花房集团
HUAFANG GROUP

Huafang Group Inc.
花房集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3611)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023 AND CONTINUED SUSPENSION OF TRADING

KEY FINANCIALS

- Revenue for the year ended 31 December 2023 amounted to approximately RMB2.57 billion, representing a decrease of 49.6% from approximately RMB5.1 billion recorded in 2022.

- Gross profit for the year ended 31 December 2023 amounted to approximately RMB637.7 million, representing a decrease of 50.9% from approximately RMB1.3 billion recorded in 2022.

- Loss attributable to equity shareholders of the Company for the year ended 31 December 2023 amounted to approximately RMB797.1 million, compared with a profit of approximately RMB231.7 million recorded in 2022.

- Non-IFRS net profit attributable to equity shareholders of the Company was approximately RMB3.5 million for the year ended 31 December 2023, compared with a non-IFRS net profit of approximately RMB458.2 million recorded in 2022.

- Basic loss per share and diluted loss per share in 2023 were RMB0.80 and RMB0.80 (basic earnings per share and diluted earnings per share in 2022: RMB0.24 and RMB0.24), respectively.

The board (the "**Board**") of directors (the "**Directors**") of Huafang Group Inc. (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited annual consolidated final results of the Group for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*3*	**2,570,085**	5,097,508
Cost of sales		**(1,932,369)**	(3,799,508)
Gross profit		**637,716**	1,298,000
Other income, net	*4*	**48,913**	78,060
Selling and marketing expenses		**(304,670)**	(537,216)
General and administrative expenses		**(288,580)**	(152,525)
Research and development expenses		**(200,835)**	(235,329)
Impairment loss on goodwill and intangible assets	*5*	**(681,763)**	(790)
(Loss)/Profit from operations		**(789,219)**	450,200
Provision for loss on the Incident	*15*	**–**	(154,895)
Finance costs	*5*	**(1,665)**	(2,303)
(Loss)/Profit before taxation	*5*	**(790,884)**	293,002
Income tax expenses	*6*	**(6,229)**	(61,255)
(Loss)/Profit for the year		**(797,113)**	231,747
(Loss)/Profit for the year attributable to:			
Owners of the Company		**(796,880)**	231,788
Non-controlling interests		**(233)**	(41)
(Loss)/Profit for the year		**(797,113)**	231,747
(Loss)/Earnings per share	*8*		
– Basic (RMB)		**(0.80)**	0.24
– Diluted (RMB)		**(0.80)**	0.24

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
(Loss)/Profit for the year	**(797,113)**	231,747
Other comprehensive income/(loss)		
Items that will not be reclassified to profit or loss:		
– Exchange differences on translation of the Company's financial statements to presentation currency	**1,840**	(270)
– Changes in the fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")	**(82,040)**	(16,558)
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency	**(972)**	(1,972)
Total other comprehensive loss for the year, net of tax	**(81,172)**	(18,800)
Total comprehensive (loss)/income	**(878,285)**	212,947
Total comprehensive (loss)/income for the year attributable to:		
Owners of the Company	**(877,265)**	212,988
Non-controlling interests	**(1,020)**	(41)
	(878,285)	212,947

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000*
Non-current assets			
Property and equipment		**37,824**	72,442
Intangible assets		**91,386**	111,383
Goodwill	*9*	**17,394**	699,157
Other financial assets	*10*	**45,671**	133,777
Deferred tax assets		**17,974**	19,773
		210,249	1,036,532
Current assets			
Trade receivables	*11*	**3,071**	786
Prepayments, deposits and other receivables	*12*	**325,617**	291,104
Other financial assets	*10*	**100,838**	422,238
Tax recoverable		**1,709**	–
Cash at banks and on hand		**1,824,564**	1,633,031
		2,255,799	2,347,159
Current liabilities			
Trade payables	*13*	**64,010**	164,630
Contract liabilities	*14*	**82,356**	91,687
Accrued expenses and other payables		**69,830**	90,432
Lease liabilities		**8,001**	11,917
Provision for loss on the Incident	*15*	**154,895**	154,895
Current taxation		**–**	513
		379,092	514,074
Net current assets		**1,876,707**	1,833,085
Total assets less current liabilities		**2,086,956**	2,869,617

	Notes	**2023** **_RMB'000_**	2022 _RMB'000_
Non-current liabilities			
Deferred tax liabilities		**13,919**	16,840
Lease liabilities		**13,400**	34,427
		27,319	51,267
Net assets		**2,059,637**	2,818,350
Capital and reserves			
Share capital	_16_	**694**	694
Reserves		**2,042,899**	2,817,697
Equity attributable to owners of the Company		**2,043,593**	2,818,391
Non-controlling interests		**16,044**	(41)
Total equity		**2,059,637**	2,818,350

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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 is an investment holding 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 People's Republic of China (the "**PRC**") and overseas. 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 headquarters is situated at Building 5, Yard 6, Jiuxianqiao Road, Chaoyang District, Beijing, the PRC.

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 consolidated financial statements for the year ended 31 December 2022 have 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 consolidated financial statements.

The consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 December 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 years, or since their respective dates of incorporation or establishment, where this is a shorter period. The consolidated statement of financial position of the Group at 31 December 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.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"), which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations by the IASB. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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.

(b) Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost basis except for the following assets are stated at their fair value as explained in the accounting policies set out below:

– other financial assets at fair value through profit or loss ("**FVPL**")

– other financial assets at FVOCI

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2022 consolidated financial statements except for the adoption of the new/revised IFRS Accounting Standards that are effective from the current financial reporting period.

(c) Basis of preparation

Incident relating to an investee company

As set out in announcements of the Company dated 20 March 2023, 30 March 2023, 3 April 2023, 25 April 2023, 23 June 2023, 30 June 2023, 25 July 2023, 3 August 2023, 17 August 2023, 24 August 2023, 31 August 2023, 29 September 2023, 4 January 2024 and 23 February 2024, certain authorities in the PRC had initiated an investigation on an investee company ("**Investee Company**") which is classified as other financial assets at FVOCI in which the Group holds 25% equity interest (the "**Criminal Case**"). The Investee Company's four employees (the "**Investee Company's Four Employees**") and the legal representative of the Company's certain subsidiary (the "**Legal Representative of Certain Subsidiary**") were subject to certain criminal compulsory measure taken by the relevant government authorities on suspicion of certain crime. In connection with the Criminal Case, the Group's certain business/bank accounts maintained with a third-party payment platform in the PRC with an aggregate amount of approximately RMB105,600,000 at 31 December 2022, were frozen by the relevant government authorities in the PRC (the "**Frozen Accounts**"). Prior to the release of the Frozen Accounts, the aggregate cash amount of the Frozen Accounts was approximately RMB136,197,000.

