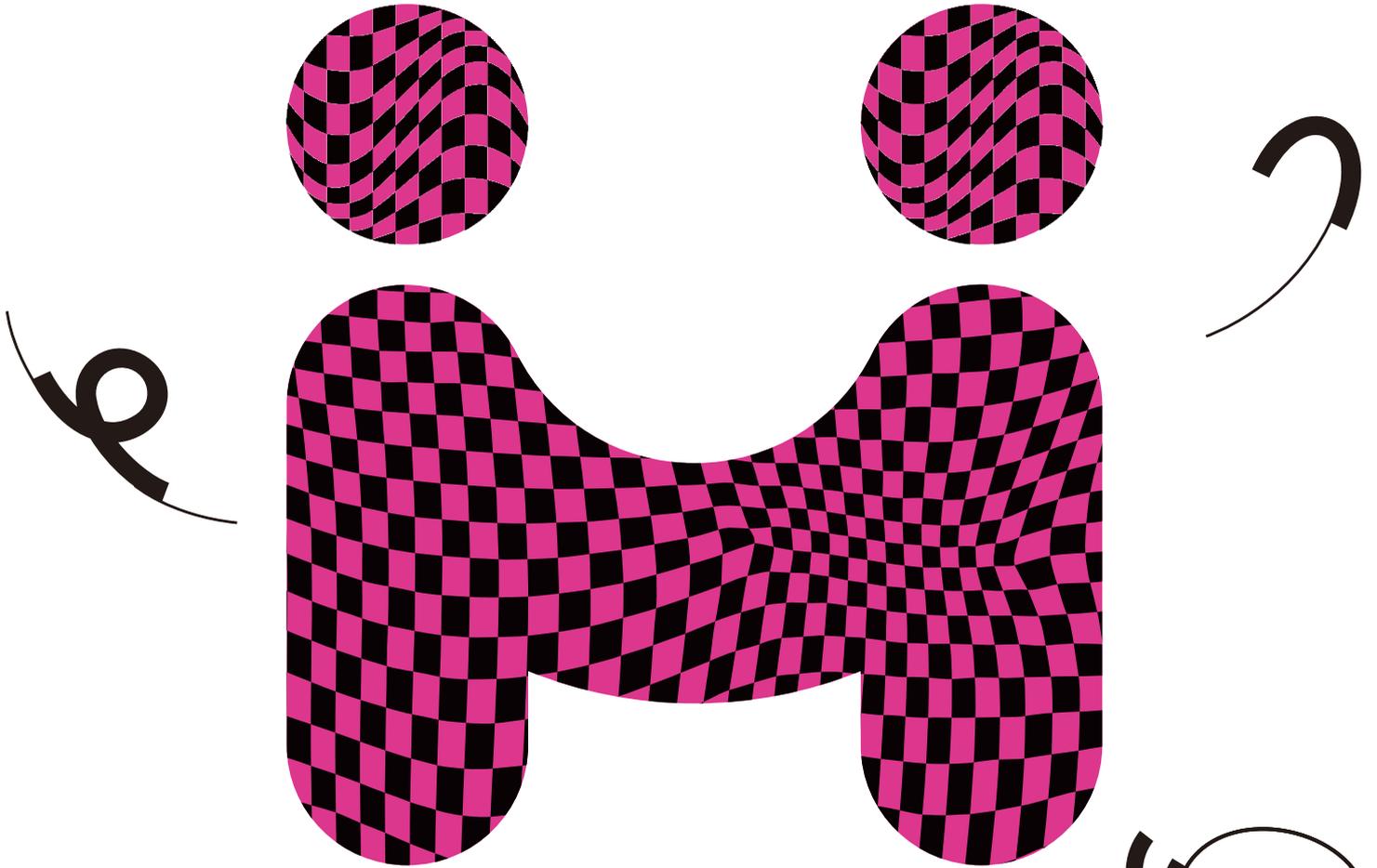




花房集团
HUAFANG GROUP

2024

Huafang
Group Inc.
花房集团公司



INTERIM REPORT 2024
STOCK CODE

36111

(Incorporated in the Cayman Islands with limited liability)

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Definitions

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

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

Definitions

“Huafang Technology”	Beijing Huafang Technology Co., Ltd. (北京花房科技有限公司) (formerly known as Beijing 6.cn Technology Co., Ltd. (北京六間房科技有限公司)), a limited liability company incorporated under the laws of PRC on 17 March 2006
“Last Corresponding Period”	the six months ended 30 June 2023
“Listing Date”	12 December 2022, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“Mijing Hefeng”	Beijing Mijing Hefeng Technology Co., Ltd. (北京密境和風科技有限公司), a limited liability company incorporated under the laws of PRC on 24 December 2014
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix C3 to the Listing Rules
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 21 November 2022
“Prospectus”	the prospectus of the Company dated 30 November 2022
“Relevant Period”	the six months ended 30 June 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) of par value US\$0.0001 each in the issued share capital of our Company
“Shareholder(s)”	holder(s) of Shares
“Songcheng Performance”	Songcheng Performance Development Co., Ltd. (宋城演藝發展股份有限公司), a controlling shareholder of the Company, a company incorporated in the PRC on 21 September 1994 and listed on the Shenzhen Stock Exchange since 9 December 2010 (stock code: 300144), which is principally engaged in investment, development and operation of theme parks, tourism, and cultural performances
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$” or “U.S. dollar”	United States dollars, the lawful currency of the United States of America
“%”	per cent



Corporate Information

BOARD OF DIRECTORS

Non-executive Director and Chairman of the Board

Mr. ZHOU Hongyi

Executive Director

Ms. YU Dan (CEO)

