

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Easou Technology Holdings Limited

宜搜科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2550)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the “**Board**”) of directors (the “**Director(s)**”) of Easou Technology Holdings Limited (the “**Company**”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (the “**Group**”, “**we**” or “**our**”) for the six months ended June 30, 2024 (the “**Reporting Period**”).

FINANCIAL SUMMARY

	For the six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue	277,839	245,080
Gross profit	114,770	116,033
Profit/(loss) before tax	5,216	(14,598)
Profit/(loss) for the period	3,399	(12,812)
Earnings/(loss) per share attributable to ordinary equity holders of the Company (RMB cents)	1.07	(4.95)
Adjusted profit/(loss) for the period ⁽¹⁾	17,722	(2,924)

Note:

(1) Adjusted profit/(loss) for the period excludes the IPO intermediaries fees.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Founded in 2005, the Company has been deeply involved in the research and development (“R&D”) of AI-based recommendation technology. We have successfully applied our proprietary intelligent recommendation engine, Easou Recommendation Engine, in various application scenarios, including online literature recommendation, digital marketing and online games publishing. We generally use Easou Recommendation Engine to collect, analyze, match or predict the demand and/or preferences of our users and customers to serve their different needs. Our AI-based recommendation technology is the foundation that empowers all of our businesses. We are committed to continuously improving the AI-based recommendation technology and exploring business opportunities to apply our Easou Recommendation Engine in additional scenarios.

In the first half of 2024, we continued to invest in the R&D of intelligent recommendation technology and recorded R&D expenses of RMB17.6 million, observing positive development. The Company enhanced the analysis of content by AI technology and dug deep into users’ historical behaviors so as to understand the change in interests and preferences of users more accurately and further improve the capacity of our recommendation engine.

For online reading sector, we predict users’ preferences, generate recommendation strategies and make adjustments thereto, and intelligently recommend suitable literary content that meets our users’ personalized needs. In the first half of 2024, we continued to develop the engine recommendation technology, enhance users’ experiences and expand user scale. The number of cumulative registered users of Easou Reading products was 45.4 million as of June 30, 2024. For the six months ended June 30, 2024, the average MAU (monthly active users) of Easou Reading products reached 26.3 million. Among which, the number of advertisement clicks, displays and click-through rate generated from the free reading with advertising model in the first half of 2024 was 155.3 million, 25,030.5 million and 0.6%, respectively. Under the reading with paid services model, MPU (monthly paying users) and MPU/MAU was 22.3 thousand and 0.1%, respectively. At the same time, we promoted the development of our other business segments by heavily leveraging the recommendations and algorithm tests of gaming and other digital content scenarios through the user traffic of the online reading platform.

For digital marketing services, we collect, analyze and predict users' appetite for advertising contents and match the needs of our advertising customers for advertisement placements with suitable third-party advertising channels. In the first half of 2024, coupled with the gradual recovery of advertisers' demands, the Company enhanced its expansion efforts in the digital marketing business sector and achieved revenue of RMB156.6 million with a year-on-year increase of 28.9%. For the six months ended June 30, 2024, the number of clicks, displays and click-through rate was 205.2 million, 21,619.8 million and 0.9%, respectively.

In respect of online games publishing services, we identify online games with commercial value and market performance that meet our selection criteria, and publish and recommend such games to suitable users on our proprietary platform and external channels based on our analysis of user behavior and their preferences in game category or content. In the first half of 2024, we achieved a revenue of RMB5.3 million, representing a year-on-year increase of 25.1%. Currently, the Company positions its focus of game publishing on overseas publishing. In the first half of 2024, the Company mainly performed testing of various new games and launched one card game in Hong Kong, Macau and Taiwan regions as well as Southeast Asia regions. It is planned that two additional games will be published overseas in the second half of the year.

In the first half of 2024, other digital content services achieved a revenue of RMB10.1 million with a year-on-year increase of 125.5%. In the first half of 2024, the Company explored the recommendation scenarios of music and video digital content products proactively and performed a large number of testing and promotion on our proprietary platform, which achieved a rapid increase in revenue.

Outlook

Continue to increase R&D investments to maintain long-term technological advantages

In the second half of 2024, we will increase efforts in scientific research, so as to further enhance the service recommendation capability of Easou AI Recommendation Engine. Firstly, the Company will focus on a series of key R&D projects, including integrated intelligent recommendation engine system, high-concurrent performance tuning based on graphics processing unit and algorithms related to deep interest network, with the goal to continuously improve the overall performance of Easou Recommendation Engine, while promoting the achievement of commercialized application of the recommendation engine in new content scenarios. At the same time, leveraging on our experience accumulated in the field of AI-based recommendation, we will make huge R&D investments in the AIGC (AI generated content) sector and promote the deep application of AIGC in various aspects like content production, marketing and promotion as well as enrichment of product forms.

