio) of the Group was 5.7, and the gearing ratio (total liabilities to total equity ratio) was 0.2, as compared with 4.6 and 0.2, respectively, as of 31 December 2022.

As of 30 June 2023, the Group's cash and cash equivalents were approximately RMB1.9 billion, compared with approximately RMB1.6 billion as of 31 December 2022. Approximately RMB1.7 billion is denominated in Renminbi and approximately RMB0.2 billion is denominated in other currencies (primarily Hong Kong dollars). The Group currently does not hedge transactions in foreign currencies.

Borrowings

For the Relevant Period, the Group did not have any short-term or long-term bank borrowings.

Management Discussion and Analysis

Other Financial Assets

Other financial assets primarily consisted of financial products issued by banks and financial assets at fair value through other comprehensive income, including the Group's equity investment in certain technology companies during the Relevant Period. The Group has implemented a policy concerning purchases and management of financial assets, which sets out, among others, approval procedures, approval authority matrices, and accounting treatments for financial assets.

As of 30 June 2023, the Group had current and non-current financial assets at fair value through other comprehensive income of approximately RMB146.8 million (31 December 2022: approximately RMB556.0 million), mainly comprised (a) financial products issued by banks of approximately RMB100.8 million (31 December 2022: approximately RMB422.2 million); and (b) unlisted equity investment of approximately RMB46.0 million (31 December 2022: approximately RMB133.8 million).

Capital Expenditures

The Group's capital expenditures were approximately RMB3.0 million for the Relevant Period, compared with approximately RMB9.4 million for the Last Corresponding Period. The Group funded its capital expenditure requirements during the Relevant Period mainly from cash generated from the Group's operating activities.

Contingent Liabilities

As of 30 June 2023, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Credit Risk

The Group is primarily exposed to credit risk in relation to the Group's trade and other receivables. However, the Directors expect that the occurrence of losses from non-performance by the counterparties of trade and other receivables was remote, and loss allowance provision for trade and other receivables was immaterial. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with a minimum credit rating assigned by the Group's management. The Group does not provide any guarantees that would expose us to credit risk.

Liquidity Risk

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants. Further, the Group's management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. The Group expects to fund the future cash flow needs through internally generated cash flows from operations.

Foreign Exchange Risk

For the Relevant Period, most transactions of the Group were settled in Renminbi and U.S. dollar. Thus, the Group's business is not exposed to any significant foreign exchange risk as the Group has no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of the entities within the Group.

The Group has not engaged in hedging activities designed or intended to manage foreign exchange rate risk during the Relevant Period. However, the Group will continue to monitor foreign exchange risk from time to time based on its business development requirements to best preserve the Group's cash value, and may enter into forward foreign exchange contracts or engage in other hedging activities when necessary.



Management Discussion and Analysis

Contractual Arrangements

Please refer to the section headed “Contractual Arrangements” in the Prospectus. For the six months ended 30 June 2023, the Board has reviewed the overall performance of the contractual arrangements and confirmed that the Group has complied with the contractual arrangements in all material respects.

Significant Investment Held

As of 30 June 2023, the Group did not hold any significant investments in the equity interests of any other companies.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any investment, acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2023.

Future Plans for Material Investments and Capital Assets

Save as otherwise disclosed in this interim report, as of the date of this interim report, the Group have no specific plan for material investments or acquisition of capital assets. However, the Group will continue to identify new opportunities for business development and investments.

Charges on Group Assets

As of 30 June 2023, the Group had no charges on Group’s assets.

Supplementary Information

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company were listed on the Hong Kong Stock Exchange on 12 December 2022 and the Company obtained net proceeds of approximately HK\$72.4 million (after deducting the underwriting commissions and other estimated expenses in connection with the exercise of the Global Offering).

During the Relevant Period, the Company has not utilized any of the net proceeds raised from the Global Offering. The Company intends to use the net proceeds in the same manner and proportion as set out in the Prospectus under the section headed “Future Plans and Use of Proceeds”.

As disclosed on page 455 of the Prospectus, based on the current business plan, the Company intended to implement the use of proceeds from the Global Offering in the next three financial years. The Board currently expects full utilization of the net proceeds raised from the Global Offering by 31 December 2025, subject to changes in light of the Group’s evolving business needs and changing market conditions.

EMPLOYEES

The Group had approximately 684 employees as at 30 June 2023, as compared to 864 employees as at 31 December 2022. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination.

Remuneration of the Group’s employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Relevant Period (for the six months ended 30 June 2022: nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions as set out in the CG Code as contained in Appendix C1 (formerly “Appendix 14”) to the Listing Rules as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Relevant Period.

The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.



Supplementary Information

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 (formerly “Appendix 10”) to the Listing Rules as its own code of conduct regarding dealings in the securities of the Company by each of the Directors and the Group’s senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Relevant Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Relevant Period.

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

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

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The Audit Committee of the Company (comprising Ms. QIAN Aimin, Mr. CHEN Shengmin and Mr. LI Bing) has reviewed the consolidated financial information of the Group for the six months ended 30 June 2023, including accounting principles and practices adopted by the Group, and discussed risk management and internal controls and financial reporting matters with the Group’s management.

CHANGE OF AUDITOR

The Group’s former auditor, KPMG, has resigned as the auditor of the Company and the Group with effect from 3 August 2023. Please refer to the Company’s announcement dated 3 August 2023 in relation to the resignation of KPMG.

On 17 August 2023, the Company has appointed Mazars CPA Limited as the new auditor of the Company.

Supplementary Information

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2023, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(A) Interest in ordinary Shares of the Company – Long position

Name of Director	Capacity/Nature of Interest	Number of ordinary Shares interested	Approximate percentage ⁺ of the Company's issued share capital
Mr. Zhou Hongyi ⁽¹⁾	Interest in controlled corporation	364,554,724	36.46%
Ms. Yu Dan ⁽²⁾	Beneficial interest and interest in controlled corporated	79,026,995	7.90%

Notes:

- (1) Blossom Deluxe Holdings Limited has entered into a voting proxy with Blossom Glory Limited to entrust 42.69% voting rights held by Blossom Deluxe Holdings Limited in Pepper Blossom Limited to Blossom Glory Limited, which enables Blossom Glory Limited to exercise 90.26% of voting rights at the general meeting of Pepper Blossom Limited. Therefore, Blossom Glory Limited is deemed to be interested in the entire interests held by Pepper Blossom Limited. Blossom Glory Limited is held by Blossom Eternity Limited as to 71.94%, and Blossom Eternity Limited is wholly owned by Mr. Zhou Hongyi, therefore, Mr. Zhou Hongyi is deemed to be interested in the entire interests held by Pepper Blossom Limited.
- (2) On 22 November 2022, Ms. Yu Dan was granted 19,402,000 Options under the Pre-IPO Share Option Scheme. Ms. Yu Dan is also deemed to be interested in the Shares held by Blossom Bliss Limited under the SFO. Please refer to the section headed "Substantial Shareholders' Interests in Securities" in this interim report for details.
- + The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2023.



Supplementary Information

(B) Interest in associated corporations of the Company – Long position

Name	Nature of Interest	Name of Associated Corporation	Number of ordinary shares Interested	Approximate percentage ⁺ of the associated corporation's issued share capital
Mr. Zhou Hongyi ⁽¹⁾	Interest in controlled corporation	Huafang Technology	20,380,418	38.21%
Ms. Yu Dan ⁽²⁾	Interest in controlled corporation	Huafang Technology	3,333,333	6.25%

Notes:

- (1) Huafang Technology is owned by Qihoo 360, Huajiao No. 1 and Huajiao No. 2 as to approximately 38.21% in aggregate, each of which is ultimately controlled by Mr. Zhou Hongyi since 1 January 2020.
- (2) Huafang Technology is owned by Tianjin Huafang Feiteng Technology Center (L.P.) (天津花房飛騰科技中心(有限合夥)) (“**Huafang Feiteng**”) as to approximately 6.25%. Tianjin Huafang Feiteng No. 2 Technology Center (L.P.) (天津花房飛騰貳號科技中心(有限合夥)) (“**Huafang Feiteng No. 2**”), as a limited partner, holds as to 51.8305% of the partnership interest in Huafang Feiteng. Ms. Yu Dan, an executive Director and CEO, is a limited partner of Huafang Feiteng No. 2 and holds 45.2191% of the partnership interest in Huafang Feiteng No. 2.
- + The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2023.