The Group had tendered detained funds pending final judgement of approximately RMB154,895,000 (the "**Detained Funds**") to the relevant government authority on 3 July 2023 and all Frozen Accounts had been released and available for daily business operations as of 25 July 2023. Subsequent to 31 December 2022 and up to the date of approving the consolidated financial statements, the criminal investigation phase of the Criminal Case was completed, and the Criminal Case has entered into the examination and prosecution stage.

During the criminal investigation phase of the Criminal Case, the relevant government authority did not list any member of the Group as a criminal suspect. As of 26 March 2024, the Group has not received any notice from the relevant government authority adding it as a criminal suspect.

On 31 August 2023, the Company appointed an external and independent accounting firm (the "**Independent Investigator**") to conduct an internal investigation and to assess its impacts on the Frozen Accounts and the Criminal Case (the "**Incident**") (the "**Independent Investigation**").

On 19 February 2024, the Independent Investigator issued the report of the Independent Investigation (the "**Independent Investigation Report**") and certain key findings about the Incident were brought to the attention to the directors of the Company:

(a) the product and service of the Investee Company is a social networking app with the functions of live streaming and audio chatting room. On 18 March 2023 and 19 March 2023, the Investee Company's Four Employees and the Legal Representative of Certain Subsidiary were subject to certain criminal compulsory measure taken by the relevant government authority on suspicion of certain crime. During the criminal investigation phase of the Criminal Case, the relevant government authority did not list any member of the Group as a criminal suspect;

(b) the freezing of the Frozen Accounts did not significantly affect the Group's daily operations, as the major products of the Group continued to operate normally, and new third-party payment platform accounts could be established if needed. As of 25 July 2023, all Frozen Accounts had been released and available for daily business operations. According to the relevant rules on the confidentiality of the criminal investigation, public security authorities normally do not disclose the reasons of freezing and the investigation status to banking financial institutions or specific non-financial institutions;

(c) as stated in the legal opinion issued by the PRC counsel of the Company (the "**Legal Opinion**"), Application of Seizing and Freezing Measures in the Handling of Criminal Cases (公安機關辦理刑事案件適用查封、凍結措施有關規定) defines the scope of frozen assets in criminal case as "various assets that can be used to prove the guilt or innocence of a criminal suspect" (可用以證明犯罪嫌疑人有罪或者無罪的各種財產), and the owner of the frozen accounts may not necessarily be the criminal suspect (or entity). Especially in economic crime cases where flow of funds is complicated, any account having fund flows with the account of the criminal suspect may also be frozen by relevant government authority for investigation purpose; and

(d) as stated in the Legal Opinion on the Incidents, which stated that (i) the Group is currently not involved in certain crime; and (ii) the Criminal Case would not have material adverse impact on the Group's financial position and business operation.

Having considered the internal and external information available to the management of the Group, the Independent Investigation Report obtained from Independent Investigator and the Legal Opinion, the directors of the Company considered that, the Group reserves its right to seek reimbursement and/or compensation from the Investee Company and/or relevant individuals for any loss arising from the Frozen Accounts and subsequently, the Detained Funds. Upon occurrence of the Incident, the Investee Company had suspended its operations with no significant assets retained and the Group had recognised a decrease of fair value on the investment in the Investee Company of approximately RMB19,000,000 in other comprehensive income for the year ended 31 December 2022. Based on the Legal Opinion, it is likely that the Detained Funds would be confiscated by the relevant government authorities upon conclusion of the Criminal Case and therefore, the Group recognised the estimated risks arising from the Incident of approximately RMB154,895,000, which approximates to amount of the Detained Funds as "Provision for loss on the Incident" in the consolidated financial statements for the year ended 31 December 2022 in accordance with the accounting policies adopted by the Group.

In March 2024, the Group obtained an updated legal opinion issued by the PRC counsel of the Company which re-confirmed the material conclusions as stated in the Legal Opinion.

Based on the latest information available, the management of the Group understood, and the PRC counsel of the Company concurred that the Group was not involved in certain crime relating to the Incident because (i) the duration for the criminal investigation phase is closed to the maximum allowance period; (ii) comprehensive criminal investigation had been completed by the various government authorities; (iii) no criminal investigation was made against the Group with no further detained funds were imposed by the relevant government authority; and (iv) no notice was received from the relevant government authority for including the Group into the investigation target for the Criminal Case.

Based on the above, notwithstanding the Criminal Case was yet to be judged and concluded, the directors of the Company believe the Group's exposure on the Incident would be largely limited to the provision amount as recognised at 31 December 2023 and 2022. In addition, the directors of the Company would seek for further legal advice and take appropriate actions to recover any crystallised loss on the Incident from the Investee Company and/or relevant individuals. Furthermore, other than the above, the directors of the Company were not aware of any other adverse impact on the business operation and financial position of the Group that would arise from the Incident.

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:

	2023	2022
	RMB'000	*RMB'000*
Live streaming	**2,278,345**	4,912,118
Social networking	**252,312**	184,291
Others	**39,428**	1,099
	2,570,085	5,097,508

The Group's customer base is diversified, where there was no customers with whom transactions exceeded 10% of the Group's revenue during the years ended 31 December 2023 and 2022.

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

	2023	2022
	RMB'000	*RMB'000*
At a point in time	**2,530,657**	5,096,409
Over time	**39,428**	1,099
	2,570,085	5,097,508

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.