Further explore the market potential of online reading, enrich content types and expand overseas markets

In the second half of 2024, in light of the continuous strengthening of the technological advantages in online reading products, we will further enrich the types of literature content and focus on introducing new display forms of literary content, such as short videos. With regards to market expansion, the Company is of the opinion that overseas online reading market has huge growth potential, as such, we will focus on the expansion of overseas markets, adoption of more proactive marketing strategies and recommendation of suitable content and form for overseas markets targeting at the preferences of overseas users.

Continue to bring the capacity of AI recommendation engine into full play, so as to improve the business scale of our digital marketing services

Leveraging on the capacity of Easou Recommendation Engine, we continue to expand the scale of our digital marketing services through Win Ads, our proprietary advertising platforms. We will continue to optimize the depth of applications of AI technology in digital advertising, so as to improve the efficiency of advertising platforms. At the same time, we will enhance the scope of cooperation with advertising customers, so as to strengthen the depth of cooperation with media resources, attract more traffic and improve revenue scale rapidly.

Expand overseas online games publishing services proactively

In 2022, we resumed our online games publishing services and applied the AI analytics models to the development stage of online games, which allowed us to use big data and AI-based recommendation technology to test various online games at the initial testing phase during a game’s development process and to select online games with high commercialization value. Currently, the Company positions its focus of games publishing on overseas publishing and continues to cooperate with game content providers so as to explore the potential of overseas markets. In the first half of 2024, we performed testing for various types of games and launched one card game. The Company plans to launch two types of card games overseas in the second half of the year, which is expected to generate rapid growth in revenue scale.

Continue to explore recommendation scenarios of other digital contents

The Company will continue to explore recommendation scenarios of other digital contents and attempt to achieve new business growth points in multiple scenarios like digital music and videos.

Listed in Hong Kong

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on June 7, 2024 (the “**Listing Date**”).

Financial Review

Results of operation

Revenue

Our revenue increased by 13.4% from RMB245.1 million for the six months ended June 30, 2023 to RMB277.8 million for the six months ended June 30, 2024. The increase was mainly due to the increase in revenue generated from digital marketing services, online games publishing services and other digital content services.

Specifically in regard to online reading platform services, revenue generated from reading with advertising decreased by 8.0% from RMB106.9 million for the six months ended June 30, 2023 to RMB98.4 million for the six months ended June 30, 2024, primarily due to our strategy to proactively reduce advertisement placements during the first half of 2024 and utilize our own traffic for the testing and recommendation of our own games and other digital content. Revenue generated from reading with paid services decreased by 6.0% from RMB7.9 million for the six months ended June 30, 2023 to RMB7.4 million for the six months ended June 30, 2024, primarily due to our strategy to focus on promoting free reading, which resulted in a decline in revenue generated from reading with paid services. Therefore, the overall revenue of online reading platform services decreased by 7.8% from RMB114.8 million for the six months ended June 30, 2023 to RMB105.8 million for the six months ended June 30, 2024.

Revenue of digital marketing services increased by 28.9% from RMB121.5 million for the six months ended June 30, 2023 to RMB156.6 million for the six months ended June 30, 2024, primarily due to our increased efforts to expand digital marketing services as a result of the rebound in advertising demands from our advertising customers.

Revenue of online games publishing services increased by 25.1% from RMB4.2 million for the six months ended June 30, 2023 to RMB5.3 million for the six months ended June 30, 2024. The increase was mainly attributable to revenue generated from new online games launched overseas.

Revenue of other digital content services significantly increased by 125.5% from RMB4.5 million for the six months ended June 30, 2023 to RMB10.1 million for the six months ended June 30, 2024. The increase was mainly because of our increased expansion of music and video digital content services.

Cost of Sales

Our cost of sales increased by 26.4% from RMB129.0 million for the six months ended June 30, 2023 to RMB163.1 million for the six months ended June 30, 2024, primarily due to the increase in cost of sales of digital marketing services.

In terms of segment cost of sales, the cost of sales of online reading platform services decreased by 8.9% from RMB12.6 million for the six months ended June 30, 2023 to RMB11.5 million for the six months ended June 30, 2024, which was in line with the decrease in revenue of online reading platform services.

The cost of sales of digital marketing services increased by 29.1% from RMB112.0 million for the six months ended June 30, 2023 to RMB144.5 million for the six months ended June 30, 2024, which was in line with the increase in revenue of this business line.

