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Fulu Holdings Limited
福祿控股有限公司

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

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2023

The board of directors of Fulu Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company for the year ended December 31, 2023. The consolidated financial statements for the year ended December 31, 2023 have been audited by the Company’s auditor and have been reviewed by the Audit Committee.

SUMMARY

FINANCIAL HIGHLIGHTS

	For the year ended		Increase/
	December 31,		(Decrease)
	2023	2022	%
	<i>(RMB'000)</i>		
Revenue	560,406	479,863	16.8
Gross profit	416,175	359,236	15.9
Profit before tax	95,362	86,279	10.5
Profit and total comprehensive income for the year	80,129	90,726	(11.7)
Attributable to:			
Owners of the parent	91,614	97,881	(6.4)
Non-controlling interests	(11,485)	(7,155)	60.5
Basic earnings per share <i>(RMB)</i>	0.23	0.24	(4.2)

BUSINESS OVERVIEW AND OUTLOOK

BUSINESS OVERVIEW

In 2023, our GMV was RMB16,537,286 thousand, representing a slight decrease of 1.5% over RMB16,795,530 thousand in 2022. Among them, GMV from the lifestyle segment was RMB5,368,886 thousand, representing an increase of 45.2% over RMB3,697,251 thousand in 2022; GMV from the leisure and entertainment segment was RMB5,139,893 thousand, representing a decrease of 11.2% over RMB5,788,718 thousand in 2022; GMV from the telecommunications segment was RMB2,123,446 thousand, representing a decrease of 58.9% over RMB5,168,140 thousand in 2022; GMV from the games segment was RMB3,091,306 thousand, representing an increase of 96.3% over RMB1,575,086 thousand in 2022; and GMV from the corporate welfare segment was RMB813,755 thousand, representing an increase of 43.7% over RMB566,335 thousand in 2022.

Lifestyle segment

In 2023, revenue from the lifestyle segment increased significantly by 115.9% to RMB121,560 thousand on a year-on-year basis, accounting for 21.7% of the total revenue. In 2023, with the accelerated rebound of the local lifestyle consumer market, we focused on laying out and deepening our efforts in segments such as catering and movie ticketing by broadening the category boundaries of digital goods in the lifestyle services category, expanding supply chain cooperation brands and by deepening the cooperation of live broadcasting channels in order to effectively pry up the incremental volume of the market, which pushed forward and facilitated the transaction of more digital goods such as milk tea and coffee merchandise vouchers as well as movie tickets, thus facilitating significant revenue growth. The gross profit of the lifestyle segment increased significantly by 127.0% year-on-year, and the gross profit margin increased by 3.2% year-on-year.

Leisure and entertainment segment

In 2023, revenue from the leisure and entertainment segment decreased by 6.2% to RMB250,974 thousand on a year-on-year basis, accounting for 44.8% of the total revenue. The leisure and entertainment segment remains our primary source of revenue. However, a combination of factors, including volatile market conditions, tightening of brand budgets and increased competition within the industry, led to a decline in the trading of video and audio leisure and entertainment digital goods, resulting in a slight decline in revenue from this segment. To address this challenge, we will proactively expand new partner brands and deeply integrate the operating models of traditional e-commerce platforms and live e-commerce platforms. In addition to optimizing our cost structure and improving our operational efficiency, with a view to facilitating more digital merchandise transactions in the leisure and entertainment category. The gross profit of the leisure and entertainment segment decreased by 7.4% year-on-year, and the gross profit margin decreased by 1.1% year-on-year.

Telecommunications segment

In 2023, revenue from the telecommunications segment decreased significantly by 42.1% to RMB17,241 thousand on a year-on-year basis, accounting for 3.1% of the total revenue. This was mainly due to the continued impact of the adjustment of upstream and downstream industry policies, such as the adjustment of agency policies for communication operators and the tightening of marketing expenses for e-commerce platforms. In line with strategic considerations for optimizing our business structure, we shifted our focus towards the cooperation with other business segments of communications operators. The gross profit of the telecommunications segment decreased significantly by 40.7% year-on-year, and the gross profit margin slightly increased by 1.2% year-on-year.

Games segment

In 2023, revenue from the games segment increased by 11.1% to RMB78,006 thousand on a year-on-year basis, accounting for 13.9% of the total revenue. On the basis of solidifying our existing business, we have actively sought to diversify and expand our business, and have successfully established cooperation in live streaming channels with well-known game makers in the industry such as Tencent Games, LeiTing Games and TiMi Studio Group. Through the planning and operation services of live e-commerce, we facilitated more transactions of digital goods including props and gift packs for popular games, such as CrossFire Mobile, Asktao, Happy thoughts and other games, effectively contributing to a steady increase in the segment's GMV and revenue. The gross profit of the games segment increased by 1.7% year-on-year, and the gross profit margin decreased slightly by 5.4% year-on-year.

Corporate welfare segment

In 2023, revenue from the corporate welfare segment increased significantly by 65.0% to RMB92,625 thousand on a year-on-year basis, accounting for 16.5% of the total revenue. The proportion of revenue from the corporate welfare segment continued to increase. In 2023, the number of contracted customers in this segment increased by 26.1% year-on-year, of which new customers accounted for 66.5%, showcasing the effective implementation of our market development strategy. We have successfully attracted high attention from and in-depth cooperation with a number of corporate customers by consummating a series of benchmark cases. For instance, we optimized and enhanced the resource allocation for employee welfare platforms of PetroChina Sichuan Sales Branch and CCCC (Xiamen) Information Co., Ltd., a subsidiary of China Communications Construction Group Co., Ltd., thereby effectively improving the satisfaction of their platform services. Meantime, we provided property owner credits exchange and holiday welfare solutions for Chuangmao Technology (Beijing) Co., Ltd., a subsidiary of Jinmao Property Services Co., Ltd. We are committed to offering corporate customers more comprehensive and high-quality corporate welfare solutions catering to their diverse and complex demand scenarios, thus fostering more business cooperation and transactions. The gross profit of the corporate welfare segment increased by 68.0% year-on-year, and the gross profit margin increased slightly by 1.6% year-on-year.

OUTLOOK

At the beginning of 2024, the global economic situation will remain severe, and we will continue to face a weak growth trend. In this regard, we will pay close attention to economic dynamics and changes in the competitive landscape of the market, focus on and strengthen our core business segments, optimize our capital allocation, and enhance our operational efficiency. At the same time, we will raise our awareness of risks and adhere to a prudent risk management strategy, so as to ensure that the Company can move forward steadily and robustly in the complex and volatile economic environment. In addition, we will actively broaden our strategic horizons, keenly observe and grasp the new opportunities brought about by the digital economy, and adopt flexible and changeable business strategies to enhance the vitality and resilience of our corporate development, and to promote sustained and steady growth.

We will continue to improve our live streaming capabilities, focusing on visual creative design, product innovation and iteration, and customer service, with a view to enhancing the live streaming experience while achieving a significant increase in conversion and repurchase rates. On the basis of stabilizing and deepening our existing business, we will adopt a cross-platform business layout, seize the growth opportunities in emerging channels, use omnichannel marketing strategies to precisely reach various consumer groups, and actively explore new growth points. We will further consolidate and deepen the penetration of our live streaming business in vertical areas such as food and beverage, movie ticketing, and gaming digital goods, as well as deepen our efforts in the local life service segment and closely integrate into the Jitterbug group-buying ecosystem. We will target market breakthroughs that offer higher rates of return on investment, keenly observe market dynamics, give full play to our platform advantages and resources, and form a synergistic resonance effect with our partners to jointly plan and implement an all-area marketing strategy covering both traditional e-commerce and live streaming e-commerce, to help brands dig deeper into the market incremental volume, and to jointly create a bright future of shared business value.