Save as disclosed above and in the section headed “Pre-IPO Share Option Scheme” and to the best knowledge of the Directors, as at 30 June 2023, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Supplementary Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2023, the following corporations/persons had interests of 5% or more in the issued shares or underlying shares of the Company according to the register of interests required to be kept by the Company under section 336 of the SFO:

Interest in ordinary Shares of the Company – Long position

Name	Note	Capacity/Nature of Interest	Number of ordinary Shares interested	Approximate percentage* of the Company's issued share capital
Pepper Blossom Limited	(1)	Beneficial interest	364,554,724	36.46%
Blossom Glory Limited	(1)	Interest in controlled corporation	364,554,724	36.46%
Blossom Eternity Limited	(1)	Interest in controlled corporation	364,554,724	36.46%
Mr. Zhou Hongyi	(1)	Interest in controlled corporation	364,554,724	36.46%
Global Bacchus Limited	(2)	Beneficial Interest	353,541,181	35.35%
Songcheng Performance	(2)	Interest in controlled corporation	353,541,181	35.35%
Ms. Yu Dan	(3)	Beneficial interest and interest in controlled corporation	79,026,995	7.90%
Blossom Bliss Limited	(3)	Beneficial Interest	59,624,995	5.96%
Tianjin Huafang Feiteng Technology Center (L.P.) (天津花房飛騰科技中心(有限合夥)) ("Huafang Feiteng")	(3)	Interest in controlled corporation	59,624,995	5.96%
Tianjin Huafang Feiteng No.2 Technology Center (L.P.) (天津花房飛騰貳號科技中心(有限合夥)) ("Huafang Feiteng No. 2")	(3)	Interest in controlled corporation	59,624,995	5.96%
Tianjin Yongsheng Technology Co., Ltd. (天津咏升科技有限責任公司)	(3)	Interest in controlled corporation	59,624,995	5.96%
Ms. Li Rui	(3)	Interest in controlled corporation	59,624,995	5.96%



Supplementary Information

Notes:

- (1) Blossom Deluxe Holdings Limited has entered into a voting proxy with Blossom Glory Limited to entrust 42.69% voting rights held by Blossom Deluxe Holdings Limited in Pepper Blossom Limited to Blossom Glory Limited, which enables Blossom Glory Limited to exercise 90.26% of voting rights at the general meeting of Pepper Blossom Limited. Therefore, Blossom Glory Limited is deemed to be interested in the entire interests held by Pepper Blossom Limited. Blossom Glory Limited is held by Blossom Eternity Limited as to 71.94%, and Blossom Eternity Limited is wholly owned by Mr. Zhou Hongyi, therefore, both Mr. Zhou Hongyi and Blossom Eternity Limited is deemed to be interested in the entire interests held by Pepper Blossom Limited.
 - (2) Global Bacchus Limited is wholly owned by Songcheng Performance, a company listed on the Shenzhen Stock Exchange (stock code: 300144) in the PRC. Therefore, Songcheng Performance is deemed to be interested in the entire interests held by Global Bacchus Limited.
 - (3) Blossom Bliss Limited is wholly owned by Huafang Feiteng. Huafang Feiteng No. 2, as a limited partner, holds as to 51.8305% of the partnership interest in Huafang Feiteng. The general partner of both of Huafang Feiteng and Huafang Feiteng No. 2 is Tianjin Yongsheng Technology Co., Ltd. (天津咏升科技有限責任公司), which is wholly owned by Ms. Li Rui (李蕊), an employee of the Company. Ms. Yu Dan, an executive Director and CEO, is a limited partner of Huafang Feiteng No. 2 and holds 45.2191% of the partnership interest in Huafang Feiteng No. 2. Therefore, each of Huafang Feiteng, Huafang Feiteng No. 2, Ms. Li Rui and Ms. Yu Dan, is deemed to be interested in the Shares held by Blossom Bliss Limited under the SFO. In addition, on 22 November 2022, Ms. Yu Dan was granted 19,402,000 Options under the Pre-IPO Share Option Scheme.
- + The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 30 June 2023.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2023, no person had registered an interest or a short position in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

The Company conditionally approved and adopted the Pre-IPO Share Option Scheme pursuant to the resolutions of the Shareholders passed on 21 November 2022.

The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees and such other participant, and to provide a means of compensating them through the grant of options for their contribution to the growth and profits of the Group, and to allow such employees and other persons to participate in the growth and profitability of the Group.

On 22 November 2022, options (exercisable for 10 years subject to vesting schedule as set out in the grant letter) to subscribe for an aggregate of 89,502,000 Shares were conditionally granted by the Company under the Pre-IPO Share Option Scheme to a total of 9 grantees, including one executive Director, three members of the senior management (excluding Directors) of the Group, one joint company secretary of the Company, three vice presidents (excluding senior management and joint company secretary) and one operation head of the Company. Such options were granted based on the performance of the grantees that have made important contributions or are important to the long term growth and profitability of the Group. Apart from the above share options, no options were granted under the Pre-IPO Share Option Scheme. In addition, no further options can be granted under the Pre-IPO Share Option Scheme on or after the Listing Date.

Supplementary Information

Details of the movement of the options granted under the Pre-IPO Share Option Scheme for the Relevant Period are as set out below:

Name of the Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price	Outstanding as of 1 January 2023	Exercised during the Relevant Period	Lapsed during the Relevant Period	Cancelled during the Relevant Period	Outstanding as of 30 June 2023
Director of the Company									
Ms. YU Dan	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	19,402,000	0	0	0	19,402,000
Senior management and other employees of the Group									
Mr. LIU Kaiyin	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	15,580,000	0	0	0	15,580,000
Ms. LIU Tao	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	11,670,000	0	0	0	11,670,000
Mr. ZHANG Zhen	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	10,579,000	0	0	0	10,579,000
Ms. CHEN Xiaohui	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	8,508,000	0	0	0	8,508,000
Mr. CHEN Xing	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	8,374,000	0	0	0	8,374,000
Mr. TANG Geng	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	3,500,000	0	0	0	3,500,000
Mr. TAO Sha	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	1,961,000	0	0	0	1,961,000
Others									
Mr. JIAO Yang ⁽¹⁾	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	9,928,000	0	0	0	9,928,000
Total					89,502,000	0	0	0	89,502,000

Note:

- (1) Mr. JIAO Yang resigned as the joint company secretary and vice president of the Company on 25 May 2023. From 26 May 2023 to 2 October 2023 (the “**Service Period**”), Mr. JIAO Yang acted as a consultant rendering consultancy services in respect of the business development to the Group without receiving any compensation. The Board recognized Mr. JIAO Yang’s services and retained the options granted to him before the expiry of the Service Period.

The Directors and the director of the Company’s subsidiary who have been granted options under the Pre-IPO Share Option Scheme, have undertaken to the Company that they will not exercise the options granted to them under the Pre-IPO Share Option Scheme if as a result of which the Company would not be able to comply with the public float requirements of the Listing Rules.

A detailed summary of the terms (including the terms of the Pre-IPO Share Option Scheme, the calculation method of the exercise price, exercise periods, and vesting periods and conditions) of the Pre-IPO Share Option Scheme has been set out in the section headed “D. Pre-IPO Share Option Scheme” in Appendix IV of the Prospectus.

The Pre-IPO Share Option Scheme does not fall within the ambit of, and is not subject to, the regulations under Chapter 17 of the Listing Rules.



Supplementary Information

EVENT AFTER THE RELEVANT PERIOD

The Group had no material events for disclosure subsequent to 30 June 2023 and up to the date of this report.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	3	1,626,139	2,479,823
Cost of sales		(1,172,491)	(1,837,159)
Gross profit		453,648	642,664
Other income, net	4	29,811	33,677
Selling and marketing expenses		(219,229)	(261,070)
General and administrative expenses		(143,772)	(55,603)
Research and development expenses		(116,111)	(114,914)
Impairment loss on goodwill	11	(681,763)	–
(Loss)/Profit from operations		(677,416)	244,754
Finance costs	5	(1,067)	(1,315)
(Loss)/Profit before taxation	5	(678,483)	243,439
Income tax expenses	6	(10,189)	(40,172)
(Loss)/Profit for the period		(688,672)	203,267
(Loss)/Profit for the period attributable to:			
Owners of the Company		(688,655)	203,267
Non-controlling interests		(17)	–
(Loss)/Profit for the period		(688,672)	203,267
(Loss)/Earnings per share	8		
– Basic (RMB)		(0.69)	0.21
– Diluted (RMB)		(0.69)	0.21