The cost of sales of online games publishing services increased by 29.5% from RMB1.9 million for the six months ended June 30, 2023 to RMB2.5 million for the six months ended June 30, 2024, primarily due to launch of new online games overseas, resulting in an increase in sharing costs and amortization expenses for the copyrights of such new games.

The cost of sales of other digital content services increased by 77.5% from RMB2.6 million for the six months ended June 30, 2023 to RMB4.6 million for the six months ended June 30, 2024, which was in line with the increase in revenue of this business line.

Gross Profit and Gross Profit Margin

Based on the foregoing, our gross profit slightly decreased by 1.1% from RMB116.0 million for the six months ended June 30, 2023 to RMB114.8 million for the six months ended June 30, 2024. Our gross profit margin decreased from 47.3% for the six months ended June 30, 2023 to 41.3% for the six months ended June 30, 2024, primarily because the revenue contribution from digital marketing services increased, the gross profit margin of which was significantly lower than that of our other business lines.

The gross profit margin for online reading platform services remained stable at 89.1% and 89.2% for the six months ended June 30, 2023 and 2024, respectively.

The gross profit margin for digital marketing services remained stable at 7.9% and 7.7% for the six months ended June 30, 2023 and 2024, respectively.

The gross profit margin for online games publishing services decreased from 54.0% for the six months ended June 30, 2023 to 52.3% for the six months ended June 30, 2024, primarily due to an increase in the cost of copyrights for new games.

The gross profit margin for other digital content services increased from 42.6% for the six months ended June 30, 2023 to 54.8% for the six months ended June 30, 2024, primarily due to the promotion of new music digital content products which have higher gross profit.

The table below sets forth the revenue, the cost of sales, the gross profit and gross profit margin by our business lines for the periods indicated:

	For the six months ended June 30,							
	2024				2023			
	Revenue	Cost of sales	Gross profit	Gross profit margin	Revenue	Cost of sales	Gross profit	Gross profit margin
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
Online reading platform services	105,843	11,457	94,386	89.2%	114,840	12,570	102,270	89.1%
Digital marketing services	156,623	144,532	12,091	7.7%	121,541	111,963	9,578	7.9%
Online games publishing services	5,284	2,518	2,766	52.3%	4,225	1,944	2,281	54.0%
Other digital content services	10,089	4,562	5,527	54.8%	4,474	2,570	1,904	42.6%
Total	<u>277,839</u>	<u>163,069</u>	<u>114,770</u>	41.3%	<u>245,080</u>	<u>129,047</u>	<u>116,033</u>	47.3%

Other Income and Gains

Our other income and gains increased by 65.8% from RMB1.0 million for the six months ended June 30, 2023 to RMB1.7 million for the six months ended June 30, 2024, mainly attributable to the increase in government subsidies and interest income.

Selling and Distribution Expenses

Our selling and distribution expenses decreased by 8.1% from RMB74.8 million for the six months ended June 30, 2023 to RMB68.8 million for the six months ended June 30, 2024, primarily due to a decrease in business marketing expenses. Our selling and distribution expenses accounted for approximately 30.5% and 24.8% of our total revenue for the six months ended June 30, 2023 and June 30, 2024, respectively.

Administrative Expenses

Our administrative expenses increased by 15.9% from RMB19.9 million for the six months ended June 30, 2023 to RMB23.1 million for the six months ended June 30, 2024, primarily due to an increase in listing expenses. Our administrative expenses accounted for approximately 8.1% and 8.3% of our total revenue for the six months ended June 30, 2023 and 2024, respectively.

Research and Development Expenses

Our R&D expenses decreased by 7.7% from RMB19.0 million for the six months ended June 30, 2023 to RMB17.6 million for the six months ended June 30, 2024, primarily due to a slight decrease in bandwidth expenses resulting from a more reasonable server configuration. Our R&D expenses accounted for approximately 7.8% and 6.3% of our total revenue for the six months ended June 30, 2023 and 2024, respectively.

Fair Value Gains/(Losses) on Financial Assets at FVTPL

We recorded a fair value gain on financial assets at fair value through profit or loss (“**FVTPL**”) of RMB97,000 for the six months ended June 30, 2024, compared to a fair value loss of RMB14.7 million for the six months ended June 30, 2023, primarily due to the fluctuations in market values of the invested financial assets.

Finance Costs

Our finance costs decreased by 35.5% from RMB2.9 million for the six months ended June 30, 2023 to RMB1.9 million for the six months ended June 30, 2024, primarily attributable to a decrease in interest rates of bank borrowings.

Profit/(Loss) Before Tax

As a result of the foregoing, we recorded a profit before tax of RMB5.2 million for the six months ended June 30, 2024, compared to a loss before tax of RMB14.6 million for the six months ended June 30, 2023.