With the deepening of the digital transformation of enterprises, we will continue to firmly establish our presence in the corporate welfare business, explore new differentiation advantages, and continue to enhance our core competitiveness and industry influence. By deepening our research and development, we will use digital technology to break down traditional industry barriers, further broaden the dimensions of our services, and provide our clients with richer, more diversified, flexible and efficient welfare solutions. We are committed to maximizing the return and effectiveness of companies' welfare investments, and helping them to maximize the effectiveness of welfare. In the current global economic environment, we are convinced that the digital corporate welfare business has great potential for development and growth.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the consolidated statement of profit or loss and other comprehensive income comparative figures for the year ended December 31, 2023 and 2022:

	For the year ended	
	December 31,	
	2023	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	560,406	479,863
Cost of sales	<u>(144,231)</u>	<u>(120,627)</u>
Gross profit	416,175	359,236
Other income and gains	37,744	43,519
Selling and distribution expenses	(173,235)	(148,632)
Administrative expenses	(109,211)	(98,994)
Research and development costs	(58,571)	(61,289)
Impairment losses on financial and contract assets, net	(10,626)	(5,212)
Other expenses	<u>(3,356)</u>	<u>(839)</u>
Operating profits	98,920	87,789
Finance costs	<u>(3,558)</u>	<u>(1,510)</u>
Profit before tax	95,362	86,279
Income tax (expense)/credit	<u>(15,233)</u>	<u>4,447</u>
Profit and total comprehensive income for the year	<u>80,129</u>	<u>90,726</u>
Attributable to:		
Owners of the parent	91,614	97,881
Non-controlling interests	<u>(11,485)</u>	<u>(7,155)</u>
Non-IFRS measure adjusted profit attributable to owners of the parent for the year⁽¹⁾	<u>99,962</u>	<u>115,078</u>

Note:

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

REVENUE

Our revenue increased by 16.8% from RMB479,863 thousand in 2022 to RMB560,406 thousand in 2023. The increased in revenue was primarily due to an increase in commission income of related services driven by an increase in the GMV of transactions related to lifestyle and corporate welfare business.

Revenue by Nature

Our revenue primarily includes (a) commissions from digital goods-related services; (b) commissions from physical goods-related services; and (c) service fees from online store operation services and other value-added services. The following table sets forth revenue breakdown by types of services in 2023 and 2022:

	For the year ended December 31,			
	2023		2022	
	RMB	%	RMB	%
	(RMB in thousands, except for percentage)		(RMB in thousands, except for percentage)	
Digital goods-related services	438,072	78.1	383,105	79.8
Physical goods-related services	47,441	8.5	27,126	5.7
Value-added services				
Online store operation services	53,783	9.6	56,782	11.8
Others ⁽¹⁾	21,110	3.8	12,850	2.7
Total	560,406	100.0	479,863	100.0

Note:

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

Digital goods-related services. Revenue from digital goods-related services increased by 14.3% from RMB383,105 thousand in 2022 to RMB438,072 thousand in 2023. Among them, revenue from digital goods-related services in the lifestyle segment saw a significant increase, while revenue from digital goods-related services in the games segments maintained stable growth. However, revenue from digital goods-related services in the leisure and entertainment segment declined slightly, revenue from digital goods-related services in the telecommunications segment declined significantly.

Physical goods-related services. Revenue from physical goods-related services increased by 74.9% from RMB27,126 thousand in 2022 to RMB47,441 thousand in 2023, primarily due to significant increase in revenue from physical goods-related services driven by the rapid development of corporate welfare business.

Value-added services. Our value-added services consist primarily of online store operation services and other value-added services. Revenue from online store operation services slightly decreased by 5.3% from RMB56,782 thousand in 2022 to RMB53,783 thousand in 2023. Revenue from our other value-added services increased by 64.3% from RMB12,850 thousand in 2022 to RMB21,110 thousand in 2023, primarily due to the increase in revenue from providing digital welfare platform services and marketing services.

Revenue by segment

We generate revenue from five business segments: (i) leisure and entertainment; (ii) games; (iii) telecommunications; (iv) lifestyle; and (v) corporate welfare. The following table sets forth revenue by segment in 2023 and 2022:

	For the year ended December 31, 2023		2022	
	<i>RMB</i> (<i>RMB in thousands,</i> <i>except for percentage</i>)	<i>%</i>	<i>RMB</i> (<i>RMB in thousands,</i> <i>except for percentage</i>)	<i>%</i>
Leisure and entertainment	250,974	44.8	267,441	55.7
Games	78,006	13.9	70,237	14.7
Telecommunications	17,241	3.1	29,755	6.2
Lifestyle	121,560	21.7	56,300	11.7
Corporate welfare	92,625	16.5	56,130	11.7
Total	560,406	100.0	479,863	100.0

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

	For the year ended December 31, 2023		2022	
	<i>RMB</i> (<i>RMB in thousands,</i> <i>except for percentage</i>)	<i>%</i>	<i>RMB</i> (<i>RMB in thousands,</i> <i>except for percentage</i>)	<i>%</i>
Leisure and entertainment	5,139,893	31.1	5,788,718	34.4
Games	3,091,306	18.7	1,575,086	9.4
Telecommunications	2,123,446	12.8	5,168,140	30.8
Lifestyle	5,368,886	32.5	3,697,251	22.0
Corporate welfare	813,755	4.9	566,335	3.4
Total	16,537,286	100.0	16,795,530	100.0

Leisure and entertainment. Revenue from the leisure and entertainment segment decreased by 6.2% from RMB267,441 thousand in 2022 to RMB250,974 thousand in 2023, primarily due to a decrease in digital goods transactions we facilitated in the video and audio leisure and entertainment. The GMV of leisure and entertainment digital goods transactions we facilitated decreased by 11.2% from RMB5,788,718 thousand in 2022 to RMB5,139,893 thousand in 2023.

Games. Revenue from the games segment increased by 11.1% from RMB70,237 thousand in 2022 to RMB78,006 thousand in 2023. The increased revenue from the games segment was mainly due to an increase in games-related digital goods transactions we facilitated as a result of our expansion of the sales channels in downstream. The GMV of games-related digital goods transactions we facilitated significant increased by 96.3% from RMB1,575,086 thousand in 2022 to RMB3,091,306 thousand in 2023.

Telecommunications. Revenue from the telecommunications segment significant decreased by 42.1% from RMB29,755 thousand in 2022 to RMB17,241 thousand in 2023, mainly due to (i) a decline in transaction volumes as a result of a general reduction in marketing expenses on multiple e-commerce platforms; and (ii) adjustments to the agency policies of telecom carriers, which resulted in lower commission rates and GMV of telecommunications digital goods transactions we facilitated. The GMV of telecommunications digital goods transactions we facilitated significant decreased by 58.9% from RMB5,168,140 thousand in 2022 to RMB2,123,446 thousand in 2023.