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(Loss)/Profit for the period	(688,672)	203,267
Other comprehensive (loss)/income		
<i>Items that will not be reclassified to profit or loss:</i>		
– Exchange differences on translation of the Company's financial statements to presentation currency	4,013	–
– Changes in the fair value of financial assets at fair value through other comprehensive income (" FVOCI ")	(77,769)	–
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation into presentation currency	(2,223)	282
Total other comprehensive (loss)/income for the period, net of tax	(75,979)	282
Total comprehensive (loss)/income for the period	(764,651)	203,549
Total comprehensive (loss)/income for the period attributable to:		
Owners of the Company	(764,634)	203,549
Non-controlling interests	(17)	–
	(764,651)	203,549

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	<i>Notes</i>	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Non-current assets			
Property and equipment	9	62,919	72,442
Intangible assets	10	102,071	111,383
Goodwill	11	17,394	699,157
Other financial assets	12	46,008	133,777
Deferred tax assets		17,689	19,773
		246,081	1,036,532
Current assets			
Trade receivables	13	–	786
Prepayments, deposits and other receivables	14	345,764	291,104
Other financial assets	12	100,838	422,238
Cash at banks and on hand	15	1,874,279	1,633,031
		2,320,881	2,347,159
Current liabilities			
Trade payables	16	67,095	164,630
Contract liabilities		82,830	91,687
Accrued expenses and other payables	17	86,402	90,432
Lease liabilities		11,874	11,917
Provision for loss on the Incident		154,895	154,895
Current taxation		1,376	513
		404,472	514,074
Net current assets		1,916,409	1,833,085
Total assets less current liabilities		2,162,490	2,869,617
Non-current liabilities			
Deferred tax liabilities		15,373	16,840
Lease liabilities		30,265	34,427
		45,638	51,267
Net assets		2,116,852	2,818,350
Capital and reserves			
Share capital	18(a)	694	694
Reserves		2,116,216	2,817,697
Equity attributable to owners of the Company		2,116,910	2,818,391
Non-controlling interests		(58)	(41)
Total equity		2,116,852	2,818,350

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company							Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 18(a))	Share premium RMB'000 (Note 18(b)(i))	Other reserve RMB'000 (Note 18(b)(iii))	Share-based payment reserve RMB'000 (Note 18(b)(iv))	Translation reserve RMB'000 (Note 18(b)(v))	Accumulated losses RMB'000	Sub-total RMB'000		
At 1 January 2022 (Audited)	33	-	4,218,467	51,941	(46)	(1,822,340)	2,448,055	-	2,448,055
Profit for the period	-	-	-	-	-	203,267	203,267	-	203,267
Other comprehensive income <i>Item that will not be reclassified to profit or loss:</i>									
Exchange differences on translation into presentation currency	-	-	-	-	282	-	282	-	282
Total comprehensive income for the period	-	-	-	-	282	203,267	203,549	-	203,549
Transactions with owners <i>Contributions and distributions</i>									
Equity settled share-based transaction	-	-	611	18,354	-	-	18,965	-	18,965
Vesting of restricted share units	-	-	9,072	(9,072)	-	-	-	-	-
Total transactions with owners	-	-	9,683	9,282	-	-	18,965	-	18,965
At 30 June 2022 (Unaudited)	33	-	4,228,150	61,223	236	(1,619,073)	2,670,569	-	2,670,569

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company									Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 18(a))	Share premium RMB'000 (Note 18(b)(i))	Fair value reserve (non-recycling) RMB'000 (Note 18(b)(ii))	Other reserve RMB'000 (Note 18(b)(iii))	Share-based payment reserve RMB'000 (Note 18(b)(iv))	Translation reserve RMB'000 (Note 18(b)(v))	Accumulated losses RMB'000	Sub-total RMB'000			
At 1 January 2023 (Audited)	694	110,260	(16,558)	4,269,199	47,636	(2,288)	(1,590,552)	2,818,391	(41)	2,818,350	
Loss for the period	-	-	-	-	-	-	(688,655)	(688,655)	(17)	(688,672)	
Other comprehensive (loss)/income <i>Items that will not be reclassified to profit or loss:</i>											
Exchange differences on translation of the Company's financial statements to presentation currency	-	-	-	-	-	4,013	-	4,013	-	4,013	
Changes in the fair value of financial assets at FVOCI	-	-	(77,769)	-	-	-	-	(77,769)	-	(77,769)	
<i>Item that may be reclassified subsequently to profit or loss:</i>											
Exchange differences on translation into presentation currency	-	-	-	-	-	(2,223)	-	(2,223)	-	(2,223)	
Total comprehensive (loss)/income for the period	-	-	(77,769)	-	-	1,790	(688,655)	(764,634)	(17)	(764,651)	
Transactions with owners <i>Contributions and distributions</i>											
Equity settled share-based transaction	-	-	-	(37)	63,190	-	-	63,153	-	63,153	
Vesting of restricted share units	-	-	-	1,969	(1,969)	-	-	-	-	-	
Total transactions with owners	-	-	-	1,932	61,221	-	-	63,153	-	63,153	
At 30 June 2023 (Unaudited)	694	110,260	(94,327)	4,271,131	108,857	(498)	(2,279,207)	2,116,910	(58)	2,116,852	



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(678,483)	243,439
<i>Adjustments for:</i>		
Finance costs	1,067	1,315
Income from financial products issued by banks	(741)	(5,637)
Interest income	(17,767)	(12,322)
Depreciation	10,176	10,910
Amortisation of intangible assets	10,803	10,843
Share-based payment expenses	63,190	18,354
Changes in fair value of financial products issued by banks	770	(57)
Loss on termination of leases	46	–
Loss on disposal of long-term assets	2,612	274
Reversal of allowance for doubtful debts	(92)	(168)
Impairment loss on goodwill	681,763	–
Changes in working capital:		
Trade receivables	800	8
Prepayments, deposits and other receivables	(16,937)	(6,737)
Contract liabilities	(8,857)	2,415
Trade payables	(97,457)	42,107
Accrued expenses and other payables	(4,067)	(17,781)
Cash (used in)/generated from operations	(53,174)	286,963
Income tax paid	(8,708)	(14,260)
Net cash (used in)/generated from operating activities	(61,882)	272,703
INVESTING ACTIVITIES		
Interest received	17,767	12,322
Income from financial products issued by banks	741	5,637
Purchase of financial products issued by banks	(111,338)	(3,291,528)
Proceeds from disposal of financial products issued by banks	431,968	2,478,500
Purchase of other financial assets	–	(40,652)
Loans to third parties	(53,667)	(23,876)
Proceed from disposal of an investment	10,000	–
Repayment from a third party	16,022	–
Payments for purchase of property and equipment	(1,483)	(8,966)
Proceeds on disposal of property and equipment	908	227
Payments for purchase of intangible assets	(1,498)	(472)
Proceeds from disposal of intangible assets	77	89
Net cash generated from/(used in) investing activities	309,497	(868,719)

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
Capital element of lease rentals paid	(6,941)	(6,865)
Interest element of lease rentals paid	(1,067)	(1,315)
Listing expenses paid	(78)	(443)
Net cash used in financing activities	(8,086)	(8,623)
Net increase/(decrease) in cash and cash equivalents	239,529	(604,639)
Cash and cash equivalents at beginning of the reporting period	1,633,031	1,614,783
Effect on foreign exchange rate changes	1,719	(519)
Cash and cash equivalents at end of the reporting period, represented by cash at banks and on hand	1,874,279	1,009,625



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Huafang Group Inc. (the “**Company**”) was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on 1 June 2021 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 3611.HK) on 12 December 2022 (the “**Listing**”). The registered office of the Company is situated on the Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The Company’s principal place of business is situated at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and the Group’s headquarter is situated at Building 5, Yard 6, Jiuxianqiao Road, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**”).

The functional currency of the Company is United States dollars (“**USD**”). The consolidated financial statements are presented in Renminbi (“**RMB**”) as the functional currency of the Group’s major operating subsidiaries is RMB. All amounts have been rounded to the nearest thousand (“**RMB’000**”), unless otherwise stated.

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in operating online social entertainment live streaming platforms and social networking services (the “**Listing Business**”) both in the PRC and overseas.

Pursuant to a group reorganisation (the “**Reorganisation**”) carried out by the Group in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group on 8 September 2022. Details of the Reorganisation are set out in the paragraph headed “Reorganisation” of the section headed “History, Reorganisation and Corporate Structure” to the prospectus issued by the Company dated 30 November 2022 (the “**Prospectus**”).

The Reorganisation only involved inserting certain investment holding companies with no substantive operations as the new holding companies of the Listing Business. There were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganisation. Accordingly, the comparative information of the unaudited condensed consolidated financial statements for the six months ended 30 June 2022 has been prepared and presented as a continuation of the financial information of the Listing Business with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gain/loss on intra-group transactions are eliminated in full in preparing the unaudited condensed consolidated financial statements.