Income Tax Expenses

We recorded income tax expenses of RMB1.8 million for the six months ended June 30, 2024, compared to the income tax credit of RMB1.8 million for the six months ended June 30, 2023. The shift was primarily due to the increase in deferred income tax expenses as a result of the utilisation of deferred tax assets which arose from the previously recorded tax losses of our Group’s subsidiaries.

Profit/(Loss) for the Period

Based on the foregoing, we recorded a profit of RMB3.4 million for the six months ended June 30, 2024, compared to a loss of RMB12.8 million for the six months ended June 30, 2023. Our net profit margin was -5.2% and 1.2% for the six months ended June 30, 2023 and 2024, respectively.

Financial position

Overview

Our total assets increased by 24.8% from RMB505.4 million as of December 31, 2023 to RMB630.8 million as of June 30, 2024, primarily due to an increase in cash and cash equivalents, trade receivables, prepayments and financial assets at FVTPL, while our total liabilities increased by 39.2% from RMB126.1 million as of December 31, 2023 to RMB175.5 million as of June 30, 2024, primarily due to an increase in bank borrowings and accruals. Our total equity increased by 20.0% from RMB379.3 million as of December 31, 2023 to RMB455.3 million as of June 30, 2024.

Net current assets

Our net current assets increased by 29.3% from RMB278.2 million as of December 31, 2023 to RMB359.8 million as of June 30, 2024, primarily because the increase in our current assets outpaced the increase in our current liabilities. Our current assets increased by 32.8% from RMB399.9 million as of December 31, 2023 to RMB531.0 million as of June 30, 2024. Our current liabilities increased by 40.6% from RMB121.7 million as of December 31, 2023 to RMB171.2 million as of June 30, 2024.

Certain items of current assets and current liabilities

Trade Receivables

Our trade receivables increased by 27.2% from RMB161.5 million as of December 31, 2023 to RMB205.5 million as of June 30, 2024, mainly due to an increase in revenue of digital marketing services and the extension of credit periods granted to customers.

Financial Assets at FVTPL

Our financial assets at FVTPL increased by 7.0% from RMB73.3 million as of December 31, 2023 to RMB78.4 million as of June 30, 2024, mainly due to changes in the fair values of financial assets.

Trade Payables

Our trade payables decreased by 17.7% from RMB11.8 million as of December 31, 2023 to RMB9.7 million as of June 30, 2024, primarily because some suppliers changed to use prepayment settlement method.

Other Payables and Accruals

Our other payables and accruals (current portion) increased by 60.6% from RMB11.1 million as of December 31, 2023 to RMB17.8 million as of June 30, 2024, primarily due to an increase in the accrual of payable marketing fees.

Contract Liabilities

Our contract liabilities (current portion) increased by 9.9% from RMB13.8 million as of December 31, 2023 to RMB15.2 million as of June 30, 2024, mainly due to the slight increase in unconsumed service fees collected in advance for online reading platform services.

Lease Liabilities

Our lease liabilities (current portion) increased by 47.5% from RMB101,000 as of December 31, 2023 to RMB149,000 as of June 30, 2024, primarily due to the renewal of long-term lease contracts for office premises.

Certain items of non-current assets and non-current liabilities

Property, Plant and Equipment

Our property, plant and equipment decreased by 17.3% from RMB19.1 million as of December 31, 2023 to RMB15.7 million as of June 30, 2024, mainly due to the depreciation of original fixed assets.

Goodwill

Our goodwill remained stable at RMB32.3 million as of December 31, 2023 and June 30, 2024, respectively.

Other Intangible Assets

Our other intangible assets primarily include copyright and software. Our other intangible assets decreased by 2.6% from RMB50.8 million as of December 31, 2023 to RMB49.5 million as of June 30, 2024.

Contract Liabilities

Our contract liabilities (non-current portion) primarily consist of advertising fees collected in advance under the CPT pricing method. Our contract liabilities (non-current portion) decreased by 6.3% from RMB3.9 million as of December 31, 2023 to RMB3.7 million as of June 30, 2024, primarily because some of the non-current portion became current portion.

Lease Liabilities

Our lease liabilities (non-current portion) increased by 61.3% from RMB142,000 as of December 31, 2023 to RMB229,000 as of June 30, 2024, mainly attributable to the renewal of long-term lease contracts.

Liquidity and financial resources

Our Group funds our working capital mainly from cash from operating activities, borrowings and proceeds raised from the Global Offering (as defined in the prospectus of the Company dated May 30, 2024 (the “**Prospectus**”). As of June 30, 2024, our cash and cash equivalents amounted to RMB142.3 million, representing an increase of 59.7% from RMB89.1 million as of December 31, 2023, primarily because of the proceeds raised from the Global Offering and an increase in bank borrowings. Our bank balances and financial assets at FVTPL are primarily denominated in Renminbi (“**RMB**”), U.S. dollars and Hong Kong dollars.