Lifestyle. Revenue from the lifestyle segment significant increased by 115.9% from RMB56,300 thousand in 2022 to RMB121,560 thousand in 2023, primarily due to a significant increase in digital goods transactions facilitated as a result of expanding the cooperation with some lifestyle brand owners and strengthening the cooperation with customers in downstream financial channel in 2023. The GMV of lifestyle digital goods transactions we facilitated increased by 45.2% from RMB3,697,251 thousand in 2022 to RMB5,368,886 thousand in 2023.

Corporate welfare. Revenue from the corporate welfare segment significant increased by 65.0% from RMB56,130 thousand in 2022 to RMB92,625 thousand in 2023, primarily due to a significant increase in revenue from physical goods-related services driven by the rapid development of corporate welfare business. The GMV of the corporate welfare digital and physical goods transactions we facilitated increased by 43.7% from RMB566,335 thousand in 2022 to RMB813,755 thousand in 2023.

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

	For the year ended December 31, 2023	
	GMV	% of the Group's total GMV
	<i>(RMB in thousands, except for percentage)</i>	
Wuhan Fulu	6,391,896	38.7%
Tibet Fulu	5,650,225	34.2%
Xinjiang Fulu	1,106,668	6.7%
Wuhan Yiqiyou	970,878	5.9%
Wuhan Lishuo	729,374	4.4%
Beijing Fulu Fuxi	515,964	3.1%
Wuhan Souka	274,225	1.7%
Kashgar Yiqiwan	271,972	1.6%
Beijing Yiji Qifu Technology Co., Ltd.	238,859	1.4%
Hubei Kejin	144,731	0.9%
Wuhan Tianshi	52,700	0.3%
Beijing Fortune Travel Service Co., Ltd.	46,883	0.3%
Xinjiang Huluwa	38,644	0.2%
Wuhan Yilu	16,031	0.1%
Jiangxi Fulu Network Technology Co., Ltd.	9,564	0.1%
Henan Fulu Network Technology Co., Ltd.	8,855	0.1%
Hainan Fulu Network Technology Co., Ltd.	8,034	0.0%
Tibet Huluwa	558	0.0%

COST OF SALES

Our cost of sales increased by 19.6% from RMB120,627 thousand in 2022 to RMB144,231 thousand in 2023, primarily due to (i) the increase in the commission service fee required to be paid for the digital goods transactions we facilitated; and (ii) the increase in the labor cost of the corresponding operational team and labor dispatch due to the development of live streaming projects and corporate welfare business.

Cost of Sales by Nature

The following table sets forth the components of cost of sales in 2023 and 2022:

	For the year ended December 31,			
	2023		2022	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>		<i>(RMB in thousands, except for percentage)</i>	
Commissions	43,484	30.1	40,164	33.3
Labor-related costs	89,689	62.2	71,469	59.2
Others ⁽¹⁾	11,058	7.7	8,994	7.5
Total	144,231	100.0	120,627	100.0

Note:

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

Commissions increased by 8.3% from RMB40,164 thousand in 2022 to RMB43,484 thousand in 2023, primarily due to the increase in the commission service fee required to be paid as a result of the increase in the digital goods transactions of the games category we facilitated.

Labour-related costs increased by 25.5% from RMB71,469 thousand in 2022 to RMB89,689 thousand in 2023, primarily due to the increase in the number of employees driven by the rapid development of lifestyle segment, games segment and corporate welfare segment, and the increase in labor costs due to the increase in labor dispatch services.

Other costs increased by 22.9% from RMB8,994 thousand in 2022 to RMB11,058 thousand in 2023, primarily due to the increase in service fees of the online stores operated and server hosting fees.

Cost of sale by segment

The following table sets forth segment cost of sales in 2023 and 2022:

	For the year ended December 31,			
	2023		2022	
	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>		<i>(RMB in thousands, except for percentage)</i>	
Leisure and entertainment	52,794	36.6	53,317	44.2
Games	31,858	22.1	24,854	20.6
Telecommunications	8,240	5.7	14,566	12.1
Lifestyle	41,338	28.7	20,955	17.4
Corporate welfare	10,001	6.9	6,935	5.7
Total	144,231	100.0	120,627	100.0

Leisure and entertainment. Cost of sales from the leisure and entertainment segment slightly decreased by 1.0% from RMB53,317 thousand in 2022 to RMB52,794 thousand in 2023. In particular, the leisure and entertainment segment paid higher expenses for service commissions and platform usage fees for consumer venues, while its operating team and labor dispatch labor costs decreased.

Games. Cost of sales from the games segment increased by 28.2% from RMB24,854 thousand in 2022 to RMB31,858 thousand in 2023, primarily due to (i) an increase in service commissions and platform usage fees charged by sales channels as a result of the higher GMV in games segment; and (ii) an increase in labor costs of game operation team and labor dispatch driven by the development of live streaming projects.

Telecommunications. Cost of sales from the telecommunications segment decreased by 43.4% from RMB14,566 thousand in 2022 to RMB8,240 thousand in 2023, primarily due to a corresponding decrease in commissions paid by us to e-commerce platforms as we facilitated less telecommunications-related digital goods transactions through e-commerce platforms.

Lifestyle. Cost of sales from the lifestyle segment increased by 97.3% from RMB20,955 thousand in 2022 to RMB41,338 thousand in 2023, primarily due to the increase in the cost of the life service operation team and the labor dispatchers.

Corporate welfare. Cost of sales from the corporate welfare segment increased by 44.2% from RMB6,935 thousand in 2022 to RMB10,001 thousand in 2023, primarily due to an increase in labor costs of the corporate welfare operation team driven by the rapid development of corporate welfare business.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth our gross profit and gross profit margin by each segment for the years ended December 31, 2023 and 2022:

	For the year ended December 31,			
	2023		2022	
	RMB	%	RMB	%
	<i>(RMB in thousands, except for percentage)</i>		<i>(RMB in thousands, except for percentage)</i>	
Leisure and entertainment	198,180	79.0	214,124	80.1
Games	46,148	59.2	45,383	64.6
Telecommunications	9,001	52.2	15,189	51.0
Lifestyle	80,222	66.0	35,345	62.8
Corporate welfare	82,624	89.2	49,195	87.6
Total	416,175	74.3	359,236	74.9

Our overall gross profits increased by 15.9% from RMB359,236 thousand in 2022 to RMB416,175 thousand in 2023, primarily driven by an increase in revenue from digital goods-related services, reflecting the business growth; and our gross profit margin decreased from 74.9% in 2022 to 74.3% in 2023, primarily due to a decrease in the gross profit margin of leisure and entertainment segment which accounts for the higher proportion of gross profit.

The gross profit from the leisure and entertainment segment decreased by 7.4% from RMB214,124 thousand in 2022 to RMB198,180 thousand in 2023, primarily due to the expansion of product categories and the reduction of marketing expenses by some customers.

The gross profit from the games segment increased by 1.7% from RMB45,383 thousand in 2022 to RMB46,148 thousand in 2023, mainly due to our expansion of the sales channels in downstream, contributed to the growth of GMV and revenue from digital goods in the gaming category.