(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 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

	Year ended 31 December 2023			
	6.cn	**Huajiao**	**HOLLA Group**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Revenue from external customers and reportable segment revenue	**650,464**	**1,654,271**	**265,350**	**2,570,085**
Reportable segment profit/(loss) before taxation	**55,582**	**1,710**	**(15,045)**	**42,247**
Including:				
Host cost	**429,433**	**1,236,028**	**41,759**	**1,707,220**
Promotion and advertising expenses	**40,263**	**162,685**	**66,741**	**269,689**
Staff cost (excluded share-based payment expenses)	**84,225**	**180,135**	**58,225**	**322,585**
Depreciation	**1,153**	**13,470**	**2,850**	**17,473**
Amortisation	**15,761**	**2,398**	**3,105**	**21,264**
Capital expenditures	**2,192**	**1,739**	**624**	**4,555**
Interest income	**(21,144)**	**(15,691)**	**(382)**	**(37,217)**
Income tax	**3,974**	**3,040**	**(785)**	**6,229**

	Year ended 31 December 2022			
	6.cn	Huajiao	HOLLA Group	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	1,351,565	3,561,652	184,291	5,097,508
Reportable segment profit/(loss) before taxation	182,155	366,139	(28,291)	520,003
Including:				
Host cost	935,588	2,558,139	37,056	3,530,783
Promotion and advertising expenses	61,196	369,139	58,681	489,016
Staff cost (excluded share-based payment expenses)	107,704	197,512	53,686	358,902
Depreciation	2,890	16,786	1,677	21,353
Amortisation	15,801	3,170	2,705	21,676
Capital expenditures	1,617	10,237	695	12,549
Interest income	(17,078)	(5,659)	(26)	(22,763)
Income tax	19,539	42,046	(330)	61,255

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

	2023	2022
	RMB'000	*RMB'000*
Revenue		
Revenue from external customers and reportable segment revenue	**2,570,085**	5,097,508
Profit		
Reportable segment profit before taxation	**42,247**	520,003
Unallocated expenses	**(12,959)**	(5,690)
Provision for loss on the Incident	**–**	(154,895)
Depreciation and amortisation resulted from revaluation of property and equipment, and intangible assets	**(17,862)**	(18,145)
Finance costs	**(1,665)**	(2,303)
Impairment loss on goodwill and intangible assets	**(681,763)**	(790)
Share-based payment expenses	**(118,882)**	(45,178)
(Loss)/Profit before taxation	**(790,884)**	293,002

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.

	2023	2022
	RMB'000	*RMB'000*
Revenue from external customers:		
The PRC	**2,304,735**	4,913,217
Overseas	**265,350**	184,291
	2,570,085	5,097,508

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 during the years ended 31 December 2023 and 2022.

4. OTHER INCOME, NET

	2023	2022
	RMB'000	*RMB'000*
Income from financial products issued by banks	**741**	13,249
Changes in fair value of financial products issued by banks	**(770)**	763
Interest income	**39,649**	22,763
Government grants *(Note i)*	**4,117**	10,246
Loss on disposal of long-term assets	**(3,642)**	(574)
Additional deduction value-added tax ("**VAT**") *(Note ii)*	**7,260**	31,416
Others	**1,558**	197
	48,913	78,060

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. 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.

5. (LOSS)/PROFIT BEFORE TAXATION

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

	2023	2022
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on lease liabilities	**1,665**	2,303
(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	**262,207**	285,308
Contributions to defined retirement schemes	**62,670**	73,594
Share-based payment expenses	**118,882**	45,178
	443,759	404,080

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 are 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 during the years ended 31 December 2023 and 2022.

		2023	2022
		RMB'000	*RMB'000*
(c)	**Other items**		
	Depreciation (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)		
	– owned property and equipment	**6,500**	7,362
	– right-of-use assets	**10,973**	13,991
		17,473	21,353
	Host cost	**1,707,220**	3,530,783
	Amortisation of intangible assets (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)	**21,264**	21,676
	Provision for/(Reversal of) loss allowance	**20,062**	(180)
	Impairment loss on goodwill and intangible assets *(Note 9)*	**681,763**	790
	Promotion and advertising expenses	**269,689**	489,016
	Bandwidth expenses and server custody costs	**33,837**	55,781
	Payment processing cost	**80,556**	89,152
	Auditors' remuneration *(Note)*		
	– Audit services	**9,000**	4,000
	– Non-audit services	**380**	–
	Listing expenses	**–**	25,593

Note:

The auditors' remuneration for the year ended 31 December 2022 represented the remuneration paid and payable to KPMG, the Group's former auditor, for their audit work on the consolidated financial statements of the Group for the year ended 31 December 2022 (the "**2022 KPMG Audit**"). KPMG did not complete the 2022 KPMG Audit and no audit report was issued.

After the appointment of Mazars CPA Limited ("**Mazars**"), the existing auditor of the Group, on 17 August 2023, the remuneration payable to Mazars in respect of the audit of the consolidated financial statements of the Group for the year ended 31 December 2022 is RMB4,500,000 (the "**2022 Mazars Audit**") which was included in the auditors' remuneration for the year ended 31 December 2023. The 2022 Mazars Audit was negotiated, confirmed, commenced and substantially completed during the year ended 31 December 2023.

6. INCOME TAX EXPENSES

(a) Income tax expenses represents:

	2023	2022
	RMB'000	*RMB'000*
Current taxation		
The PRC Enterprise Income Tax ("**EIT**")	**7,285**	20,216
Deferred taxation		
Origination or reversal of temporary differences	**(1,056)**	41,039
	6,229	61,255

(b) Reconciliation between income tax expenses and (loss)/profit before taxation as follows:

	2023	2022
	RMB'000	*RMB'000*
(Loss)/Profit before taxation	**(790,884)**	293,002
Income tax at applicable tax rate *(i and ii)*	**(197,721)**	73,251
Effect of preferential tax rates applicable to certain subsidiaries of the Group *(ii)*	**12,836**	(48,340)
Tax effect of additional tax deduction on research and development expenses *(ii)*	**(13,226)**	(15,481)
Tax effect of non-deductible expenses	**200,263**	47,599
Tax effect of utilisation of tax losses not previously recognised	**(2,909)**	(2,950)
Tax effect of unrecognised tax losses and temporary differences	**6,986**	7,176
Income tax expenses for the year	**6,229**	61,255

Notes:

(i) Income tax rate applies to the Group:

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 during the years ended 31 December 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 years ended 31 December 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 years ended 31 December 2023 and 2022.

Singapore income tax has not been provided as the Group had no assessable profits for the years ended 31 December 2023 and 2022.

(ii) 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**"), Beijing Mijing Hefeng Technology Co., Ltd. (北京密境和風科技有限公司, "**Mijing Hefeng**") and Beijing HOLLA Technology Co., Ltd. (北京猴啦科技有限公司, "**Beijing HOLLA**"), which were approved to be "New and High Technology Enterprise" since October 2022, October 2021 and October 2023 respectively 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 years ended 31 December 2023 and 2022.

7. DIVIDENDS

The directors of the Company do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

8. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the (loss)/profit attributable to the owners of the Company of approximately RMB796,880,000 (2022: approximately RMB231,788,000) and the weighted average of 1,000,000,000 ordinary shares (2022: 956,521,000 shares) in issue during the year ended 31 December 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 16 below) to the shareholders had occurred on 1 January 2022.