As of June 30, 2024, our interest-bearing bank and other borrowings amounted to RMB127.9 million, representing an increase of 50.7% from RMB84.9 million as of December 31, 2023, primarily due to the working capital needs for business expansion. Our borrowings are denominated in RMB. Our interest-bearing bank and other borrowings are all at fixed interest rates. Our Group's borrowings as of June 30, 2024 were repayable within one year. For the six months ended June 30, 2024, our Group repaid the bank borrowings on time or in advance to renew such bank borrowings.

Our gearing ratio, which is calculated as total debt divided by total equity, was 38.6% as of June 30, 2024 (as of December 31, 2023: 22.4%).

For the six months ended June 30, 2024, our Group did not use any financial instruments for hedging purposes.

Capital expenditures

Our capital expenditures were primarily expenditures for property, plant and equipment, as well as intangible assets. Our capital expenditures amounted to RMB7.0 million for the six months ended June 30, 2024, representing a decrease of 81.2% from RMB37.3 million for the six months ended June 30, 2023. We expect to fund our planned capital expenditures primarily with the cash generated from operations and the net proceeds from the Global Offering.

Contingent liabilities

As of June 30, 2024, we did not have any unrecorded significant contingent liabilities (December 31, 2023: none).

Mortgage and pledge of assets

As of June 30, 2024, our subsidiary in the People's Republic of China (the "PRC"), Shenzhen Easou Technology Co., Ltd. (深圳宜搜天下科技股份有限公司) pledged a bank deposit of RMB5.3 million for a bank borrowing of RMB5.0 million for Easou Technology (HK) Limited, our Hong Kong subsidiary, which was used as its general working capital.

Share option scheme

Pursuant to a written resolution of all the then shareholders of the Company passed on May 17, 2024, the Company adopted a share option scheme (the “**Share Option Scheme**”) for a period of 10 years commencing from the Listing Date. The purpose of the Share Option Scheme is (i) to attract and retain the best quality personnel for the development of our Group’s businesses; (ii) to provide additional incentives or rewards to selected eligible participants for their contribution to the creation of our Company’s value; and (iii) to promote the long-term financial success of our Group by aligning the interest of any eligible participant who accepts an offer of the grant of an option in accordance with the terms of the Share Option Scheme to those of our shareholders.

During the period from the Listing Date and up to the date of this announcement, the Group has not granted any share option under the Share Option Scheme.

Foreign exchange risk management

The businesses of the Group are mainly managed and operated in the PRC, where most of its income and expenses are denominated in RMB.

For the six months ended June 30, 2024, the Group has foreign investments denominated in Hong Kong dollars and U.S. dollars but no borrowing in foreign currencies.

The Group will continue to monitor exchange rates so as to cope with changes in the foreign exchange market and enhance the risk management on exchange rates by various management measures.

Material acquisitions and disposals

The Group had no material acquisitions or disposals of subsidiaries, associates and/or joint ventures for the six months ended June 30, 2024.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on June 7, 2024 and issued 14,802,500 ordinary shares at an offer price of HK\$5.80 per share, and the net proceeds from the Global Offering, after deduction of the underwriting fees and commissions and estimated expenses in connection with the Global Offering, amounted to approximately HK\$40.70 million. As of June 30, 2024, the Company had not used any of the proceeds. The proceeds from the Global Offering will be utilized in accordance with the plan as disclosed in the section headed “Future Plans and Use of Proceeds” of the Prospectus and a summary of the use of the net proceeds is set out below.

Purpose	Percentage to the total net proceeds	Available amount for utilization as of June 30, 2024 ^(Note) <i>HK\$ in million</i>	Expected timetable for the use of the proceeds
Enhancing our R&D capabilities to ensure long-term technological advantage:			
– Investing in a series of R&D projects with a focus on improving our technological capability in Easou Recommendation Engine	15.0%	6.1	Fourth quarter of 2027
– Enhancing the versatility of our technology in proprietary intelligent recommendation engine	15.0%	6.1	Fourth quarter of 2027
– Increasing our investment in equipment to improve our hardware support capabilities	15.0%	6.1	Fourth quarter of 2024
Sub-total	<u>45.0%</u>	<u>18.3</u>	