The gross profit from the telecommunications segment decreased by 40.7% from RMB15,189 thousand in 2022 to RMB9,001 thousand in 2023, mainly due to a significant decrease in the GMV and revenue of telecommunications-related digital goods facilitated.

The gross profit from the lifestyle segment increased by 127.0% from RMB35,345 thousand in 2022 to RMB80,222 thousand in 2023, mainly due to our development of new lifestyle products categories and expansion of the cooperation with customers in downstream financial channel.

The gross profit from the corporate welfare segment increased by 68.0% from RMB49,195 thousand in 2022 to RMB82,624 thousand in 2023, mainly due to a significant increase in revenue from physical goods-related services driven by the rapid development of corporate welfare business market.

OTHER INCOME AND GAINS

Our other income and gains decreased by 13.3% from RMB43,519 thousand in 2022 to RMB37,744 thousand in 2023, mainly due to the change in tax incentive policies. The 2023 tax credit relates to input tax credits at 5% plus credits and 2022 input tax credits at 10% plus credits, which collectively resulted in a decrease in the 2023 tax credit.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased by 16.6% from RMB148,632 thousand in 2022 to RMB173,235 thousand in 2023, primarily due to (i) an increase in staff salary and welfare expenses as well as labor dispatch service fees, our staff salary and welfare expenses and labor dispatch service fees increased by 30.7% from RMB63,994 thousand in 2022 to RMB83,615 thousand in 2023, primarily due to the expansion of our new business, such as corporate welfare, which resulted in an increase in the number of business staff, and the increase in staff salary and welfare and labor dispatch service fees as a result of increasing labor dispatch services brought by upgrade of live streaming e-commerce business model and the growth of business; (ii) the business operation expenses, such as travel expenses and entertainment expenses, also increased due to our business expansion. These expenses increased by 114.1% from RMB11,324 thousand in 2022 to RMB24,241 thousand in 2023.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 10.3% from RMB98,994 thousand in 2022 to RMB109,211 thousand in 2023, primarily due to (i) expenditure on service fees for intermediaries increased by RMB4,176 thousand; (ii) an increase in amortization expense of intangible assets by RMB2,835 thousand; (iii) an increase in depreciation of right-of-use assets arising from office leases and short-term lease charges by RMB2,822 thousand; and (iv) an increase in hospitality expenses by RMB1,613 thousand.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs decreased by 4.4% from RMB61,289 thousand in 2022 to RMB58,571 thousand in 2023, primarily due to lower server hosting fees and share-based payments for the development team.

NET PROVISION FOR IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Impairment losses on financial and contract assets increased by 103.9% from RMB5,212 thousand in 2022 to RMB10,626 thousand in 2023, mainly because of the increased provision for impairment losses on accounts receivable from downstream consumers and increased provision for credit impairment losses on other receivables in accordance with accounting standards.

OTHER EXPENSES

Other expenses increased by 300.0% from RMB839 thousand in 2022 to RMB3,356 thousand in 2023, primarily due to the exchange gains and losses resulting from the exchange rate difference of foreign-currency funds, an increased of RMB2,012 thousand compared with the exchange loss in 2022.

OPERATING PROFIT

Our operating profit was RMB98,920 thousand in 2023, compared to operating profit of RMB87,789 thousand in 2022.

FINANCE COSTS

Finance costs increased by 135.6% from RMB1,510 thousand in 2022 to RMB3,558 thousand in 2023, mainly due to an increase in interest payments after an increase in interest-bearing bank loans.

PROFIT BEFORE TAX

After the deduction of finance costs, our profit before tax was RMB95,362 thousand in 2023, compared to a profit of RMB86,279 thousand in 2022.

INCOME TAX EXPENSES

The income tax expense was RMB15,233 thousand in 2023, while the income tax credit was RMB4,447 thousand in 2022, mainly due to the increase in the actual income tax expense payable as a result of the reversal of taxable temporary differences, and the growth in profits of some companies with higher tax burden rates.

PROFIT FOR THE YEAR

As a result of the foregoing, our profit for the year decreased by 11.7% from RMB90,726 thousand in 2022 to RMB80,129 thousand in 2023.

RECONCILIATION OF NON-IFRS MEASURES TO THE NEAREST IFRSs MEASURES

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

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

	For the year ended	
	December 31,	
	2023	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit attributable to owners of the parent for the year	91,614	97,881
Adjustments:		
Listing expenses	–	1,550
Share-based payment	6,336	16,079
Foreign exchange gains and losses	2,012	(432)
Non-IFRS measure adjusted profit attributable to owners of the parent for the year	99,962	115,078

OTHER FINANCIAL INFORMATION

Capital structure

The Company continued to maintain a healthy and sound financial position. Our total assets increased from RMB1,575,477 thousand as at December 31, 2022 to RMB1,762,633 thousand as at December 31, 2023, while our total liabilities increased from RMB365,095 thousand as at December 31, 2022 to RMB505,281 thousand as at December 31, 2023.

As at December 31, 2023, the Group has pledged certificates of deposit in the amount of RMB20,000 thousand. The Group has no charges on assets.

During the Reporting Period, the Board has granted 2,173,843 new Shares to RSU nominees pursuant to the general mandate of 2021 Share Award Scheme and the general mandate approved on 2022 annual general meeting, the allotment and issuance of which was completed on June 29, 2023. For details, please refer to the Company's announcements dated June 2 and June 29, 2023.

As at December 31, 2023, the Company had 408,640,887 issued Shares.

Liquidity and capital resources

Our principal sources of liquidity were cash from operations, and bank loans and other borrowings. As at December 31, 2023, we had cash and cash equivalents of RMB147,347 thousand, which were mainly denominated in Renminbi. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from our operations, bank loans, net proceeds from the Global Offering and other funds raised from capital markets from time to time, when necessary. In order to achieve better risk control, we have put in place relevant policies on cash and finance management and implemented strictly. We will regularly review our liquidity and financing needs.

The following table sets forth a summary of our net cash flow for the years ended December 31, 2023 and 2022:

	For the year ended	
	December 31,	
	2023	2022
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Cash and cash equivalents at beginning of year	149,825	209,445
Cash (used in)/generated from operations	(33,670)	27,988
Income tax paid	(16,234)	(5,505)
Net cash (used in)/from operating activities	(49,904)	22,483
Net cash from/(used in) investing activities	1,525	(22,406)
Net cash from/(used in) financing activities	45,664	(59,867)
Net decrease in cash and cash equivalents	(2,715)	(59,790)
Effect of foreign exchange gains and losses	237	170
Cash and cash equivalents at end of year	147,347	149,825

Net cash used in operating activities

Net cash used in operating activities for the year ended December 31, 2023 was RMB49,904 thousand, primarily attributable to profit before taxation of RMB95,362 thousand, as adjusted by:

- (a) non-cash and non-operating items, which primarily comprised RMB6,336 thousand of share-based payment expenses, RMB8,363 thousand of depreciation of right-of-use assets, RMB2,404 thousand of depreciation of fixed assets and RMB6,223 thousand of amortisation of intangible assets; and
- (b) changes in working capital, which primarily comprised:
 - (i) an increase of RMB106,929 thousand in prepayments, other receivables and other assets, primarily driven by the business growth from the lifestyle segment and games segment, which resulted in the increase in the funding for digital goods inventory and stocking;
 - (ii) an increase of RMB64,742 thousand in trade receivables and contract assets, primarily driven by the growth in transactions in the digital goods business and the rapid growth in the corporate welfare business, and an increase in large corporate customers, as well as the long credit period of the expanded financial channel customer business;

- (iii) an increase of RMB16,138 thousand in trade payables, primarily due to the business growth from lifestyle segment and the new corporate welfare segment business, and the extension of business credit period; and
- (iv) an increase of RMB54,682 thousand in other payables and accruals, primarily due to an increase in receipts of prepayments from downstream customers under the goods sales channels.