Weighted average number of ordinary shares:

	2023	2022
	'000	*'000*
Issued ordinary shares at 1 January	**1,000,000**	53,333
Effect of Capitalisation Issue	**–**	900,667
Effect of new ordinary shares issued	**–**	2,521
Weighted average number of ordinary shares at 31 December	**1,000,000**	956,521

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the (loss)/profit attributable to the owners of the Company of approximately RMB796,880,000 (2022: approximately RMB231,788,000) and the weighted average number of issued ordinary shares of 1,004,087,000 (2022: 966,552,000 shares) after adjusting the effects of dilutive potential ordinary shares during the year ended 31 December 2023, calculated as follows:

Weighted average number of ordinary shares (diluted):

	2023	2022
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**1,000,000**	956,521
Effect of deemed issue of shares under the Company's share option scheme	**4,087**	10,031
Weighted average number of ordinary shares (diluted) at 31 December	**1,004,087**	966,552

For the year ended 31 December 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 year ended 31 December 2023. Therefore, the basic and diluted loss per share for the year ended 31 December 2023 are the same.

9. GOODWILL

	RMB'000
Cost:	
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**2,542,997**
Accumulated impairment losses:	
At 1 January 2022, 31 December 2022 and 1 January 2023	**1,843,840**
Impairment loss	**681,763**
At 31 December 2023	**2,525,603**
Net carrying amount:	
At 31 December 2023	**17,394**
At 31 December 2022	699,157

Goodwill is allocated to the Groups of cash-generating unit ("**CGU**") as follows:

	2023 *RMB'000*	2022 *RMB'000*
6.cn	**–**	681,763
HOLLA Group	**17,394**	17,394
Tianjin Maijike Network Technology Co., Ltd. ("**Maijike**")	**–**	–
Total	**17,394**	699,157

(a) Goodwill arisen in business combinations and accumulated up to 31 December 2022

(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.

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 section headed "History, Reorganisation and Corporate Structure" to the Prospectus.

During the year ended 31 December 2020, the Covid-19 pandemic had significantly disrupted 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 at 31 December 2022 amounting to approximately RMB17,394,000 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.

(b) Goodwill impairment testing

The Group has engaged independent professional valuers, China United Assets Appraisal Group ("**CUA**") and CHFT Advisory and Appraisal Ltd. ("**CHFT**") to perform appraisal of the value of the CGUs in the 6.cn and HOLLA Group business segments, respectively for the years ended 31 December 2023 and 2022.

At 31 December 2023 and 2022, the recoverable amounts of CGUs have been determined on the basis of higher of the CGUs' fair value less costs of disposal ("**FVLCD**") and value-in-use ("**VIU**") calculations. An impairment loss shall be recognised for the CGUs if the recoverable amount of the CGUs is less than its carrying amount.

During the six months ended 30 June 2023, there was a 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 management of the Group considered there were events or changes in circumstances that would give rise to potential impairment, therefore, the management of the Group conducted impairment tests for all CGUs at 30 June 2023. The FVLCD of CGU of 6.cn was assessed to be below its VIU at 30 June 2023. 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.

The VIU of the CGU of HOLLA Group was assessed to be in excess its carrying amount, so 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, due to the factors mentioned above and continuing increase 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 was below its carrying amount. Accordingly, the goodwill allocated to CGU of 6.cn was impaired by approximately RMB681,763,000 during the six months ended 30 June 2023.

At 31 December 2023, an impairment assessment was also conducted for the CGU of HOLLA Group and the CGU of 6.cn under the same approach for the impairment assessment at 30 June 2023.

At 31 December 2023, based on the impairment test performed, the recoverable amount of the CGU of 6.cn calculated based on VIU exceeded its carrying value by approximately RMB4,985,000 ("**headroom**"), and no further impairment of the CGU of 6.cn was recognised.

At 31 December 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 RMB42,126,000 ("**headroom**") and no impairment loss of goodwill was recognised.

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 market development.

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

6.cn	At 30 June 2023
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%

6.cn	**At 31 December 2023**
Annual revenue (decline)/growth rates for next five years (i)	**(46)%~6%**
Terminal growth rate (ii)	**3%**
Discount rate (iii)	**13.5%**
HOLLA Group	
Annual revenue growth rates for next five years (i)	**7%~14%**
Terminal growth rate (ii)	**3%**
Discount rate (iii)	**14.4%**

(i) the annual revenue (decline)/growth rates adopted are based on the CGUs of 6.cn and HOLLA Group'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 CGUs 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.

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:

6.cn	**31 December 2023 Headroom decreased by** *RMB'000*
If annual revenue growth rates decreases by 0.5%	**16,914**
If terminal growth rate decreases by 0.5%	**1,816**
If discount rate increases by 0.5%	**2,524**

The directors of the Company were of the view that the decrease in annual revenue growth rates by 0.5% in the VIU calculation of 6.cn would cause the carrying amount to exceed the recoverable amount.

HOLLA Group	**Headroom decreased by** *RMB'000*
If annual revenue growth rates decreases by 0.5%	**14,848**
If terminal growth rate decreases by 0.5%	**3,528**
If discount rate increases by 0.5%	**4,966**

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.

At 31 December 2022, based on the valuation report prepared by CHFT, the recoverable amounts of the respective CGUs of 6.cn and HOLLA Group were determined based on FVLCD by the management of the Group.

In determining the FVLCD of the CGUs, the management of the Group has adopted market approach (level 3 fair value measurements). Several companies with business scopes and operations similar to the CGUs of 6.cn and HOLLA Group were adopted as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

(i) the comparable companies selected were principally engaged in social software and live streaming software operations in the PRC or overseas;

(ii) the comparable companies had sufficient listing and operating histories; and

(iii) the financial information and the share price of the comparable companies was available to the public.