Purpose	Percentage to the total net proceeds	Available amount for utilization as of June 30, 2024 ^(Note) <i>HK\$ in million</i>	Expected timetable for the use of the proceeds
Reinforcing the strength as a third-party online literature platform:			
– Expanding our user base by increasing the number of users in our online reading platform services	10.0%	4.1	Third quarter of 2026
– Expanding our collaboration with content providers	10.0%	4.1	Third quarter of 2026
– Continuously optimizing the application depth of our Easou Recommendation Engine in online reading platform services	5.0%	2.0	Third quarter of 2026
Sub-total	25.0%	10.2	
Expanding our digital marketing services:			
– Establishing cooperative relationship with new media channels and strengthening the depth of cooperation with media resources and attract more traffic	10.0%	4.1	Third quarter of 2026
– Deepening our collaboration with advertising customers, expanding our sales and marketing team in digital marketing business, exploring new advertising customers and retaining existing ones	5.0%	2.0	Third quarter of 2026
Sub-total	15.0%	6.1	
Relaunching our online games publishing services in overseas markets	15.0%	6.1	Third quarter of 2026
Total	100.0%	40.7	

Note: Figures shown as total in the table is not an arithmetic aggregation of the figures preceding them. Any discrepancies between the total shown and the sum of the amounts listed are due to rounding.

FINANCIAL INFORMATION

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
REVENUE	5	277,839	245,080
Cost of sales		<u>(163,069)</u>	<u>(129,047)</u>
Gross profit		114,770	116,033
Other income and gains	5	1,678	1,012
Selling and distribution expenses		(68,801)	(74,841)
Administrative expenses		(23,080)	(19,916)
Research and development expenses		(17,580)	(19,038)
Fair value gains/(losses) on financial assets at fair value through profit or loss		97	(14,701)
Other expenses		–	(252)
Finance costs	7	<u>(1,868)</u>	<u>(2,895)</u>
PROFIT/(LOSS) BEFORE TAX	6	5,216	(14,598)
Income tax (expenses)/credit	8	<u>(1,817)</u>	<u>1,786</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>3,399</u>	<u>(12,812)</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the Company's financial statements		<u>(1,344)</u>	<u>(1,965)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		<u>2,055</u>	<u>(14,777)</u>

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME (CONTINUED)**

	<i>Note</i>	2024 RMB'000 (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Profit attributable to:			
Owners of the parent		3,385	(12,856)
Non-controlling interests		14	44
		3,399	(12,812)
Total comprehensive income/(loss) attributable to:			
Owners of the parent		2,041	(14,821)
Non-controlling interests		14	44
		2,055	(14,777)
EARNINGS/(LOSS) PER SHARE			
ATTRIBUTABLE TO ORDINARY EQUITY			
HOLDERS OF THE PARENT	<i>10</i>		
Basic and diluted (<i>RMB cents</i>)		1.07	(4.95)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2024

		30 June 2024	31 December 2023
	<i>Notes</i>	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		15,748	19,053
Right-of-use assets		376	228
Goodwill		32,273	32,273
Other intangible assets		49,501	50,802
Prepayments and deposits		674	688
Deferred tax assets		1,210	2,444
Total non-current assets		99,782	105,488
CURRENT ASSETS			
Trade receivables	11	205,464	161,501
Prepayments, deposits and other receivables		99,587	76,048
Financial assets at fair value through profit or loss	12	78,379	73,282
Tax recoverable		–	31
Pledged deposits		5,300	–
Cash and cash equivalents		142,258	89,081
Total current assets		530,988	399,943
CURRENT LIABILITIES			
Trade payables	13	9,691	11,781
Other payables and accruals		17,778	11,070
Contract liabilities		15,179	13,814
Interest-bearing bank and other borrowings		127,929	84,900
Lease liabilities		149	101
Tax payable		487	64
Total current liabilities		171,213	121,730
NET CURRENT ASSETS		359,775	278,213
TOTAL ASSETS LESS CURRENT LIABILITIES		459,557	383,701

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Other payables and accruals	228	228
Contract liabilities	3,652	3,897
Lease liabilities	229	142
Deferred tax liabilities	194	100
	<hr/>	<hr/>
Total non-current liabilities	4,303	4,367
	<hr/>	<hr/>
Net assets	455,254	379,334
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Ordinary share capital	22	10
Preferred share capital	–	11
Other reserves	454,590	378,685
	<hr/>	<hr/>
	454,612	378,706
Non-controlling interest	642	628
	<hr/>	<hr/>
Total equity	455,254	379,334
	<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Easou Technology Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands on 9 February 2022 as an exempted company with limited liability under the Cayman Companies Act. The Company’s registered office is at Suite 102, Cannon Place, P.O. Box 712, North Sound Road, George Town Grand Cayman, KY1-9006, Cayman Islands. The principal place of business of the Company is located at Room 403, Building 5C, Software Industry Base, Keyuan Road, Nanshan District, Shenzhen, the People’s Republic of China (the “**PRC**”).