Net cash from investing activities

Net cash from investing activities for the year ended December 31, 2023 was RMB1,525 thousand, comprising mainly (i) purchase of financial products of RMB68,000 thousand; (ii) addition to intangible assets of RMB11,359 thousand; (iii) acquisition of fixed assets of RMB3,850 thousand; and partially offset by (iv) proceeds from disposal of financial products of RMB83,000 thousand; and (v) interest received of RMB3,806 thousand.

Net cash from financing activities

Net cash from financing activities for the year ended December 31, 2023 was RMB45,664 thousand, comprising mainly (i) new bank and other borrowings of RMB814,209 thousand; (ii) repayment of bank and other borrowings of RMB714,557 thousand; (iii) payment of interest related expenses of RMB3,558 thousand; (iv) payment of rental amounts of right-of-use assets of RMB8,737 thousand; and (v) dividends paid of RMB42,863 thousand.

Capital expenditures

Our capital expenditures principally consist of expenditures for the purchases of property, plant and equipment and intangible assets. Our capital expenditures decreased by 5.3% from RMB16,058 thousand for the year ended December 31, 2022 to RMB15,209 thousand for the year ended December 31, 2023, primarily due to the decrease in expenditure on office renovation, purchase of office furniture, computers and intangible assets for the year ended December 31, 2023.

Indebtedness, off-balance sheet commitment and contingent liabilities

As at December 31, 2023, our total indebtedness amounted to RMB505,281 thousand (RMB365,095 thousand as at December 31, 2022), of which our interest-bearing indebtedness included lease liabilities of RMB11,812 thousand and interest-bearing bank and other borrowings of RMB139,652 thousand. As at December 31, 2023, our bank and other borrowings were all denominated in RMB. For the year ended December 31, 2023, our bank loans and other borrowings were interest-bearing at rates ranging from 3.55% to 4.80% per annum (for the year ended December 31, 2022: ranging from 4.35% to 4.80%).

As at December 31, 2023, we did not have any off-balance sheet arrangements and material contingent liabilities.

Significant investments held

For the year ended December 31, 2023, we did not have any significant investments.

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

For the year ended December 31, 2023, we did not have any material acquisitions or disposals of subsidiaries or affiliated companies.

In addition to the above, we disposed of 51% of the equity interest in our subsidiary, CIZI Wireless (Beijing) Technology Co., Ltd. in October 2023.

Gearing ratio

As at December 31, 2023, we did not have any net debt, as the Group's cash and cash equivalents were much more than its interest-bearing borrowings. As such, the gearing ratio (calculated as net debt divided by total equity plus net debt of the Group) did not apply to us.

Pledge of assets

As at December 31, 2023, the Group has pledged certificates of deposit in the amount of RMB20,000 thousand. The Group has no charges on assets.

Foreign exchange risk management

We mainly carry out our operations in the PRC with most transactions settled in Renminbi. As at December 31, 2023, our cash and cash equivalent balance was mainly denominated in Renminbi. Our management considers that the principal business is not exposed to significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities, but some of our funding raised in Hong Kong is subject to foreign exchange risk.

Future plans for material investments and capital assets

As at December 31, 2023, we did not have other plans for material investments and capital assets.

RELATIONSHIP WITH STAKEHOLDERS

Employee and remuneration policy

As at December 31, 2023, we had 976 employees, all of whom were based in the PRC.

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

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

Customers

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

Suppliers

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

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2023

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
REVENUE	4	560,406	479,863
Cost of sales		<u>(144,231)</u>	<u>(120,627)</u>
Gross profit		416,175	359,236
Other income and gains	4	37,744	43,519
Selling and distribution expenses		(173,235)	(148,632)
Administrative expenses		(109,211)	(98,994)
Research and development costs		(58,571)	(61,289)
Impairment losses on financial and contract assets, net		(10,626)	(5,212)
Other expenses		(3,356)	(839)
Finance costs		<u>(3,558)</u>	<u>(1,510)</u>
PROFIT BEFORE TAX	5	95,362	86,279
Income tax (expense)/credit	6	<u>(15,233)</u>	<u>4,447</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>80,129</u>	<u>90,726</u>
Attributable to:			
Owners of the parent		91,614	97,881
Non-controlling interests		<u>(11,485)</u>	<u>(7,155)</u>
		<u>80,129</u>	<u>90,726</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
For profit for the year (<i>RMB</i>)	8	<u>0.23</u>	<u>0.24</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION*31 December 2023*

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		5,091	3,660
Right-of-use assets		12,568	14,511
Goodwill		674	674
Other intangible assets		31,310	26,174
Deferred tax assets		17,348	22,619
Pledged deposits		20,000	20,000
Total non-current assets		86,991	87,638
CURRENT ASSETS			
Trade receivables	9	544,148	475,747
Contract assets		37,291	55,995
Prepayments, other receivables and other assets	10	829,005	722,040
Due from related parties		23,572	34,289
Financial assets at fair value through profit or loss		12,552	26,621
Restricted cash		81,727	23,322
Cash and cash equivalents		147,347	149,825
Total current assets		1,675,642	1,487,839
CURRENT LIABILITIES			
Trade payables	11	113,108	100,632
Other payables and accruals		232,644	195,918
Interest-bearing bank and other borrowings		139,652	40,000
Lease liabilities		6,835	5,435
Tax payable		8,065	14,337
Total current liabilities		500,304	356,322
NET CURRENT ASSETS		1,175,338	1,131,517
TOTAL ASSETS LESS CURRENT LIABILITIES		1,262,329	1,219,155

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		<u>4,977</u>	<u>8,773</u>
Total non-current liabilities		<u>4,977</u>	<u>8,773</u>
Net assets		<u>1,257,352</u>	<u>1,210,382</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital		278	277
Reserves		<u>1,271,761</u>	<u>1,216,675</u>
		1,272,039	1,216,952
Non-controlling interests		<u>(14,687)</u>	<u>(6,570)</u>
Total equity		<u>1,257,352</u>	<u>1,210,382</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2023