The unaudited condensed consolidated statement of profit or loss, the unaudited condensed consolidated statement of profit or loss and other comprehensive income, the unaudited condensed consolidated statement of changes in equity and the unaudited condensed consolidated statement of cash flows of the Group for the six months ended 30 June 2023 and 2022 include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the relevant periods, or since their respective dates of incorporation or establishment, where this is a shorter period. The unaudited condensed consolidated statement of financial position of the Group at 30 June 2022 has been prepared to present the financial position of the companies now comprising the Group as if the current group structure had been in existence at that date.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. CORPORATE INFORMATION AND BASIS OF PREPARATION (CONTINUED)

The unaudited condensed consolidated financial statements for the six months ended 30 June 2023 (the “**Interim Financial Statements**”) of the Group have been prepared in accordance with IAS 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The preparation of the Interim Financial Statements in conformity with IAS 34 requires the management of the Group to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a period to date basis. Actual results may differ from these estimates.

2. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 31 December 2022, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the IFRS Accounting Standards which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2022 (the “**2022 Financial Statements**”).

The Interim Financial Statements have been prepared on the historical costs basis, except for the other financial assets at fair value through profit or loss (“**FVPL**”) and other financial assets at FVOCI which are measured at fair value.

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the 2022 Financial Statements.

At the date of authorisation of the Interim Financial Statements, the IASB has issued a number of new/revised IFRS Accounting Standards that are not yet effective for the current period, which the Group has not early adopted. The directors of the Company do not anticipate that the adoption of the new/revised IFRS Accounting Standards in future periods will have any material impact on the results and the financial position of the Group.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The Group is principally engaged in providing live streaming services, social networking and other services. Disaggregation of revenue from contracts with customers within IFRS 15 by major service lines are as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Live streaming	1,486,440	2,398,173
Social networking	126,090	81,307
Others	13,609	343
	1,626,139	2,479,823

The Group's customer base is diversified, where there was no customer with whom transactions exceeded 10% of the Group's revenue for the six months ended 30 June 2023 and 2022.

Disaggregation of revenue from contracts with customers within IFRS 15 by the timing of revenue recognition is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
At a point in time	1,612,530	2,479,480
Over time	13,609	343
	1,626,139	2,479,823

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

For the purposes of assessing segment performance and allocating resources among segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment are as follows:

- 1) 6.cn – represents the Group’s PC client flagship product with its own mobile apps including 6.cn live streaming, Shiliu live streaming and Huafang live streaming, which enable the PRC users to access content offered on 6.cn through mobile phones;
- 2) Huajiao – represents the Group’s mobile app flagship product, which offers a stage for people who aspire to show their talents and share their skills, experience and lifestyles through interactive and entertaining experience delivered in live streaming sessions; and
- 3) HOLLA Group – represents the Group’s overseas social entertainment and networking products which offer social discovery and video-based chatroom services to overseas users.

No analysis of the Group’s assets and liabilities by operating segments is presented as it is not regularly provided to the CODM for review.

Segment revenue and result

	Six months ended 30 June 2023			
	6.cn RMB'000 (Unaudited)	Huajiao RMB'000 (Unaudited)	HOLLA Group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers and reportable segment revenue	456,627	1,042,451	127,061	1,626,139
Reportable segment profit/(loss) before taxation	56,425	29,355	(6,950)	78,830
Including:				
Host cost	296,029	726,609	24,474	1,047,112
Promotion and advertising expenses	28,337	139,734	32,353	200,424
Staff cost (excluded share-based payment expenses)	49,485	109,209	33,981	192,675
	Six months ended 30 June 2022			
	6.cn RMB'000 (Unaudited)	Huajiao RMB'000 (Unaudited)	HOLLA Group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers and reportable segment revenue	642,486	1,755,883	81,454	2,479,823
Reportable segment profit/(loss) before taxation	106,473	183,724	(17,869)	272,328
Including:				
Host cost	428,533	1,255,365	16,880	1,700,778
Promotion and advertising expenses	25,743	181,481	13,709	220,933
Staff cost (excluded share-based payment expenses)	55,606	91,104	26,570	173,280

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

Reconciliations of revenue from external customers and reportable segment revenues, profit or loss before taxation:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue		
Revenue from external customers and reportable segment revenue	1,626,139	2,479,823
Profit		
Reportable segment profit before taxation	78,830	272,328
Unallocated expenses	(2,362)	(6)
Depreciation and amortisation resulted from revaluation of property and equipment, and intangible assets	(8,931)	(9,214)
Finance costs	(1,067)	(1,315)
Impairment loss on goodwill	(681,763)	–
Share-based payment expenses	(63,190)	(18,354)
(Loss)/Profit before taxation	(678,483)	243,439

Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers which are based on the location of customers.

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
<i>Revenue from external customers:</i>		
The PRC	1,499,078	2,398,369
Overseas	127,061	81,454
	1,626,139	2,479,823

No geographical analysis on segment assets is provided as substantially all of the Group's non-current assets were located at the PRC.

Information about major customers

No external customers individually contributed 10% or more of the total revenue for the six months ended 30 June 2023 and 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

4. OTHER INCOME, NET

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Income from financial products issued by banks	741	5,637
Changes in fair value of financial products issued by banks	(770)	57
Interest income	17,767	12,322
Government grants (Note i)	3,047	653
Loss on disposal of long-term assets	(2,612)	(274)
Additional deduction value-added tax ("VAT") (Note ii)	5,733	13,589
Others	5,905	1,693
	29,811	33,677

Notes:

- (i) In the opinion of the directors of the Company, there were no unfulfilled conditions or contingencies relating to these grants.
- (ii) Pursuant to the Announcement on Relevant Policies for Deepening the Value-added Tax Reform (Cai Shui Haiguan [2019] No.39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, the Group's subsidiaries, as modern service companies, qualify for additional 10% deduction of input VAT from output VAT during the six months ended 30 June 2023 and 2022. In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration Regarding the VAT Policies for Promoting the Bailout and Development of Distressed Industries in the Service Sector ([2022] No. 11) the above policies are extended to 31 December 2022.

According to the Announcement of the Ministry of Finance and the State Taxation Administration ([2023] No.1), the Group's subsidiaries, as modern service companies, qualify for additional 5% deduction of input VAT from output VAT during the year ended 31 December 2023. The additional deduction is recognised as other income.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. LOSS/(PROFIT) BEFORE TAXATION

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

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(a) Finance cost		
Interest on lease liabilities	1,067	1,315
(b) Staff costs (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)		
Salaries, allowances, bonuses and other benefits in kind	154,665	139,203
Contributions to defined retirement schemes	38,010	34,077
Share-based payment expenses	63,190	18,354
	255,865	191,634

The employees of certain subsidiaries of the Group established in the PRC (excluding Hong Kong) participate in defined contribution retirement benefit schemes managed by the local government authorities, whereby the Group is required to contribute to the schemes at a rate of 16% of the employees' salaries. Employees of certain subsidiaries of the Group is entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC (excluding Hong Kong), from the above-mentioned retirement schemes at their normal retirement age.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions for the six months ended 30 June 2023 and 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

5. LOSS/(PROFIT) BEFORE TAXATION (CONTINUED)

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
(c) Other items		
Depreciation charge (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)		
– owned property and equipment	3,238	4,080
– right-of-use assets	6,938	6,830
	10,176	10,910
Host cost	1,047,112	1,700,778
Amortisation of intangible assets (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)	10,803	10,843
Reversal of allowance for doubtful debts	(92)	(168)
Impairment loss on goodwill (Note 11)	681,763	–
Promotion and advertising expenses	200,424	220,933
Bandwidth expenses and server custody costs	18,828	27,113
Payment processing cost	45,498	41,642
Auditors' remuneration		
– Current period	380	–
– Under-provision in prior period	4,500	–
Listing expenses	–	2,716

6. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Current taxation		
The PRC Enterprise Income Tax ("EIT")	9,571	15,760
Deferred taxation		
Origination or reversal of temporary differences	618	24,412
	10,189	40,172



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. INCOME TAX EXPENSES (CONTINUED)

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

The Hong Kong Profits Tax rate for the six months ended 30 June 2023 and 2022 is 16.5%. Hong Kong Profits Tax has not been provided as the group entities established in Hong Kong had no assessable profits for the six months ended 30 June 2023 and 2022.

The tax rate in Delaware state in United States (“US”) is 8.7%. The group entities established in US have not provided income tax as the Group had no assessable profits in US for the six months ended 30 June 2023 and 2022.

Singapore income tax has not been provided as the Group had no assessable profits for the six months ended 30 June 2023 and 2022.