Key assumptions used for FVLCD calculations for CGUS of 6.cn and HOLLA Group are as follows:

	2022
Earnings ("**E**") divided by share price ratio ("**P**") ("**P/E**" ratio)	2.85~20.45
Enterprise value ("**EV**") divided by sales ratio ("**S**") ("**EV/S**" ratio)	0.14~2.17
Discounts for lack of marketability ("**DLOM**")	15%

At 31 December 2022, based on the impairment test performed, the recoverable amount of CGUS of 6.cn and HOLLA Group calculated based on FVLCD exceeded carrying value by approximately RMB43,953,000 and approximately RMB139,254,000 ("**headroom**"), respectively, and no impairment 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:

6.cn	2022 Headroom decreased by *RMB'000*
If P/E ratio decreases by 0.5%	618
If DLOM increases by 0.5%	4,269

HOLLA Group	2022 Headroom decreased by *RMB'000*
If EV/S decreases by 0.5%	783
If DLOM increases by 0.5%	921

10. OTHER FINANCIAL ASSETS

	2023 ***RMB'000***	2022 *RMB'000*
Current		
Financial products issued by banks	**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)*	**–**	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)*	**15,163**	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)*	**–**	19,300
– Investment in Battuta Technology Pte. Ltd. ("**Battuta**") *(iv)*	**15,456**	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)*	**–**	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)*	**8,026**	4,000
– Investment in Investee Company *(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)*	**7,026**	18,000
	45,671	133,777

(i) The Group holds 25% of the interests of Tianjin Jiadui, which operates an online dating platform in the PRC during the years ended 31 December 2023 and 2022. The Group has not appointed directors or participated in the operations of Tianjin Jiadui. Since the major changes in market conditions and the uncertainty of profitability, Tianjin Jiadui is currently adjusting its business focus. In view of the uncertainty of Tianjin Jiadui's business prospect, the directors of the Company consider the fair value of Tianjin Jiadui would be insignificant.

(ii) The Group holds 25% of the interests of Wuhan Qijifangzhou, which is an information technology service provider in the PRC during the years ended 31 December 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 during the years ended 31 December 2023 and 2022. The Group has not appointed directors or participated in the operations of Chengdu Xundui. Chengdu Xundui was deregistered subsequent to 31 December 2023.

(iv) The Group holds 25% of the interests of Battuta, which operates an online social networking platform in Singapore during the years ended 31 December 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 year ended 31 December 2023. The Group has not appointed directors or participated in the operations of Chengdu Aobeisha. Since the major changes in market conditions and the uncertainty of profitability, Chengdu Aobeisha is currently adjusting its business focus. In view of the uncertainty of Chengdu Aobeisha's business prospect, the directors of the Company consider the fair value of Chengdu Aobeisha would be insignificant.

(vi) The Group holds 30% of the interests of Chengdu Lailiaoyiliao, which operates an online social networking platform in the PRC during the year ended 31 December 2023. The Group has not appointed directors or participated in the operations of Chengdu Lailiaoyiliao. Since the major changes in market conditions and the uncertainty of profitability, Chengdu Lailiaoyiliao is currently adjusting its business focus. In view of the uncertainty of Chengdu Lailiaoyiliao's business prospect, the directors of the Company consider the fair value of Chengdu Lailiaoyiliao would be insignificant.

(vii) The Group holds 25% of the interests of Hainan Lefuqiyu, which operates an online social networking platform in the PRC during the year ended 31 December 2023. The Group has not appointed directors or participated in the operations of Hainan Lefuqiyu. The Group further invested approximately RMB4,000,000 in Hainan Lefuqiyu due to favourable development of the product.

(viii) The Group holds 25% of the interests of Investee Company, which operates an online social networking platform in the PRC during the year ended 31 December 2022. The Group has not appointed directors or participated in the operations of Investee Company. As Investee Company's business operation has been suspended with no significant assets retained due to the Incident as set out in Note 2(c) to the consolidated financial statements, the assumption of continuous operation is not applicable and the management of the Group is of the opinion that the cost approach is the appropriate valuation method. The fair value estimated was insignificant to the Group and the directors of the Company decided to fully impair the investment cost of approximately RMB19,000,000 at 31 December 2022.

(ix) The Group holds 25% of the interests of Chengdu Yuandiansiwei, which operates an online social networking platform in the PRC during the year ended 31 December 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 prior to Chengdu Yuandiansiwei's deregistration during the year ended 31 December 2023.

(x) The Group holds 28% of the interests of Billionaire, which operates an online social networking platform in Singapore during the year ended 31 December 2023. The Group has not appointed directors or participated in the operations of Billionaire.

11. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**3,071**	800
Less: loss allowance	**–**	(14)
	3,071	786

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

(a) Ageing analysis

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

	2023	2022
	RMB'000	*RMB'000*
Within 3 months	**3,071**	600
3 to 6 months	**–**	100
6 to 12 months	**–**	–
Over 1 year	**–**	100
Less: loss allowance	**–**	(14)
	3,071	786

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Prepayments for purchase of services	**13,489**	49,265
Deposits	**3,564**	5,105
Deposit for acquisition of equity interests of a company *(iv)*	**15,000**	–
Detained fund pending final judgement *(iii)*	**154,895**	–
Loans to Battuta and its subsidiary *(i)*	**47,791**	24,332
Loans to third parties *(ii)*	**37,848**	10,693
Amounts due from third parties *(v)*	**17,453**	18,060
Receivable from third party payment platform *(iii)*	**40,437**	169,337
Deductible input VAT	**4,068**	9,929
Government grant receivables	**4,042**	4,042
Others	**7,292**	527
	345,879	291,290
Less: loss allowance	**(20,262)**	(186)
	325,617	291,104

(i) During the year ended 31 December 2022, the Group offered unsecured and interest-free loans with no fixed repayment term to Battuta and its subsidiary in an aggregate principal amount of approximately RMB24,332,000, which is repayable in 12 months. During the year ended 31 December 2023, the Group recovered approximately RMB20,850,000 for the interest-free loans and further advanced interest-free loans in an aggregate principal amount of approximately RMB41,309,000, which is repayable in 12 months.

(ii) During the year ended 31 December 2023, the Group offered unsecured and interest-free loans to Typing Technology Pte. Ltd and its subsidiary ("**Typing Technology Group**") in principal amount of approximately RMB15,004,000, which is repayable in 12 months. Subsequent to 31 December 2023, the Group recovered approximately RMB354,000 from Typing Technology Group.

During the years ended 31 December 2023 and 2022, the Group offered unsecured and interest-free loans to Beijing Sandou Technology Co., Ltd. ("**Beijing Sandou**") in principal amount of approximately RMB19,300,000 and approximately RMB9,300,000, respectively, which is repayable in 12 months. At 31 December 2023, the Group recognised loss allowance of approximately RMB19,300,000 after taken into account the financial position of Beijing Sandou by the directors of the Company.