	Attributable to owners of the parent							Non-controlling interests	Total equity
	Share capital	Share premium	Merger reserve and others	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	275	625,329	19,416	139,233	23,559	356,117	1,163,929	-	1,163,929
Profit for the year and total comprehensive income	-	-	-	-	-	97,881	97,881	(7,155)	90,726
Equity-settled share-based payments	2	(2)	-	16,079	-	-	16,079	-	16,079
Final 2021 dividend declared	-	(60,937)	-	-	-	-	(60,937)	-	(60,937)
Appropriations to statutory surplus reserve	-	-	-	-	8,961	(8,961)	-	-	-
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	585	585
At 31 December 2022	277	564,390*	19,416*	155,312*	32,520*	445,037*	1,216,952	(6,570)	1,210,382
	Attributable to owners of the parent								
	Share capital	Share premium	Merger reserve and others	Share-based payment reserve	Statutory surplus reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2023	277	564,390	19,416	155,312	32,520	445,037	1,216,952	(6,570)	1,210,382
Profit for the year and total comprehensive income	-	-	-	-	-	91,614	91,614	(11,485)	80,129
Equity-settled share-based payments	1	(1)	-	6,336	-	-	6,336	-	6,336
Final 2022 dividend declared	-	(42,863)	-	-	-	-	(42,863)	-	(42,863)
Appropriations to statutory surplus reserve	-	-	-	-	13,259	(13,259)	-	-	-
Capital contribution from non-controlling shareholders of a subsidiary	-	-	-	-	-	-	-	1,170	1,170
Disposal of a subsidiary	-	-	-	-	-	-	-	2,198	2,198
At 31 December 2023	278	521,526*	19,416*	161,648*	45,779*	523,392*	1,272,039	(14,687)	1,257,352

* These reserve accounts comprise the consolidated reserves of RMB1,271,761,000 (2022: RMB1,216,675,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax	5	95,362	86,279
Adjustments for:			
Depreciation of property, plant and equipment	5	2,404	2,027
Amortisation of intangible assets	5	6,223	3,273
Depreciation of right-of-use assets	5	8,363	6,142
Interest income	4	(3,842)	(3,521)
Finance costs		3,558	1,510
Equity-settled share-based payment expenses	5	6,336	16,079
Loss on disposal of an associate		–	40
Gain on disposal subsidiary	4	(2,288)	–
Gain on the fair value change of financial assets at fair value through profit or loss		(931)	(392)
(Gain)/Loss on disposal of right-of-use assets		(79)	41
Foreign exchange gain		(237)	(170)
		114,869	111,308
Increase in trade receivables		(83,446)	(198,788)
Decrease/(increase) in contract assets		18,704	(13,708)
(Increase)/decrease in prepayments, other receivables and other assets		(106,929)	41,123
Decrease/(increase) in amounts due from related parties		10,717	(1,399)
Increase in restricted cash		(58,405)	(20,692)
Increase in trade payables		16,138	54,710
Increase in other payables and accruals		54,682	55,434
Cash (used in)/generated from operations		(33,670)	27,988
Income tax paid		(16,234)	(5,505)
Net cash flows (used in)/from operating activities		(49,904)	22,483

<i>Notes</i>	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial products	(68,000)	(96,500)
Proceeds from disposal of financial products	83,000	87,277
Purchases of property, plant and equipment	(3,850)	(2,922)
Addition to intangible assets	(11,359)	(13,136)
Interest received	3,806	2,864
Disposal of subsidiary	(2,072)	–
Proceeds from disposal of property, plant and equipment	–	11
	<hr/>	<hr/>
Net cash flows from/(used in) investing activities	1,525	(22,406)
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from non-controlling shareholders of a subsidiary	1,170	585
Payment of listing expenses	–	(1,550)
Increase in pledged deposits	–	(20,000)
New bank and other borrowings	814,209	230,268
Principal portion of lease payments	(8,737)	(6,455)
Repayment of bank and other borrowings	(714,557)	(200,268)
Dividends paid	(42,863)	(60,937)
Interest paid	(3,558)	(1,510)
	<hr/>	<hr/>
Net cash flows from/(used in) financing activities	45,664	(59,867)
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(2,715)	(59,790)
Effect of foreign exchange rate changes, net	237	170
Cash and cash equivalents at beginning of year	149,825	209,445
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR	147,347	149,825
	<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	249,074	193,147
Less: Restricted cash	(81,727)	(23,322)
Pledged deposits	(20,000)	(20,000)
	<hr/>	<hr/>
	147,347	149,825
	<hr/>	<hr/>

NOTES

1 CORPORATE AND GROUP INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

- (a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

- (b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.
- (c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

- (d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3 OPERATING SEGMENT INFORMATION

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

- (a) Leisure and entertainment, which primarily includes commissions earned from facilitating the sale of digital goods offered by leisure and entertainment content providers, operating services for online stores and other services provided to leisure and entertainment content providers;

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

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

Year ended 31 December 2023	Leisure and entertainment <i>RMB'000</i>	Games <i>RMB'000</i>	Telecommuni- cations <i>RMB'000</i>	Lifestyle <i>RMB'000</i>	Corporate welfare <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue						
External customers (<i>note 4</i>)	<u>250,974</u>	<u>78,006</u>	<u>17,241</u>	<u>121,560</u>	<u>92,625</u>	<u>560,406</u>
Segment cost	<u>(52,794)</u>	<u>(31,858)</u>	<u>(8,240)</u>	<u>(41,338)</u>	<u>(10,001)</u>	<u>(144,231)</u>
Gross profit	<u>198,180</u>	<u>46,148</u>	<u>9,001</u>	<u>80,222</u>	<u>82,624</u>	<u>416,175</u>
<i>Reconciliation:</i>						
Unallocated income and gains						37,744
Corporate and unallocated expense						(354,999)
Finance costs						<u>(3,558)</u>
Profit before tax						<u>95,362</u>

Year ended 31 December 2022	Leisure and entertainment RMB'000	Games RMB'000	Telecommuni- cations RMB'000	Lifestyle RMB'000	Corporate welfare RMB'000	Total RMB'000
Segment revenue						
External customers (<i>note 4</i>)	<u>267,441</u>	<u>70,237</u>	<u>29,755</u>	<u>56,300</u>	<u>56,130</u>	<u>479,863</u>
Segment cost	<u>(53,317)</u>	<u>(24,854)</u>	<u>(14,566)</u>	<u>(20,955)</u>	<u>(6,935)</u>	<u>(120,627)</u>
Gross profit	<u>214,124</u>	<u>45,383</u>	<u>15,189</u>	<u>35,345</u>	<u>49,195</u>	<u>359,236</u>
<i>Reconciliation:</i>						
Unallocated income and gains						43,519
Corporate and unallocated expense						(314,966)
Finance costs						<u>(1,510)</u>
Profit before tax						<u>86,279</u>

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

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

Information about major customers

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

	2023 RMB'000	2022 RMB'000
Customer A from the leisure and entertainment segment and the games segment	97,879	70,129
Customer B from the leisure and entertainment segment	49,088	<u>67,794</u>

4 REVENUE, OTHER INCOME AND GAINS

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Digital goods-related services		
– acted as an agent	438,072	383,105
Physical goods-related services		
– acted as an agent	47,441	27,126
Online stores operating services		
– acted as an agent	53,783	56,782
Others		
– acted as a principal	21,110	12,850
	<u>560,406</u>	<u>479,863</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

Year ended 31 December 2023

Segments	Leisure and entertainment <i>RMB'000</i>	Games <i>RMB'000</i>	Telecommuni- cations <i>RMB'000</i>	Lifestyle <i>RMB'000</i>	Corporate welfare <i>RMB'000</i>	Total <i>RMB'000</i>
<i>Types of services</i>						
Provision of digital goods-related services	216,127	57,301	16,333	110,460	37,851	438,072
Provision of physical goods-related services	-	-	-	-	47,441	47,441
Provision of online store operating services	32,113	18,255	764	2,651	-	53,783
Others	2,734	2,450	144	8,449	7,333	21,110
	<u>250,974</u>	<u>78,006</u>	<u>17,241</u>	<u>121,560</u>	<u>92,625</u>	<u>560,406</u>
Total revenue from contracts with customers	<u>250,974</u>	<u>78,006</u>	<u>17,241</u>	<u>121,560</u>	<u>92,625</u>	<u>560,406</u>
<i>Timing of revenue recognition:</i>						
Services transferred at a point in time	<u>250,974</u>	<u>78,006</u>	<u>17,241</u>	<u>121,560</u>	<u>92,625</u>	<u>560,406</u>

Year ended 31 December 2022

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

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

(ii) ***Performance obligations***

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

Provision of digital goods-related services

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

Provision of physical goods-related services

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

Provision of online store operating services

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

The Directors are of the opinion that there was no remaining performance obligation at the end of the reporting period.