The shares of the Company were listed (the “**Listing**”) on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 7 June 2024.

During the period, the Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) were involved in online literature recommendation services, digital marketing services, online games publishing services and other digital content services in the PRC.

2 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on the Stock Exchange. The unaudited interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2023, as included in Appendix I to the prospectus of the Company dated 30 May 2024.

The unaudited interim condensed consolidated financial information has been prepared under the historical cost convention, except for financial assets at fair value through profit or loss which have been measured at fair value. This unaudited interim condensed consolidated financial information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“**HKFRSs**”) for the first time for the current period's financial information.

Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> <i>(the “2020 Amendments”)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022</i> <i>Amendments”)</i>
Amendments to HKFRS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The nature and impact of the revised HKFRSs are described below:

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the unaudited interim condensed consolidated financial information.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in online literature recommendation services, digital marketing services, online games publishing services and other digital content services in the PRC. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) *Revenue from external customers*

All significant external customers of the Group are located in the PRC. Accordingly, no geographical information of revenue from external customers is presented.

(b) *Non-current assets*

As at 30 June 2024 and 31 December 2023, all significant non-current assets of the Group are located in the PRC. Accordingly, no geographical information of non-current assets is presented.

Information about a major customer

During the six months ended 30 June 2024 and 2023, no revenue from transactions with a single external customer contributed 10% or more of the Group's total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Revenue from contracts with customers	<u>277,839</u>	<u>245,080</u>

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Revenue from contracts with customers

Disaggregated revenue information

	Six months ended 30 June 2024 <i>RMB'000</i> (Unaudited)	Six months ended 30 June 2023 <i>RMB'000</i> (Unaudited)
Types of goods or services		
Reading with advertising	98,397	106,920
Reading with paid services	7,446	7,920
Digital marketing services	156,623	121,541
Online games publishing services	5,284	4,225
Other digital content services	10,089	4,474
	<u>277,839</u>	<u>245,080</u>
Timing of revenue recognition		
Point in time	276,986	242,718
Over time	853	2,362
	<u>277,839</u>	<u>245,080</u>

An analysis of the Group's other income and gains is as follows:

	Six months ended 30 June 2024 <i>RMB'000</i> (Unaudited)	Six months ended 30 June 2023 <i>RMB'000</i> (Unaudited)
Other income and gains		
Government subsidies*	533	210
Interest income	921	155
Others	224	647
	<u>1,678</u>	<u>1,012</u>

* Various government grants have been received by certain subsidiaries as these subsidiaries were qualified as High and New Technology Enterprises in the Chinese Mainland. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Cost of sales	163,069	129,047
Depreciation of property, plant and equipment	3,342	2,690
Depreciation of right-of-use assets	78	61
Amortisation of other intangible assets	7,992	10,015
Lease payments not included in the measurement of lease liabilities	100	79
Listing expenses	14,323	9,888
Employee benefit expense		
Wages and salaries	14,993	15,948
Pension scheme contributions	3,014	2,973
Total	18,007	18,921
Fair value (gains)/losses on financial assets at fair value through profit or loss	(97)	14,701
Impairment of trade receivables	581	379
Loss on disposal of items of property, plant and equipment*	–	207

* Included in "Other expenses" in the unaudited interim condensed consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Interest on bank and other borrowings	1,859	2,892
Interest on lease liabilities	9	3
Total	1,868	2,895

8. INCOME TAX

All subsidiaries of the Group established in the PRC are subject to PRC corporate income tax at a standard rate of 25% during the six months ended 30 June 2024 and 2023, except for:

- (i) Certain subsidiaries of the Group, which qualified as High and New Technology Enterprises in the PRC, were entitled to a lower PRC corporate income tax rate of 15% during the six months ended 30 June 2024 and 2023; and
- (ii) Certain subsidiaries of the Group applied the Small-Scaled Minimal Profit Enterprise Income Tax Preferential Policy announced by the PRC's State Administration of Taxation and subjected to tax rates of 5% and 2% to 5% for the six months ended 30 June 2024 and 2023, respectively.

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
Current – PRC		
Charge for the period	489	341
Deferred	1,328	(2,127)
	<hr/>	<hr/>
Total tax charge/(credit) for the period	1,817	(1,786)
	<hr/>	<hr/>

9. DIVIDENDS

The Board does not recommend the payment of any interim dividend in respect of the six months ended 30 June 2024 (2023: Nil).

No dividends have been paid or declared by the Company since its date of incorporation.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent and the weighted average number of ordinary shares of 317,833,058 (2023: 259,797,185) in issue during the period.