During the years ended 31 December 2023 and 2022, the Group offered unsecured and interest-free loans to Turned E Pte. Ltd. ("**Turned E**") in principal amount of approximately USD500,000 (equivalent to approximately RMB3,544,000) and approximately USD200,000 (equivalent to approximately RMB1,393,000), respectively, which is repayable in 12 months. Subsequent to 31 December 2023 and 2022, the Group recovered approximately USD200,000 (equivalent to approximately RMB1,416,000) and approximately USD200,000 (equivalent to approximately RMB1,393,000), respectively, from Turned E.

(iii) At 31 December 2023, receivable from third party payment platform of nil (2022: approximately RMB105,600,000) was frozen by the relevant PRC authorities due to the Incident as disclosed in Note 2(c) to the consolidated financial statements. The Group had tendered Detained Funds of approximately RMB154,895,000 to the relevant PRC authorities on 3 July 2023 and all Frozen Accounts had been released and can be used for normal business operation on 25 July 2023.

(iv) On 29 December 2023, the Group paid approximately RMB15,000,000 to acquire 25% equity interests of a company which was incorporated in Singapore ("**Singapore Company**"). Up to the date of this announcement, the application to register as a shareholder of the Singapore Company is still in progress.

(v) The amounts are unsecured, non-interest bearing and repayable on demand. Subsequent to 31 December 2023 and 2022, the Group recovered approximately RMB3,582,000 and approximately RMB607,000 from the third parties respectively.

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

13. TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Host	**46,834**	107,975
Advertisers	**9,584**	37,208
Bandwidth providers	**1,591**	9,377
Others	**6,001**	10,070
Total	**64,010**	164,630

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

	2023	2022
	RMB'000	*RMB'000*
1 to 3 months	**62,013**	161,300
4 to 6 months	**666**	966
7 to 12 months	**559**	805
Over 1 year	**772**	1,559
	64,010	164,630

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

14. CONTRACT LIABILITIES

	2023	2022
	RMB'000	*RMB'000*
Live streaming *(i)*	**82,356**	91,687

(i) Contract liabilities primarily arose from the considerations received from customers within IFRS 15 before the Group satisfying performance obligations. It would be recognised as revenue upon rendering services. Almost all of the contract liabilities balances at 31 December 2022 and 2023 will be recognised as revenue within one year.

The changes in contract liabilities during the years ended 31 December 2023 and 2022 were mainly due to the changes in prepayment of top-up from users on the platform in connection with the live streaming services.

15. PROVISION FOR LOSS ON THE INCIDENT

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**154,895**	–
Addition	**–**	154,895
At end of the reporting period	**154,895**	154,895

The provision for loss on the Incident represented the management of the Group's best estimate of the outcome of the Incident as set out in Note 2(c) to the consolidated financial statements.

16. 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 *'000*	**Amount** *RMB'000*
Issued and fully paid:		
At 1 January 2022	53,333	33
Issue of shares pursuant to Capitalisation Issue *(Note (i))*	900,667	629
Issue of shares pursuant to the Global Offering *(Note (ii))*	46,000	32
At 31 December 2022, 1 January 2023 and 31 December 2023	**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.

MARKET AND BUSINESS REVIEW

In 2023, amidst the impact of multiple factors such as changes in the macroeconomic environment and industry conditions, the Group experienced a contraction in business revenue scale, and the overall performance did not meet expectations. The Group's total revenue for the year ended 31 December 2023 amounted to approximately RMB2,570 million, representing a year-on-year decrease of 49.6%. The share of revenue from overseas business has significantly increased, with an increase in revenue from overseas social business of approximately 36.9% as compared to the corresponding period in last year. The net loss for the year ended 31 December 2023 amounted to approximately RMB797.1 million. Apart from non-operational impact including 6.cn's impairment loss on goodwill of approximately RMB681.8 million and share-based compensation expenses of approximately RMB118.9 million, the business operations of the Company were profitable. The average MAUs (monthly active users) of the Group in 2023 were approximately 44.26 million and the average MPUs (monthly paying users) of the Group in 2023 were approximately 1.36 million.

As a pioneer in the entertainment live streaming industry, the Group has faced numerous challenges throughout years of development. The team has consistently remained true to its founding principles, actively embraced changes and challenges and made adjustments in a timely manner. In the second half of 2023, the Group had witnessed a return to a monthly compound growth in business revenue with an encouraging and stable growth rate.

In 2023, the Group further developed its businesses in the sphere of online social entertainment, constantly optimizing and adjusting the products and operational strategies of its core entertainment live streaming business, while amplifying the growth momentum of overseas social business, and continuing to explore innovative tracks and cutting-edge technology fields. The followings highlight the Group's performance in 2023:

I. Entertainment live streaming business maintained a stable foundation with significant improvements in quality and efficiency

"Huajiao" and "6.cn", the Group's two major flagship products in entertainment live streaming, explored new opportunities amidst challenges and focused on the essence of entertainment live streaming business. They served as the stable foundation of our operations, with a steadfast commitment to delivering premium content for users as the central goal accompanied by timely adjustments in business strategies. By introducing a diverse range of innovative live streaming categories, these products have not only met the needs of users from different regions, ages, and with varied content preferences, but also strengthened the bond between hosts and the platforms, fostering a virtuous cycle of content creation and consumption.

With the rapid changes in cutting-edge technologies, the Group has proactively explored the innovative combination of new technologies such as AIGC and traditional live streaming business, successfully introducing innovative features such as AI-powered gifts and AI-generated portraits, which have offered users brand-new experience in functions and interactive forms. Concurrently, we have taken various measures to enhance our business capabilities and efficiency, including refining our traffic strategies, reactivating historical accumulated user resources and upgrading our technical architectures.

II. Overseas social business achieved high-speed growth and continued to explore innovative tracks and new opportunities

In 2023, the Group strategically optimized the product matrix structure of its overseas business, focused on its advantageous product resources, promoted the refinement and localization of its operations, continued to magnify the influence of its brand and diversified its product revenue models, and succeeded in achieving large-scale and rapid growth in its overseas social networking and entertainment services business, with annual revenues amounting to approximately RMB252.3 million, representing a year-on-year increase of 36.9%, the average MAUs exceeding 9.6 million, representing a year-on-year increase of approximately 53.7%, and the average MPUs increasing by approximately 75.8% year-on-year.

The Group's strategic brand project "Huafang Lab" continued to explore innovation tracks and opportunities. In the second half of 2023, the Group started incubating a series of innovative projects such as AI-type social companion products, and has already conducted more exploration and practice around the existing entertainment live streaming and social business, integrating various fields such as AIGC and Large Language Model. We believe that the innovative application of AI and other cutting-edge technologies will be another growth curve after the overseas social business.