Other income and gains

	<i>Notes</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Tax incentives on input value-added tax	<i>(i)</i>	19,689	35,491
Other government grants	<i>(ii)</i>	10,686	3,531
Interest income		3,842	3,521
Gain on disposal of a subsidiary		2,288	–
Others		1,239	976
		37,744	43,519

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

5 PROFIT BEFORE TAX

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Employee benefit expense* (including directors' and chief executive's remuneration):		
Wages and salaries	214,526	179,574
Equity-settled share-based payment expenses	6,336	16,079
Pension scheme contributions	26,584	22,543
Social security contributions and accommodation benefits	30,162	25,584
	277,608	243,780
Research and development costs	58,571	61,289
Promotion and marketing expenses	61,126	63,123
Commission to third party platforms	43,484	40,164
Listing expenses	–	1,550
Foreign exchange loss/(gain)	2,012	(432)
Platform usage fees and others	11,058	8,994
Auditor's remuneration	2,450	2,600
Depreciation of right-of-use assets	8,363	6,142
Depreciation of property, plant and equipment	2,404	2,027
Amortisation of intangible assets	6,223	3,273
Impairment losses on financial and contract assets, net	10,626	5,212

* Employee benefit expenses of RMB54,869,000 (2022: RMB55,765,000) were included in the research and development costs for the reporting period.

6 INCOME TAX

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

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

Wuhan Souka was accredited as a high and new technology enterprise in the year ended 31 December 2022. From 14 December 2022 to 31 December 2025, Wuhan Souka was entitled to a Corporate Income Tax rate of 15%.

Xinjiang Fulu and Kashgar Yiqiwan were established in Xinjiang and Tibet Fulu was established in Tibet, entitled to a preferential tax rate of 15% for the year ended 31 December 2023 according to the strategy of western development in the PRC (Caishui [2020] No. 23).

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

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Current – PRC		
Charge for the year	9,962	13,121
Deferred tax	5,271	(17,568)
	<hr/>	<hr/>
Total tax charge/(credit) for the year	15,233	(4,447)
	<hr/>	<hr/>

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit before tax	<u>95,362</u>	<u>86,279</u>
Tax at the PRC statutory income tax rate	23,841	21,570
Lower tax rates for specific entities	(14,533)	(28,102)
Tax effect of:		
Expenses not deductible for tax	4,885	5,045
Tax losses not recognised	10,028	7,802
Tax losses utilised from previous periods	(2,805)	(1,082)
Tax incentives on eligible expenditures	(5,875)	(8,431)
Adjustments in respect of changes in tax rates on opening deferred tax	–	(1,959)
Adjustments in respect of current tax of previous periods	<u>(308)</u>	<u>710</u>
Tax charge/(credit) at the Group's effective tax rate	<u>15,233</u>	<u>(4,447)</u>

7 DIVIDENDS

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Final declared and paid – HKD0.116 (2022: HKD0.176) per ordinary share	<u>42,863</u>	<u>60,937</u>

On 30 May 2023, the final dividend of HKD0.116 (2022: HKD0.176) per ordinary share of the Company for the year ended 31 December 2022 was approved and declared payable by the shareholders at the annual general meeting of the Company, and had been fully paid as of the date of this announcement.

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 404,270,914 (2022: 401,842,019) in issue during the year.

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

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u>91,614</u>	<u>97,881</u>
	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	404,270,914	401,842,019
Effect of dilution – weighted average number of ordinary shares:		
– Restricted share unit scheme	<u>1,611,735</u>	<u>2,218,515</u>
	<u>405,882,649</u>	<u>404,060,534</u>
Basic earnings per share (<i>RMB</i>)	<u>0.23</u>	<u>0.24</u>
Diluted earnings per share (<i>RMB</i>)	<u>0.23</u>	<u>0.24</u>

9 TRADE RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables	551,883	480,744
Impairment allowance	<u>(7,735)</u>	<u>(4,997)</u>
	<u>544,148</u>	<u>475,747</u>

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

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

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	442,728	359,162
4 to 6 months	84,237	92,942
7 to 12 months	15,228	16,680
Over 12 months	1,955	6,963
	544,148	475,747

10 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments to digital goods providers:		
Non-refundable	430,609	449,071
Refundable	63,977	27,744
Deposits to digital goods providers	106,371	102,898
Other receivables	129,770	74,364
Prepaid value-added tax	76,097	68,830
Prepayments for various services	33,065	3,769
	839,889	726,676
Impairment allowance	(10,884)	(4,636)
	829,005	722,040

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
At beginning of year	4,636	2,944
Impairment losses, net	7,036	3,128
Disposal of a subsidiary	(30)	–
Amount written off as uncollectible	(758)	(1,436)
	<hr/> 10,884	<hr/> 4,636
At end of year	10,884	4,636

Refundable prepayments, deposits and other receivables mainly represent refundable prepayments and deposits to digital goods providers, receivables from online platform operators (such as Tmall and JD) and other receivables from third parties. Where applicable, an impairment analysis is performed at the end of each reporting period by considering the probability of default of the industry. Except for specific balances for which a 100% expected credit loss rate is determined, as at 31 December 2023, the probability of default applied ranged from 0.001% to 5.08% (2022: 0.001% to 1.17%) and the loss given default was estimated to be 64.30% (2022: 64.50%). In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied where there were no comparable companies in the industry as at 31 December 2023 was 1.20% (2022: 1.30%-1.93%).

11 TRADE PAYABLES

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

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 3 months	104,554	92,375
4 to 6 months	4,079	5,268
7 to 12 months	2,732	1,006
Over 12 months	1,743	1,983
	<hr/> 113,108	<hr/> 100,632

Trade payables are non-interest-bearing and are normally settled on 90-day terms.

OTHER INFORMATION

FINAL DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended December 31, 2023. For further details, please refer to the Company's announcement dated March 28, 2024 in relation to the change in the shareholders' return plan.