The Group’s entities established in the PRC are subject to EIT at a statutory rate of 25%, except for Huafang Technology Co., Ltd. (北京花房科技有限公司 “**Huafang Technology**”) and Beijing Mijing Hefeng Technology Co., Ltd. (北京密境和風科技有限公司 “**Mijing Hefeng**”), which were approved to be “New and High Technology Enterprise” since October 2021 with a valid period of 3 years. The “New and High Technology Enterprise” is subject to a preferential rate of 15% during the valid period. The State Taxation Administration of the PRC announced in March 2021 that enterprises engaging in research and development activities would be entitled to claim at maximum 200% of their research and development expenses as “Super Deduction”. The directors of the Company consider the eligibility of the PRC subsidiaries and recognise the additional tax deduction for the six months ended 30 June 2023 and 2022.

7. DIVIDENDS

No dividends were paid, declared or proposed during the six months ended 30 June 2023 and 2022. The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2023 and 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB688,655,000 (30 June 2022: profit attributable to the owners of the Company of approximately RMB203,267,000) and the weighted average of 1,000,000,000 ordinary shares (30 June 2022: 954,000,000 shares) in issue during the six months ended 30 June 2023.

The calculation of the weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss)/earnings per share has been determined based on the assumption that the Capitalisation Issue (as defined in Note 18(a) to the Interim Financial Statements) to the shareholders had occurred on 1 January 2022.

Weighted average number of ordinary shares:

	2023 (Unaudited) '000	2022 (Unaudited) '000
Issued ordinary shares at 1 January	1,000,000	53,333
Effect of Capitalisation Issue	–	900,667
Weighted average number of ordinary shares at 30 June	1,000,000	954,000

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to owners of the Company of approximately RMB688,655,000 (30 June 2022: profit attributable to the owners of the Company of approximately RMB203,267,000) and the weighted average number of issued ordinary shares of 1,044,345,000 (30 June 2022: 954,000,000 shares) after adjusting the effects of dilutive potential ordinary shares during the six months ended 30 June 2023, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2023 (Unaudited) '000	2022 (Unaudited) '000
Weighted average number of ordinary shares at 30 June	1,000,000	954,000
Effect of deemed issue of shares under the Company's share option scheme	44,345	–
Weighted average number of ordinary shares (diluted) at 30 June	1,044,345	954,000



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

8. (LOSS)/EARNINGS PER SHARE (CONTINUED)

(b) Diluted (loss)/earnings per share (Continued)

For the six months ended 30 June 2023, the Company's share option scheme had an anti-dilutive effect to the basic loss per share calculation. The conversion of the above potential dilutive shares is not assumed in the computation of diluted loss per share for the six months ended 30 June 2023. Therefore, the basic and diluted loss per share for the six months ended 30 June 2023 are the same.

For the six months ended 30 June 2022, diluted earnings per share is the same as basic earnings per share as there were no potential ordinary shares outstanding during the reporting period.

9. PROPERTY AND EQUIPMENT

(a) Reconciliations of carrying amounts

	Office equipment and furniture <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Leasehold properties <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 1 January 2023 (Audited)	5,676	20,835	127	12,497	62,956	102,091
Additions	593	119	771	–	4,044	5,527
Disposals	(324)	(3,463)	–	–	(3,146)	(6,933)
At 30 June 2023 (Unaudited)	5,945	17,491	898	12,497	63,854	100,685
Accumulated depreciation:						
At 1 January 2023 (Audited)	(747)	(10,414)	(127)	(3,046)	(15,315)	(29,649)
Charge for the period	(1,017)	(923)	–	(1,298)	(6,938)	(10,176)
Written back on disposals	139	128	–	–	1,792	2,059
At 30 June 2023 (Unaudited)	(1,625)	(11,209)	(127)	(4,344)	(20,461)	(37,766)
Net carrying amount:						
At 30 June 2023 (Unaudited)	4,320	6,282	771	8,153	43,393	62,919
At 31 December 2022 (Audited)	4,929	10,421	–	9,451	47,641	72,442

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. INTANGIBLE ASSETS

	Copyrights, trademark and technology <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:			
At 1 January 2023 (Audited)	218,457	4,561	223,018
Additions	–	1,498	1,498
Disposals	–	(162)	(162)
Exchange realignments	–	147	147
At 30 June 2023 (Unaudited)	218,457	6,044	224,501
Accumulated amortisation:			
At 1 January 2023 (Audited)	(109,988)	(1,647)	(111,635)
Charge for the period	(10,531)	(272)	(10,803)
Written back on disposals	–	85	85
Exchange realignments	–	(77)	(77)
At 30 June 2023 (Unaudited)	(120,519)	(1,911)	(122,430)
Net carrying amount:			
At 30 June 2023 (Unaudited)	97,938	4,133	102,071
At 31 December 2022 (Audited)	108,469	2,914	111,383

The copyrights, trademark and technology of approximately RMB91,039,000 (30 June 2022: RMB106,646,000) and approximately RMB5,638,000 (30 June 2022: RMB7,893,000) that were mainly acquired through business combination in Huajiao-6.cn Merger (as defined in Note 11(a) to the Interim Financial Statements) and HOLLA Group, respectively, which relate to live streaming and social networking copyrights during the six months ended 30 June 2023 and 2022.

The copyrights, trademark and technology are tested for impairment at least annually and has been included in the CGUs of 6.cn and HOLLA Group, as appropriate, for impairment assessment of goodwill as set out in Note 11 to the Interim Financial Statements.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. GOODWILL

	<i>RMB'000</i>
Cost:	
At 1 January 2023 (Audited) and 30 June 2023 (Unaudited)	2,542,997
Accumulated impairment losses:	
At 1 January 2023 (Audited)	1,843,840
Impairment loss on goodwill	681,763
At 30 June 2023 (Unaudited)	2,525,603
Net carrying amount:	
At 30 June 2023 (Unaudited)	17,394
At 31 December 2022 (Audited)	699,157

Goodwill is allocated to the Group's cash-generating unit ("CGU") as follows:

	At 30 June 2023 <i>RMB'000</i> (Unaudited)	At 31 December 2022 <i>RMB'000</i> (Audited)
6.cn	–	681,763
HOLLA Group	17,394	17,394
Tianjin Majijike Network Technology Co., Ltd. ("Majijike")	–	–
Total	17,394	699,157

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. GOODWILL (CONTINUED)

(a) Goodwill arisen in business combinations

(i) 6.cn

Pursuant to a series of share purchase agreements, Huafang Technology acquired Mijing Hefeng in two phases. In the first phase, Huafang Technology issued 5,987,000 shares in December 2018 to the then shareholders of Mijing Hefeng, namely Tianjin Huajiao No. 1 technology partnership (limited partnership) and Tianjin Huajiao No. 2 technology partnership (limited partnership), in exchange of 19.96% ownership of Mijing Hefeng. In the second phase, Huafang Technology issued 24,013,000 shares in April 2019 to the rest of the then shareholders of Mijing Hefeng, in exchange for the remaining 80.04% ownership of Mijing Hefeng. On 29 April 2019, Huafang Technology completed the acquisition of Mijing Hefeng (“**Huajiao-6.cn Merger**”). Upon the completion of the Huajiao-6.cn Merger, Mijing Hefeng became 100% owned by Huafang Technology and the original shareholders of Mijing Hefeng owned 60% of Huafang Technology.

The Huajiao-6.cn Merger had been accounted for as a reverse acquisition in accordance with IFRS 3 “Business Combinations” having taken into account the terms of the share purchase agreements, relative voting rights in the consolidated entity, composition of the governing body and senior management of the enlarged group after the acquisition as well as the relative size of Huafang Technology and Mijing Hefeng. Details of the Huajiao-6.cn Merger are set out in the paragraph headed “History, Reorganisation and Corporate Structure” to the Prospectus.

During the year ended 31 December 2020, the Covid-19 pandemic had significantly disrupted the normal economic life in the PRC and around the world. The pandemic had accelerated the proliferation of mobile-based live streaming and has had a disproportionately greater effect on PC-based live streaming due to the government mandated mobility restrictions which could impede access to streaming studios. Market competition had also intensified to compete for user time and viable hosts as new players continue to enter the entertainment live streaming industry. These challenges resulted in a decline in 6.cn’s business performance during the year ended 31 December 2020. Based on the impairment test performed, at 31 December 2020, the recoverable amount of CGU of 6.cn had been reduced to approximately RMB751,462,000 and the impairment loss of approximately RMB1,777,709,000 was recognised during the year ended 31 December 2020.

(ii) HOLLA Group and Maijike

Goodwill amounted to approximately RMB17,394,000 which arose on the acquisition of HOLLA Group.