III. Environmental, Social, and Governance ("ESG")

In the face of a complex and volatile external environment, the Group has become more aware of the significance of sustainable development to both the enterprise and the society. In the process of corporate governance, the Company will maximize the pursuit of sustainability in the use of resources, which not only helps to reduce operating costs, but also helps to protect the environment and ensure the sustainability of the business.

The Group strongly believes that its employees are its most valuable asset. In 2023, the Company implemented multiple training programs to enhance employee skills and career development opportunities, while continuously focusing on employee welfare. The Group is also committed to being an active contributor to social responsibility. In 2023, the Group, in collaboration with the China Foundation for Rural Development, launched a series of public welfare projects to help revitalize villages, namely the "Spring Wild Project (春野計劃)", which aims to make full use of the influence of the live broadcasting platform to continuously promote the culture, heritage and cultural and tourism resources of the villages into the public's view, to empower local development and to boost revitalization of the villages.

In 2023, the management of the Group maintained efficient and close communication with the Board and its specialized committees, upheld high ethical standards, continuously improved corporate governance level, optimized the corporate governance structure and compliance internal control system, and endeavored to protect shareholders' interests, with the aim of providing stable and sustainable returns for the shareholders of the Group.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

In 2024, we believe that opportunities outweigh challenges. The Company's years of industry experience accretion represent our most valuable resource advantage. The management team will maintain entrepreneurial passion at all times, dedicating efforts to the exploration of innovative products and the iterative upgrade of traditional business. We will also amplify the growth potential in overseas social markets, constructing a sustainable growth momentum for the Group through a diversified business portfolio.

I. Entertainment live streaming: carrying out iterative upgrades on flagship products as challenges are also opportunities

The Group will face the opportunities and transformations brought by external challenges head-on, fully activating the industry advantage resources that have been accumulated over the years with flagship products such as "Huajiao" and "6.cn". While maintaining a robust growth trajectory, we will explore how new technologies can empower and enhance traditional businesses. In 2024, the Group's entertainment live streaming business will focus on the iteration of existing products, diversify the types of content on the platform, upgrade the branding of existing flagship products, and continuously strengthen the deep integration of hosts, users, and the platform, to solidify a sustainable ecosystem where content creation and consumption promote each other.

II. Overseas social business: maintaining rapid business growth on the right path

The Group will continue to increase its resource investment in overseas social networking and entertainment service businesses, focusing on key advantageous regions, strengthening overseas brand building, and accelerating the transformation to localized operations. Efforts will be concentrated on developing flagship products for overseas social networks, further enhancing product features, diversifying commercialization models, and ensuring the sustained rapid growth of overseas social networking business.

III. Innovative business: maintaining the Group's innovative power and creating brand new product lines

"Maintaining innovative power" is one of the Group's core strategies. The Group's strategic brand project "Huafang Lab" has been continuously advancing in the exploration of innovative fields. In 2024, the Group will be committed to the rational use of industry resources, as well as leveraging multiple advantages in technology, team, and funding to continuously incubate innovative projects that have synergistic effects with the Company's main businesses, and actively engage in external investment cooperation. At the same time, we will proactively seek new growth opportunities and innovative potential for our traditional entertainment live streaming business, striving to create a brand new product line for the Group to adapt to the constantly changing market environment.

In addition, the Group will continue to implement the concept of sustainable development, actively fulfill its social responsibilities, consistently maintain high ethical standards, optimize the Group's compliance operation governance system, and continuously create long-term value for shareholders, employees, users, and society.

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 year ended 31 December 2023, the Group generated the vast majority of its revenue from operations in China.

The Group's total revenue decreased by 49.6% to approximately RMB2.57 billion for the year ended 31 December 2023 as compared to approximately RMB5.1 billion for the year ended 31 December 2022, mainly due to a decrease in the revenue generated from live streaming and audio social networking services.

The revenue generated from live streaming and audio social networking decreased by 53.6% to approximately RMB2.28 billion for the year ended 31 December 2023 as compared to approximately RMB4.91 billion for the year ended 31 December 2022. 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 social networking increased by 36.9% to approximately RMB252.3 million for the year ended 31 December 2023 as compared to approximately RMB184.3 million for the year ended 31 December 2022 primarily due to the Group's expansion of its overseas markets.

During the year ended 31 December 2023, 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 increased by 3,487.6% to approximately RMB39.4 million for the year ended 31 December 2023, compared with approximately RMB1.1 million for the year ended 31 December 2022, mainly due to the growth in other services provided by the Group.

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 49.1% to approximately RMB1.93 billion for the year ended 31 December 2023, as compared to approximately RMB3.8 billion for the year ended 31 December 2022. This was mainly due to the decrease of host costs. Host costs, as a major component of cost of revenues, decreased by 51.6% to approximately RMB1.71 billion for the year ended 31 December 2023 as compared to approximately RMB3.53 billion for the year ended 31 December 2022, 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 50.9% to approximately RMB637.7 million for the year ended 31 December 2023 as compared to approximately RMB1.3 billion for the year ended 31 December 2022, and the Group's gross profit margin for the year ended 31 December 2023 was 24.8%, compared to 25.5% for the year ended 31 December 2022.

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 43.3% to approximately RMB304.7 million for the year ended 31 December 2023 as compared to approximately RMB537.2 million for the year ended 31 December 2022, mainly due to the decrease in the marketing and promotion fees.

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 89.2% to approximately RMB288.6 million for the year ended 31 December 2023 as compared to approximately RMB152.5 million for the year ended 31 December 2022, mainly due to the increase in the 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 decreased by 14.7% to approximately RMB200.8 million for the year ended 31 December 2023 as compared to approximately RMB235.3 million for the year ended 31 December 2022, mainly due to reduced R&D expenses.

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 37.3% to approximately RMB48.9 million for the year ended 31 December 2023 as compared to approximately RMB78.1 million for the year ended 31 December 2022 primarily due to (i) VAT (value-added tax) preference policies adjusted from 10% to 5% since January 2023, and (ii) changes in government subsidies.

Impairment Loss on Goodwill

Impairment loss on goodwill was approximately RMB681.8 million for the year ended 31 December 2023, 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, combined with the fact that the actual operating results falls short of expectation during the year ended 31 December 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 31 December 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 RMB789.2 million for the year ended 31 December 2023, compared with an operating profit of approximately RMB450.2 million for the year ended 31 December 2022.

Finance Costs

Finance costs decreased by 27.7% to approximately RMB1.7 million for the year ended 31 December 2023 as compared to approximately RMB2.3 million for the year ended 31 December 2022.