The weighted average number of ordinary shares used to calculate the basic earnings per share for the period ended 30 June 2024 was the total number of the ordinary shares in issue during the period, the ordinary shares issued pursuant to the conversion of preferred shares as if these shares had been in issue throughout the period, and the ordinary shares issued in connection with the listing of the Company.

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (CONTINUED)

The weighted average number of ordinary shares used to calculate the basic loss per share for the period ended 30 June 2023 was the total number of the ordinary shares in issue during the period and the ordinary shares issued pursuant to the conversion of preferred shares as if these shares had been in issue on date of issuance of preferred shares.

The calculation of basic earnings/(loss) per share is based on:

	Six months ended 30 June 2024 RMB'000 (Unaudited)	Six months ended 30 June 2023 RMB'000 (Unaudited)
<u>Earnings</u>		
Profit/(loss) attributable to ordinary equity holders of the parent	<u>3,385</u>	<u>(12,856)</u>
Number of shares		
	Six months ended 30 June 2024	Six months ended 30 June 2023
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the period	<u>317,833,058</u>	<u>259,797,185</u>

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2024 (2023: Nil).

11. TRADE RECEIVABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade receivables	210,603	166,059
Impairment	<u>(5,139)</u>	<u>(4,558)</u>
Net carrying amount	<u>205,464</u>	<u>161,501</u>

11. TRADE RECEIVABLES (CONTINUED)

The Group's trading terms with its customers are mainly on credit. The credit period is generally 30 to 150 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior 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 invoice date and net of loss allowance, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	122,910	121,638
3 to 6 months	65,896	34,819
6 to 12 months	14,162	4,880
Over a year	2,496	164
Total	205,464	161,501

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Unlisted fund investments, at fair value	78,379	73,282

As at 30 June 2024, the above unlisted fund investments of carrying amounts of RMB1,289,000 (31 December 2023: RMB10,704,000) and RMB77,090,000 (31 December 2023: RMB62,578,000) were denominated in RMB and United States dollars, respectively. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

13. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	7,746	10,930
3 to 6 months	625	609
6 to 12 months	1,217	185
Over a year	<u>103</u>	<u>57</u>
Total	<u>9,691</u>	<u>11,781</u>

The trade payables are non-interest bearing and are normally settled within three months.

EVENT AFTER THE REPORTING PERIOD

There has been no event subsequent to the Reporting Period and up to the date of this announcement which may have a material impact on the Group.

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended June 30, 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company aims to achieve and maintain a high level of corporate governance, which is crucial to our development and would safeguard the interests of the shareholders of the Company, and has complied with all applicable code provisions as set out in the Corporate Governance Code contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") since the Listing Date and up to the date of this announcement, except as disclosed below.

Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of the chairman and the chief executive officer should be separate and should not be performed by the same individual. The roles of the chairman and the chief executive officer of our Company are both performed by Mr. Wang Xi, an executive Director. Our Board believes that vesting the roles of both chairman and the chief executive officer in the same individual enables our Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. Furthermore, in view of Mr. Wang Xi's extensive industrial experience and significant role in the historical development of our Group, our Board believes that it is beneficial to the business prospects of our Group that Mr. Wang Xi continues to act as the chairman of the Company following the Listing Date, and that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors, non-executive Directors and independent non-executive Directors.

The Company will continue to review and monitor its corporate governance practices on a regular basis to ensure compliance with the Corporate Governance Code.

MODEL CODE FOR DEALING IN SECURITIES BY DIRECTORS

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 the code of conduct regarding securities transactions of the Company by the Directors. Having made specific enquiries to all of the Directors, all Directors confirmed that they had fully complied with the required standards set out in the Model Code since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of Mr. An Yingchuan, Mr. Gan Minggao and Mr. Zhu Jianfeng, of whom Mr. An Yingchuan has been appointed as the chairman. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The Audit Committee has reviewed with the management the Group’s 2024 interim results and the unaudited interim condensed consolidated financial information for the six months ended June 30, 2024 and confirms that the applicable accounting standards and requirements had been complied with, and that adequate disclosures had been made.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.easou.cn), respectively. The 2024 interim report containing all the information required by the Listing Rules will be published on the respective website of the Stock Exchange and the Company in due course.

By order of the Board
Easou Technology Holdings Limited
Wang Xi
Chairman and Executive Director

Hong Kong, August 30, 2024

As at the date of this announcement, the Board comprises Mr. Wang Xi, Mr. Chen Jun and Mr. Zhao Lei as executive Directors; Mr. Luan Ling, Mr. Zhuge Qingchen and Mr. Gan Minggao as non-executive Directors; and Mr. Zhu Jianfeng, Mr. An Yingchuan and Ms. Meng Xue as independent non-executive Directors.