USE OF PROCEEDS FROM LISTING

The Company listed its Shares on the Stock Exchange on September 18, 2020. Net proceeds from the Listing (after deduction of the underwriting fees, commission and relevant total expenses paid and payable by us in connection thereto) were approximately HK\$803.42 million, which has been applied for the following purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. During the year ended December 31, 2023, the Group has utilized:

- approximately HK\$241.03 million to facilitate digital goods transactions for more digital goods vendors and increase the varieties of digital goods transactions we facilitate, which has been fully utilized;
- approximately HK\$160.68 million to increase the number of our digital goods sales channel partners, which has been fully utilized;
- approximately HK\$160.68 million to develop the Group's value-added services, such as membership management and interactive advertising services, virtual employee benefits services for enterprise customers, game leveling and companion services and professional game account leasing services, which has been fully utilized;
- approximately HK\$80.35 million to fund the Group's working capital and other general corporate purposes, which has been fully utilized; and
- the Group has not utilized the proceeds from the Listing for the potential acquisitions of businesses and assets complementary to our business, including companies in games-related industries, while the net proceeds intended to be used for this purpose amounted to HK\$160.68 million, which is expected to be utilized before December 31, 2025.

COMPLIANCE WITH CG CODE

The Company is committed to maintaining a high standard of corporate governance practices with a view to enhance the management efficiency of the Company as well as preserving the interests of its Shareholders as a whole. During the year ended December 31, 2023, save for the deviation from code provision C.2.1 described in the paragraph headed "C. Directors' Responsibilities, Delegation and Board Proceedings – C.2 Chairman and Chief Executive Officer", the Company has complied with the code provisions set out in the CG Code contained in Appendix C1 to the Listing Rules, and adopted the recommended best practices there in as appropriate.

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

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended December 31, 2023, which will be published in due course.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended December 31, 2023.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Company's audited consolidated financial statements for the year ended December 31, 2023. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control and financial reporting matters.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended December 31, 2023 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

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

By order of the Board
Fulu Holdings Limited
Fu Xi
Chairman

Wuhan, Hubei Province, China

March 28, 2024

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

DEFINITIONS

“Articles” or “Articles of Association”	the Memorandum and Articles of Association adopted and effective on May 30, 2023
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Auditor”	the external auditor of the Company
“Beijing Fulu Fuxi”	Beijing Fulu Fuxi Technology Co., Ltd. (北京福祿福喜科技有限公司), a limited liability company established in the PRC on December 31, 2021, a wholly-owned subsidiary of Beijing Fuluxi Technology Co., Ltd. (北京福祿喜科技有限公司)
“Board”	the board of Directors
“CG Code”	Corporate Governance Code as set out in Appendix C1 to the Listing Rules
“Company” or “Fulu”	Fulu Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 2101)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consolidated Affiliated Entities”	the entities we control through the contractual arrangements, namely the PRC Holdcos and their respective subsidiaries
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to each of Mr. Fu Xi, Mr. Zhang Yuguo, Mr. Shui Yingyu, Mr. Zhao Bihao, FuXi Limited, Fuxu Holdings, Fuzhi Holdings, Zhangyuguo Holdings, Shuiyingyu Holdings and Zhaobihao Holdings or all of them as a group of Controlling Shareholders
“Directors”	director(s) of the Company
“FuXi Limited”	FuXi Limited, a limited liability company incorporated in the BVI on June 27, 2019 and wholly owned by Mr. Fu Xi. It is one of our Controlling Shareholders

“Fuxu Holdings”	Fuxu Holdings Limited, a limited liability company incorporated in the BVI on September 12, 2019, which is owned as to 99.99% and 0.01% by Fuze Holdings Limited and FuXi Limited, respectively
“Fuzhi Holdings”	Fuzhi Holdings Limited, a limited liability company incorporated in the BVI on September 3, 2019, which is owned as to 94.1% and 5.9% by Fuze Holdings Limited and FuXi Limited, respectively
“Global Offering”	the Hong Kong public offering and the International offering of the Company’s Shares
“GMV”	gross merchandize value, which equals to the sales price per item (inclusive of VAT) multiplied by the number of items sold. The GMV of digital goods transactions we facilitated as disclosed in this announcement excludes the GMV of digital goods transactions that occur in online stores we operate for digital goods vendors
“Group” or “the Group”, “we”, “us”, or “our”	the Company, our subsidiaries and the Consolidated Affiliated Entities from time to time, or where the context so requires, in respect of the period before the Company became the holding company of its present subsidiaries, the subsidiaries as if they were the subsidiaries of the Company at the relevant time (or the Company and any one or more of its subsidiaries, as the context may require)
“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hubei Kejin”	Hubei Kejin Network Technology Co., Ltd. (湖北氩金網絡科技有限公司), a limited liability company established in the PRC on May 22, 2017, a wholly-owned subsidiary of Tibet Fulu
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the Hong Kong Institute of Certified Public Accountants
“Kashgar Yiqiwan”	Kashgar Yiqiwan Network Technology Co., Ltd. (喀什一起玩網絡科技有限公司), a limited liability company established in the PRC on March 27, 2017, and one of the PRC Holdcos

“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	September 18, 2020, being the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“PRC” or “China”	the People’s Republic of China, for the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“PRC Holdcos”	Kashgar Yiqiwan and Wuhan Fulu
“Prospectus”	the prospectus of the Company dated September 7, 2020
“Reporting Period”	the year ended December 31, 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) with a nominal value of US\$0.0001 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shuiyingyu Holdings”	Shuiyingyu Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules

“Tibet Fulu”	Tibet Fulu Network Technology Co., Ltd. (西藏福祿網絡科技有限公司), a limited liability company established in the PRC on December 8, 2016, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Tibet Huluwa”	Tibet Huluwa Network Technology Co., Ltd. (西藏葫蘆娃網絡科技有限公司), a limited liability company established in the PRC on May 15, 2019, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“US\$”	U.S. dollars, the lawful currency of the United States of America
“VAT”	value-added tax
“Wuhan Fulu”	Wuhan Fulu Network Technology Co., Ltd. (武漢福祿網絡科技有限公司), a limited liability company established in the PRC on March 24, 2009, and one of our PRC Holdcos
“Wuhan Lishuo”	Wuhan Lishuo Technology Co., Ltd. (武漢立碩科技有限公司), a limited liability company established in the PRC on January 6, 2017, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Wuhan Souka”	Wuhan Souka Technology Co., Ltd. (武漢搜卡科技有限公司), a limited liability company established in the PRC on June 8, 2017, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Wuhan Tianshi”	Wuhan Tianshi Technology Co., Ltd. (武漢天識科技有限公司), a limited liability company established in the PRC on July 24, 2014, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Wuhan Yilu”	Wuhan Yilu Network Technology Co., Ltd. (武漢億祿網絡科技有限公司), a limited liability company established in the PRC on November 19, 2015, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Kashgar Yiqiwan
“Wuhan Yiqiyou”	Wuhan Yiqiyou Network Technology Co., Ltd. (武漢一起遊網絡科技有限公司), a limited liability company established in the PRC on June 4, 2012, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Xinjiang Fulu”	Xinjiang Fulu Network Technology Co., Ltd. (新疆福祿網絡科技有限公司), a limited liability company established in the PRC on December 27, 2016, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu

“Xinjiang Huluwa”	Xinjiang Huluwa Network Technology Co., Ltd. (新疆葫蘆娃網絡科技有限公司), a limited liability company established in the PRC on February 25, 2019, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Zhangyuguo Holdings”	Zhangyuguo Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“Zhaobihao Holdings”	Zhaobihao Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“%”	per cent

The English names of the PRC entities, PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

Certain amounts and percentage figures included in this document have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.