Income Tax

Income tax expenses decreased by 89.9% to approximately RMB6.2 million for the year ended 31 December 2023 as compared to approximately RMB61.2 million for the year ended 31 December 2022, primarily due to decreased taxable income.

Loss for the Year

As a result of the foregoing, loss for the year was approximately RMB797.1 million for the year ended 31 December 2023, compared with a profit of approximately RMB231.7 million for the year ended 31 December 2022.

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 year, adjusted to add back share-based compensation expenses, listing expenses, Provision for loss on the incident and impairment loss on goodwill and intangible assets. Share-based compensation expenses are expenses arising from granting restricted shares and options. Listing expenses are expenses incurred in connection with the Global Offering (as defined in the prospectus of the Company dated 30 November 2022 (the "**Prospectus**")) recognized in consolidated statement of profit or loss during the two years ended 31 December 2022 and 2023. 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 IFRS.

	For the year ended 31 December	
	2022	**2023**
	RMB in thousands	
Profit/(Loss) for the year	231,747	**(797,113)**
Add:		
Share-based compensation expenses[(1)]	45,178	**118,882**
Listing expenses	25,593	**–**
Provision for loss on the Incident	154,895	**–**
Impairment loss on goodwill and intangible assets	790	**681,763**
Adjusted net profit (non-IFRS measure)	458,203	**3,532**

(1) Share-based compensation expenses mainly represent share-based compensation expenses incurred in connection with the grant of restricted share unit under the pre-IPO share option scheme adopted by the Company on 21 November 2022. Share-based compensation expenses are not expected to result in future cash payments.

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 decreased from approximately RMB3.38 billion as of 31 December 2022 to approximately RMB2.5 billion as of 31 December 2023, while the Group's total liabilities decreased from approximately RMB565.3 million as of 31 December 2022 to approximately RMB406.4 million as of 31 December 2023. As of 31 December 2023, the current ratio (the current assets to current liabilities ratio) of the Group was 6.0 and the gearing ratio (total debt to total equity ratio) was 0.2, as compared with 4.6 and 0.2, respectively as of 31 December 2022.

As of 31 December 2023, the Group's cash and cash equivalents were approximately RMB1.82 billion, compared with approximately RMB1.63 billion as of 31 December 2022. Approximately RMB1.64 billion is denominated in Renminbi and approximately RMB0.18 billion is denominated in other currencies (primarily Hong Kong dollars). The Group currently does not hedge transactions in foreign currencies.

Borrowings

For the year ended 31 December 2023, the Group did not have any short-term or long-term bank borrowings.

Other Financial Assets

Other financial assets primarily consisted of financial products issued by banks and financial assets measured at fair value through other comprehensive income, including the Group's equity investment in certain technology companies during the year ended 31 December 2023. 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 31 December 2023, the Group had current and non-current financial assets at fair value through other comprehensive income of approximately RMB146.5 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 investments of approximately RMB45.7 million (31 December 2022: approximately RMB133.8 million).

Capital Expenditures

The Group's capital expenditures were approximately RMB4.6 million for the year ended 31 December 2023, compared with approximately RMB12.5 million for the year ended 31 December 2022. The Group funded its capital expenditure requirements during the year ended 31 December 2023 mainly from cash generated from the Group's operating activities.

Contingent Liabilities

As of 31 December 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 year ended 31 December 2023, 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 year ended 31 December 2023. 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.

Contractual Arrangements

Please refer to the section headed "Contractual Arrangements" in the Prospectus. For the year ended 31 December 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.

Charges on the Group's Assets

As of 31 December 2023, the Group had no charges on the Group's assets.

EMPLOYEES

The Group had approximately 410 employees as at 31 December 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 based on their merit, qualification and competence.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2023.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 December 2023 and up to the date of this announcement.

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 received 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).

For the year ended 31 December 2023, 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.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

CLOSURE OF THE REGISTER OF MEMBERS FOR THE 2024 AGM

For determining the entitlement to attend and vote at the annual general meeting of the Company to be held on 31 May 2024 (the "**2024 AGM**"), the register of members of the Company will be closed from 28 May 2024 to 31 May 2024, both days inclusive, and during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the 2024 AGM, unregistered holders of Shares should ensure that all share transfer documents accompanied by the corresponding share certificates are lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre 16, Harcourt Road, Hong Kong for registration no later than 4:30 p.m. (Hong Kong time) on 27 May 2024.

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 its shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (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 year ended 31 December 2023.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as its 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 Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2023. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year ended 31 December 2023.

CHANGE OF AUDITOR

The Company's former auditor, KPMG, has resigned as the auditor of the Company 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.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The audit committee of the Company (comprising Ms. QIAN Aimin, Mr. CHEN Shengmin and Mr. LI Bing) has reviewed the audited consolidated financial information of the Group for the year ended 31 December 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.

The annual results for the year ended 31 December 2023 have been prepared in accordance with IFRS Accounting Standards.

Scope of Work of the Independent Auditor

The Group's annual results for the year ended 31 December 2023, including the accounting principles and practices adopted, have been reviewed by the Audit Committee in conjunction with the Company's external auditor. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position and the related notes thereto for the year ended 31 December 2023 as set out in this audited annual results announcement have been agreed by the Company's external auditor, Mazars CPA Limited, Certified Public Accountants, Hong Kong ("Mazars"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Mazars on this audited annual results announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.huafang.com. The annual report of the Company for the year ended 31 December 2023 containing all the information in accordance with the requirements under the Listing Rules will be dispatched to the shareholders of the Company (if requested) and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 3 April 2023 pending the publication of the audited consolidated final results for the year ended 31 December 2022, and will remain suspended pending fulfilment of the resumption guidance and any supplement or modification thereto. The Company will publish further announcement(s) to inform the shareholders of the Company of its progress in complying with the resumption guidance as and when appropriate, as well as quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to thank all colleagues of the Company for their diligence, dedication, loyalty and integrity. I would also like to thank all shareholders, customers, bankers and other business partners of the Company for their trust and support.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
Huafang Group Inc.
花房集团公司
Mr. ZHOU Hongyi
Chairman

Hong Kong, 26 March 2024

As at the date of this announcement, the Board comprises Ms. YU Dan as executive Director; Mr. ZHOU Hongyi, Mr. CHEN Shengmin and Mr. ZHAO Dan as non-executive Directors; and Mr. CHEN Weiguang, Mr. LI Bing and Ms. QIAN Aimin as independent non-executive Directors.