Since the major changes in market conditions and the uncertainty of profitability of Maijike’s business, the directors of the Company decided to suspend the business of Maijike, the goodwill of Maijike was fully impaired during the year ended 31 December 2022.



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For the six months ended 30 June 2023

11. GOODWILL (CONTINUED)

(b) Goodwill impairment testing

The management of the Group reviews the provision for goodwill impairment on an ongoing basis, generally annually and more frequently if there are any events or changes in circumstances that would give rise to potential impairment. Pursuant to IFRS Accounting Standards, the recoverable amount of a CGU is determined on the basis of the higher of its fair value less costs of disposal (“**FVLCD**”) and its value in use (“**VIU**”) calculation. An impairment loss shall be recognised for the CGU if the recoverable amount of the CGU is less than its carrying amount.

Due to the decline in the revenue and earnings projection resulted from the combined effects of the overall reduced future growth expectations in the PRC market and the whole downturn of the industry, combinedly with the fact that the actual operating results falls short of expectation during the first half of 2023, the FVLCD result of CGU of 6.cn was assessed to be below than its VIU result. Therefore, the recoverable amount of CGU of 6.cn at 30 June 2023 was determined based on the VIU by the management of the Group.

At 30 June 2023, the management of the Group reassessed the recoverable amount of all CGUs and engaged an independent professional valuer to conduct impairment tests for all the CGUs.

Based on the assessment results, except for CGU of 6.cn, the VIU results of CGU of HOLLA Group was assessed to be in excess its carrying amount, and the Group considered that there was no impairment loss in the goodwill of HOLLA Group during the six months ended 30 June 2023. For the CGU of 6.cn, because of the factors mentioned above and continuing increased in operating costs, the performance of CGU of 6.cn was directly affected. The management of the Group conducted an impairment test on the CGU of 6.cn and based on the results of the impairment test performed, the recoverable amount of CGU of 6.cn of approximately RMB45,238,000 which was below its carrying amount. Accordingly, the goodwill allocated to CGU of 6.cn was impaired by approximately RMB681,763,000 for the six months ended 30 June 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

11. GOODWILL (CONTINUED)

(b) Goodwill impairment testing (continued)

The VIU calculations of each CGU were based on pre-tax cash flow projections from financial budgets prepared by the management of the Group covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated terminal growth rates below. The terminal growth rate does not exceed the long-term average growth rate for the businesses in which the CGU operates. The discount rates used are pre-tax and reflect specific risks relating to the relevant segments or entities as below. The management of the Group determined budgeted gross margin based on past performance and their expectations for the market development.

The key assumptions used for VIU calculations of each CGU are as follows:

	At 30 June 2023 (Unaudited)
6.cn	
Annual revenue (decline)/growth rates for next five years (i)	(44)%~6%
Terminal growth rate (ii)	3%
Discount rate (iii)	13.3%
HOLLA Group	
Annual revenue growth rates for next five years (i)	8%~21%
Terminal growth rate (ii)	3%
Discount rate (iii)	14.2%

- (i) the annual revenue (decline)/growth rates adopted are based on the CGUs of 6.cn and HOLLA Group CGU's historical experience and the Group's expectations of future changes in the live streaming industry and adjusted for other factors that are specific to the CGU of 6.cn and HOLLA Group.
- (ii) cash flows beyond the five-year period are extrapolated used a terminal growth rate based on the relevant industry growth forecasts and does not exceed the average terminal growth rate of the relevant industry.
- (iii) the discount rates used are pre-tax and reflect specific risks relating to the CGU of 6.cn and HOLLA Group.



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For the six months ended 30 June 2023

11. GOODWILL (CONTINUED)

(b) Goodwill impairment testing (continued)

At 30 June 2023, based on the impairment test performed, the recoverable amount of CGU of HOLLA Group calculated based on VIU calculation exceeded carrying value by approximately RMB126,363,000 (“**headroom**”) and no impairment loss of goodwill was recognised.

The following table indicates how the amounts of headroom would have decreased if certain key assumptions used in the forecast had changed, assuming all other assumptions remained constant:

	At 30 June 2023 Headroom decreased by RMB'000 (Unaudited)
HOLLA Group	
If annual revenue growth rates decreases by 50 basis point	5,073
If terminal growth rate decreases by 50 basis point	18,790
If discount rate increases by 50 basis point	7,376

The directors of the Company were of the view that any reasonably possible change in key assumptions used in the VIU calculation of HOLLA Group would not cause the carrying amount to exceed the recoverable amount.

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12. OTHER FINANCIAL ASSETS

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Current		
Financial products issued by banks (xi)	100,838	422,238
Non-current		
Financial assets measured at FVOCI		
– Investment in Tianjin Jiadui Technology Co., Ltd. (天津佳對科技有限公司, “ Tianjin Jiadui ”) (i)	2,087	19,600
– Investment in Wuhan Qijifangzhou Information Technology Co., Ltd. (武漢奇蹟方舟信息技術有限公司, “ Wuhan Qijifangzhou ”) (ii)	15,207	15,500
– Investment in Chengdu Xundui Culture Communication Co., Ltd. (成都尋對文化傳媒有限公司, “ Chengdu Xundui ”) (iii)	766	19,300
– Investment in Battuta Technology Pte. Ltd. (“ Battuta ”) (iv)	15,341	14,300
– Investment in Chengdu Aobeisha Cultural Communication Co., Ltd. (成都奧貝沙文化傳媒有限公司, “ Chengdu Aobeisha ”) (v)	1,474	18,000
– Investment in Chengdu Lailiaoyiliao Cultural Communication Co., Ltd. (成都來聊一聊文化傳媒有限公司, “ Chengdu Lailiaoyiliao ”) (vi)	–	15,077
– Investment in Hainan Lefuqiyu Technology Co., Ltd. (海南樂芙奇遇科技有限公司, “ Hainan Lefuqiyu ”) (vii)	4,053	4,000
– Investment in Investee Company (as defined in the 2022 Financial Statements) (viii)	–	–
– Investment in Chengdu Yuandiansiwei Cultural Communication Co., Ltd. (成都元點思維文化傳媒有限公司, “ Chengdu Yuandiansiwei ”) (ix)	–	10,000
– Investment in Billionaire Pte Ltd. (“ Billionaire ”) (x)	7,080	18,000
	46,008	133,777

- (i) The Group holds 25% of the interests of Tianjin Jiadui, which operates an online dating platform in the PRC during the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Tianjin Jiadui.
- (ii) The Group holds 25% of the interests of Wuhan Qijifangzhou, which is an information technology service provider in the PRC during the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Wuhan Qijifangzhou.
- (iii) The Group holds 25% of the interests of Chengdu Xundui, which operates an online social networking platform in the PRC the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Chengdu Xundui.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. OTHER FINANCIAL ASSETS (CONTINUED)

- (iv) The Group holds 25% of the interests of Battuta, which operates an online social networking platform in Singapore during the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Battuta.
- (v) The Group holds 25% of the interests of Chengdu Aobeisha, which operates an online social networking platform in the PRC during the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Chengdu Aobeisha.
- (vi) The Group holds 30% of the interests of Chengdu Lailiaoyiliao, which operates an online social networking platform in the PRC during the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Chengdu Lailiaoyiliao.
- (vii) The Group holds 25% of the interests of Hainan Lefuqiyu, which operates an online social networking platform in the PRC during the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Hainan Lefuqiyu.
- (viii) The Group holds 25% of the interests of Investee Company, which operates an online social networking platform in the PRC during the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Investee Company. The fair value of the investment at 31 December 2022 was fully impaired as Investee Company's business operation had been suspended with no significant assets retained due to the incident as disclosed in the 2022 Financial Statements.
- (ix) The Group holds 25% of the interests of Chengdu Yuandiansiwei, which operates an online social networking platform in the PRC during the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Chengdu Yuandiansiwei. The investment costs of approximately RMB10,000,000 was fully recovered during the six months ended 30 June 2023.
- (x) The Group holds 28% of the interests of Billionaire, which operates an online social networking platform in Singapore during the six months ended 30 June 2023 and 2022. The Group has not appointed directors or participated in the operations of Billionaire.
- (xi) Details of the financial products issued by banks are set out in Note 19(a) to the Interim Financial Statements.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2023

13. TRADE RECEIVABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Trade receivables	–	800
Less: loss allowance	–	(14)
	–	786

All of the trade receivables are expected to be recovered within one year.

Ageing analysis

At the end of each reporting period, the ageing analysis of trade receivables, based on the invoice date, are as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Within 3 months	–	600
3 to 6 months	–	100
6 to 12 months	–	–
Over 1 year	–	100
Less: loss allowance	–	(14)
	–	786



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Prepayments for purchase of services	27,909	49,265
Deposits	5,069	5,105
Loans to Battuta and its subsidiary (i)	48,310	24,332
Loans to third parties (ii)	24,360	10,693
Amounts due from third parties	18,060	18,060
Receivable from third party payment platform (iii)	214,601	169,337
Deductible input VAT	1,789	9,929
Government grant receivables	4,042	4,042
Others	1,732	527
	345,872	291,290
Less: loss allowance	(108)	(186)
	345,764	291,104

(i) During the six months ended 30 June 2023 and year ended 31 December 2022, the Group offered unsecured and interest-free loans to Battuta and its subsidiary in an aggregate principal amount of approximately RMB48,310,000 and approximately RMB24,332,000, respectively, which is repayable in 12 months.

(ii) During the six months ended 30 June 2023 and year ended 31 December 2022, the Group offered unsecured and interest-free loans to Beijing Sandou Technology Co., Ltd. in principal amount of approximately RMB19,300,000 and approximately RMB9,300,000, respectively, which is repayable in 12 months.

During the six months ended 30 June 2023 and year ended 31 December 2022, the Group offered unsecured and interest-free loans to Turned E Pte. Ltd. in principal amount of approximately RMB5,060,000 and approximately RMB1,393,000, respectively, which is repayable in 12 months.

(iii) At 30 June 2023, receivable from third party payment platform of approximately RMB128,900,000 (31 December 2022: approximately RMB105,600,000) was frozen by the relevant government authorities in the PRC due to the Incident as disclosed in the 2022 Financial Statements. The Group had tendered detained funds pending final judgement (待結案扣押款) of approximately RMB154,895,000 to the relevant government authorities in the PRC on 3 July 2023 and all frozen accounts had been released and available for daily business operations on 25 July 2023.

Saved as disclosed above, all of the prepayments, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. CASH AT BANKS AND ON HAND

Cash at banks earn interest at floating rates based on daily bank deposit rates. The carrying amounts of bank balances and cash are denominated in the following currencies:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
RMB	1,744,787	1,502,557
USD	34,329	15,253
Hong Kong dollars ("HKD")	95,163	115,221
	1,874,279	1,633,031

At 30 June 2023, bank balance of approximately RMB7,300,000 (31 December 2022: Nil) was frozen by the local regulators due to the Incident as defined in the 2022 Financial Statements. The Group has tendered detained funds of approximately RMB154,895,000 to the relevant PRC authorities and the frozen bank balance had been released and can be used for normal business operation on 25 July 2023.

16. TRADE PAYABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Host	27,975	107,975
Advertisers	26,169	37,208
Bandwidth providers	4,897	9,377
Others	8,054	10,070
Total	67,095	164,630

The ageing analysis of the trade payables, based on the invoice date, are as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
1 to 3 months	62,917	161,300
4 to 6 months	1,883	966
7 to 12 months	811	805
Over 1 year	1,484	1,559
	67,095	164,630

All trade payables are interest free with normal credit terms up to 30 days.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

17. ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Accrued expenses	12,974	5,863
Deposits	1,956	1,865
Amounts due to related parties	–	251
Amount due to Tianjin Jiadui (<i>Note i</i>)	10,326	10,326
Payables for staff related cost	41,892	46,204
Payables for other taxes	5,462	19,668
Others	13,792	6,255
	86,402	90,432

Note:

- (i) The amount due to Tianjin Jiadui is non-trade in nature, unsecured, interest-free and repayable on demand. As at the date of this report, the Group subsequently settled approximately RMB8,953,000 to Tianjin Jiadui.

All of the accrued expenses and other payables are expected to be settled within one year or are repayable on demand.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

18. CAPITAL, RESERVES AND DISTRIBUTIONS

(a) Share capital

The Company was incorporated in the Cayman Islands on 1 June 2021 in order to comply with relevant foreign investment restrictions in the PRC, with an initial authorised share capital of USD50,000 divided into 500,000,000 shares of USD0.0001 each. On 1 June 2021 and 29 July 2021, the Company issued 53,333,333 shares to the original shareholders.

The Articles of Association of the Company were conditionally adopted on 21 November 2022 and the authorised capital of the Company at the date of adoption of the Articles is USD200,000 divided into 2,000,000,000 shares of USD0.0001 each.

	Number of ordinary shares <i>'000</i>	Amount <i>RMB'000</i>
Issued and fully paid:		
At 1 January 2022 (Audited)	53,333	33
Issue of shares pursuant to Capitalisation Issue (<i>Note (i)</i>)	900,667	629
Issue of shares pursuant to the Global Offering (<i>Note (ii)</i>)	46,000	32
<hr/>		
At 31 December 2022 (Audited), 1 January 2023 (Audited) and 30 June 2023 (Unaudited)	1,000,000	694

- (i) Pursuant to the resolutions in writing of the Company's shareholders passed on 22 November 2022, subject to the share premium account of the Company being credited as a result of the issue of the Company's shares under the Listing, the directors of the Company were authorised to allot and issue a total of 900,666,667 shares of USD0.0001 each to the existing shareholders, credited as fully paid at par by way of Capitalisation of the sum of approximately USD90,067 (equivalent to approximately RMB629,000) standing to be credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the rights to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 30 November 2022.
- (ii) On 12 December 2022, the Company issued 46,000,000 ordinary shares with a par value of USD0.0001 each, at a price of HKD2.8 per share by way of global offer ("**Global Offering**") upon the Listing. The proceeds of approximately USD4,600 (equivalent to approximately RMB32,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately RMB110,889,000 (net of share issuance expenses of approximately RMB4,503,000), were credited to the share premium account.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

18. CAPITAL, RESERVES AND DISTRIBUTIONS (CONTINUED)

(b) Nature and purpose of reserves

(i) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value. Under the laws of the Cayman Islands and the Company's Articles of Association, it is distributable to the Company's shareholders provided that the Company is able to pay its debts as they fall due in the ordinary course of business.

(ii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period.

(iii) Other reserve

The aggregate amount of the paid-in capital of all the entities comprising the Group at the respective dates were recorded as other reserve, after elimination of investments in subsidiaries.

Impact of exclusion of mobile gaming development and operation ("**Other Business**") represented the exclusion of the fair value of the Other Business of approximately RMB476,315,000 and payables to Other Business of approximately RMB124,754,000 at the completion date of the Huajiao-6.cn Merger.

In accordance with the relevant PRC laws and regulations, the Company's subsidiaries established and operated in the PRC are required to transfer 10% of its net profit to the statutory reserve until the reserve balance reaches 50% of the respective registered capital. The transfer to this reserve must be made before distributions to equity holders. This reserve can be utilised in setting off accumulated losses or increase capital of the subsidiary and is non-distributable other than in liquidation.

At 30 June 2023, the statutory reserve made by the Company's PRC subsidiaries amounting to approximately RMB170,530,000 (30 June 2022: approximately RMB158,562,000) were included in the Group's reserves.

As disclosed in Note 23 to the consolidated financial statements in the 2022 Financial Statements, Tianjin Huafang Feiteng Technology Center (L.P.) (天津花房飛騰科技中心 (有限合夥)) ("**Huafang Feiteng**") is controlled by the Company and therefore the unvested portion of shares issued to Huafang Feiteng was presented as other reserve. The other reserve represents the shares held by Huafang Feiteng controlled by the Company for the restricted share unit scheme.

(iv) Share-based payment reserve

The share-based payments reserve represents the portion of the grant date fair value of unvested restricted share units granted to the employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments.

(v) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of foreign operations and/or translation of Company's financial statements into presentation currency.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

(i) Financial assets and liabilities measured at fair value

In accordance with IFRS 13 *Fair Value Measurement*, the Group defines the three levels of fair value hierarchy. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

Recurring fair value measurement	Fair value at 30 June 2023 RMB'000 (Unaudited)	Fair value measurements at 30 June 2023 categorised into		
		Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)
Financial assets:				
Financial products issued by banks	100,838	–	–	100,838
Unlisted equity investments	46,008	–	–	46,008
	146,846	–	–	146,846

Recurring fair value measurement	Fair value at 31 December 2022 RMB'000 (Audited)	Fair value measurements at 31 December 2022 categorised into		
		Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)
Financial assets:				
Financial products issued by banks	422,238	–	–	422,238
Unlisted equity investments	133,777	–	–	133,777
	556,015	–	–	556,015

During the six months ended 30 June 2023 and 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

Information about Level 3 fair value measurements

(i) Financial products issued by banks

Financial products issued by banks were mainly principal-guaranteed structured deposits, while the rest were short-term and redeemable on-demand investment products. The financial products issued by banks typically had a maturity period of less than three months during the six months ended 30 June 2023 and year ended 31 December 2022.

The fair value of financial products issued by banks has been estimated and report by the banks on a monthly basis. The unobservable inputs are the expected annual return rate fixed in the investment contracts. These expected annual return rates were 1.2% at 30 June 2023 and ranging from 1.3% to 4.36% at 31 December 2022, respectively.

At 30 June 2023 and 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease of expected annual return rate by 1% would have decreased/increased (31 December 2022: increase/decrease) the Group's loss before taxation (31 December 2022: profit before taxation) by approximately RMB1,008,000 and approximately RMB4,220,000, respectively.

The movements of financial products issued by banks during the reporting period in the balance of these Level 3 fair value measurements are as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
At the beginning of the reporting period	422,238	45,346
Addition	111,338	6,452,739
Disposal	(431,968)	(6,076,610)
Change in fair value	(770)	763
At the end of the reporting period	100,838	422,238

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

Information about Level 3 fair value measurements (Continued)

(ii) Unlisted equity investments

The carrying amount of equity investments are measured at fair values in the consolidated statements of financial position at 30 June 2023 and 31 December 2022. The Group's equity investments are investments in unlisted companies. The Group determines the fair value by adopting the precedent transaction analysis, income approach or cost approach, as appropriate. The valuation involves the management of the Group's estimates on recent transaction prices or cash flow forecast for the relevant business and requires the adoption of certain assumptions such as budgeted sales, gross margin, other related expenses, discount rate and terminal growth rate and fair value of relevant assets and liabilities. Where observable market data is not available, or where instruments are not liquid, estimates must be developed based on the most appropriate source data.

At 30 June 2023 and 31 December 2022, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity investments by 1% would have decreased/increased the Group's other reserve by approximately RMB460,000 and approximately RMB1,338,000, respectively.

The movements of unlisted equity investments during the reporting period in the balance of these Level 3 fair value measurements are as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
At the beginning of the reporting period	133,777	65,960
Addition	–	84,000
Disposal	(10,000)	–
Change in fair value	(77,769)	(16,183)
At the end of the reporting period	46,008	133,777



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

Information about Level 3 fair value measurements (Continued)

(ii) Unlisted equity investments (Continued)

The following table shows the significant unobservable inputs used in the valuation model:

Assets	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Equity investment in Tianjin Jiadui	Level 3	30 June 2023: Cost approach	Marketability discount rate	30 June 2023: 20%-21%	The higher marketability discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by approximately RMB26,000/RMB26,000
		31 December 2022: Discounted cash flow method	Long-term growth rate	31 December 2022: -1%-1%	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/Decrease 1% result in increase/decrease in fair value by approximately RMB900,000/RMB700,000
			Discount rate	31 December 2022: 11%-13%	The higher discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by approximately RMB1,100,000/RMB1,400,000
Equity investment in Wuhan Qijifangzhou	Level 3	Discounted cash flow method (31 December 2022: Discounted cash flow method)	Long-term growth rate	2%-4% (31 December 2022: -1%-1%)	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/Decrease 1% result in increase/decrease in fair value by approximately RMB1,222,000 (31 December 2022: RMB600,000)/RMB1,015,000 (31 December 2022: RMB600,000)
			Discount rate	13%-15% (31 December 2022: 11%-13%)	The higher discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by approximately RMB1,470,000 (31 December 2022: RMB900,000)/RMB1,778,000 (31 December 2022: RMB1,000,000)
Equity investment in Hainan Lefuqiyu	Level 3	Discounted cash flow method (31 December 2022: Cost approach)	Long-term growth rate	2%-4% (31 December 2022: N/A)	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/Decrease 1% result in increase/decrease in fair value by approximately RMB331,000/RMB275,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

Information about Level 3 fair value measurements (Continued)

(ii) Unlisted equity investments (Continued)

Assets	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
			Discount rate	13%-15% (31 December 2022: N/A)	The higher discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by approximately RMB396,000/RMB479,000
Equity investment in Chengdu Xundui	Level 3	30 June 2023: Cost approach	Marketability discount rate	30 June 2023: 20%-21%	The higher marketability discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by approximately RMB10,000/RMB10,000
		31 December 2022: Discounted cash flow method	Long-term growth rate	31 December 2022: -1%-1%	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/Decrease 1% result in increase/decrease in fair value by approximately RMB1,500,000/RMB1,300,000
			Discount rate	31 December 2022: 11%-13%	The higher discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by approximately RMB2,100,000/RMB2,500,000
Equity investment in Battuta	Level 3	Discounted cash flow method (31 December 2022: Discounted cash flow method)	Long-term growth rate	2%-4% (31 December 2022: -1%-1%)	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/Decrease 1% result in increase/decrease in fair value by approximately RMB958,000 (31 December 2022: RMB2,800,000)/RMB788,000 (31 December 2022: RMB2,300,000)
			Discount rate	13%-15% (31 December 2022: 11%-13%)	The higher discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by approximately RMB1,213,000 (31 December 2022: RMB2,900,000)/RMB1,462,000 (31 December 2022: RMB3,500,000)

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

19. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

Information about Level 3 fair value measurements (Continued)

(ii) Unlisted equity investments (Continued)

Assets	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Equity investment in Chengdu Lailiaoyiliao	Level 3	30 June 2023 Cost approach	Marketability discount rate	30 June 2023: 20%-21%	The higher marketability discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by RMB nil/RMB nil
		31 December 2022: Discounted cash flow method	Long-term growth rate	31 December 2022: 2%-4%	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/Decrease 1% result in increase/decrease in fair value by approximately RMB1,480,000/RMB1,231,000
			Discount rate	31 December 2022: 13%-15%	The higher discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by approximately RMB1,656,000/RMB2,008,000
Equity investment in Chengdu Aobeisha	Level 3	Cost approach (31 December 2022: Cost approach)	Marketability discount rate	20%-21% (31 December 2022: N/A)	The higher marketability discount rate, the lower fair value of the investment, and vice versa	Increase/Decrease 1% result in decrease/increase in fair value by approximately RMB19,000/RMB19,000
Equity investment in Billionaire	Level 3	Discounted cash flow method (31 December 2022: Cost approach)	Long-term growth rate	2%-4% (31 December 2022: N/A)	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/Decrease 1% result in increase/decrease in fair value by approximately RMB1,069,000/RMB879,000
			Discount rate		13%-15%	The higher discount rate, the lower fair value of the investment, and vice versa

(b) Fair values of financial instruments assets and liabilities carried at cost other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value at 30 June 2023 and 31 December 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

20. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

In additions to the transactions/information disclosed elsewhere in the condensed consolidated financial statements, the material related party transactions entered into by the Group and the balances with related parties at the end of each period are set out below.

Chinese name of related party	English name of related party	Relationship
北京奇虎科技有限公司	Beijing Qihu Technology Co., Ltd.	controlled by controlling shareholder
北京鴻享技術服務有限公司	Beijing Hongxiang Technology Service Co., Ltd.	controlled by controlling shareholder
北京鴻盈信息技術有限公司	Beijing Hongying Technology Service Co., Ltd.	controlled by controlling shareholder
天津奇瀚科技有限公司	Tianjin Qihan Technology Co., Ltd.	controlled by controlling shareholder
北京奇元科技有限公司	Beijing Qiyuan Technology Co., Ltd.	controlled by controlling shareholder

* The official names of these entities are in Chinese. The English translation of the names is for identification purpose only.

(a) Transactions with related parties

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Charges of rental services	–	947
Charges of other services*	11,497	15,369

* Charges of other services mainly included bandwidth expenses and promotion and advertising expenses, which constitute continuing connected transactions. In the opinion of the management of the Group, they are under normal commercial terms that are fair and reasonable and in the best interests of the Group.



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For the six months ended 30 June 2023

20. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**(b) Balances with related parties**

The Group's balances with related parties at the end of the reporting period are as follows:

	At 30 June 2023 RMB'000 (Unaudited)	At 31 December 2022 RMB'000 (Audited)
Prepayments, deposits and other receivables*	–	1,223
Trade payables	2,784	7,159
Accrued expenses and other payables	228	423

* Prepayments, deposits and other receivables are mainly bandwidth charges.

Amounts due from and to related parties of the Group are unsecured, interest-free, repayable on demand/on contract terms. All balances with related parties are trade in nature.

(c) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the directors of the Company.

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company, is as follows:

	Six months ended 30 June	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Short-term employee benefits	4,105	4,143
Post-employment benefits	151	138
Share-based payments expenses	33,688	12,296
	37,944	16,577