Other Non-executive Directors

Mr. CHEN Shengmin

Mr. ZHAO Dan

Independent Non-executive Directors

Mr. CHEN Weiguang

Mr. LI Bing

Ms. QIAN Aimin

COMPANY SECRETARY

Ms. LAI Janette Tin Yun

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Ms. YU Dan

Ms. LAI Janette Tin Yun

AUDIT COMMITTEE

Ms. QIAN Aimin (Chairman)

Mr. LI Bing

Mr. CHEN Shengmin

REMUNERATION COMMITTEE

Mr. CHEN Weiguang (Chairman)

Ms. QIAN Aimin

Ms. YU Dan

NOMINATION COMMITTEE

Mr. ZHOU Hongyi (Chairman)

Mr. CHEN Weiguang

Mr. LI Bing

AUDITOR

Forvis Mazars CPA Limited

(Formerly known as Mazars CPA Limited)

Certified Public Accountants

42nd Floor, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

REGISTERED OFFICE

Tricor Services (Cayman Islands) Limited

Third Floor, Century Yard

Cricket Square

P.O. Box 902, Grand Cayman

KY1-1103

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Building 5, Yard 6

Jiuxianqiao Road

Chaoyang District

Beijing, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place

348 Kwun Tong Road, Kowloon

Hong Kong

PRINCIPAL BANK

China Merchants Bank Co., Ltd.

Beijing Century City Sub branch

No. 1 Chuihong Garden, Indigo Factory

Haidian District

Beijing, PRC

HONG KONG LEGAL ADVISOR

Loeb & Loeb LLP

2206-19, Jardine House

1 Connaught Place

Central

Hong Kong

Corporate Information

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

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

STOCK CODE AND BOARD LOT

Stock code: 3611
Board lot: 1,000

WEBSITE

www.huafang.com



Management Discussion and Analysis

MARKET AND BUSINESS REVIEW

In the first half of 2024, facing multiple challenges such as the increasing adverse effects arising from external environmental changes, the increasingly fierce industry competition, and the tightening industry policies, the Group adhered to the advantageous position of its core business, actively expanded the overseas social market, and continuously enhanced the exploration and investment in innovative fields. With the collaboration and efforts of all “Huafang People”, our business had achieved positive growth in general, the domestic entertainment live streaming business had regained its growth trajectory, and the growth rate of overseas social business was even more inspiring.

I. Entertainment live streaming business achieved steady growth and the advantages of core business were solidified

In the first half of the year, both of Huajiao and 6.cn, the Group’s two major flagship products in entertainment live streaming, achieved steady and healthy business growth. Compared with the second half of 2023, the revenue of domestic entertainment live streaming business realized a year-on-year increase of over 30%, the average monthly active users (MAU) realized a year-on-year increase of over 10%, maintaining a steady growth trend.

We have consistently concentrated on the core product demands of our users, simplifying the functionalities of our products and implementing a comprehensive upgrade of our technical architecture, which not only improved the user’s experience of our products but also greatly increased the efficiency of our business operations. Furthermore, as a platform for content creation, we actively assisted our hosts, MCN and other content creators on the platform through a variety of platform activities and flexible operational policies to refine and elevate the quality of live-streaming content, increasing the proportion of superior talent content such as dance and music. Through the above measures, we had infused our traditional live streaming products with fresh vitality, continuously providing our users with an experience of entertainment live streaming with high-quality and diversified content, and solidifying the resource advantages of our core business.

II. Overseas social business unleashed its strength through accumulated resources and achieved a sustained and high-speed growth

Benefitting from the enhancement of product competitiveness and user scale, the Group’s overseas social business achieved significant growth in the first half of the year. We focused on the business growth of advantageous products such as “MONKEY” in the core markets in North American and optimized the strategies for user growth and advertisement to improve the efficiency of operation and customer acquisition, which led to a rapid expansion of our overseas market size and user base, with the average monthly active users (MAU) realized a year-on-year increase of over 45%, representing a significant enhancement in contribution to the Group’s revenue. In addition, our market share and brand influence in the overseas social market were continuously strengthening, laying a solid foundation for sustained growth.

III. Maintaining the Group’s innovative power and exploring more potential business opportunities

Based on the entertainment live streaming and social business, the Group’s strategic brand project “Huafang Lab” actively integrated new technologies and innovative models, carried out innovative practices, and had incubated multiple new projects. These projects not only brought a diversified entertainment social experience to users but also inject new momentum into the Group’s business growth. At the same time, we proactively established cooperative relationships with innovative partners inside and outside the industry, which had accelerated the application of technological innovation in products and enriched the content availabilities and interaction methods for users. With the continuous deepening of these innovations and cooperations, “Huafang Lab” will continue to promote the expansion of Group’s business into broader fields, ensuring to maintain its leading position and vitality in the market.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

With over a decade of dedication to the pan-entertainment sector, Huafang Group had acquired extensive industry experience and an excellent management team. Facing the complex environment and challenges, Huafang People will maintain the original aspiration, solidify the bedrock of the Group's performance and stimulate new vitality in the traditional entertainment live streaming business. Meanwhile, the Group will put the spirit of "Huafang People" and valuable experience into practice in overseas and innovative businesses to help overseas business to maintain a high-speed growth, and will also strengthen the resource investment in innovation, so as to achieve diversified and comprehensive business growth.

I. Domestic business: revitalizing traditional business and consolidating the business foundation

With the core objective of enhancing user experience, the Group will strive to deepen the optimization of its live streaming products, shape a diversified social scenarios and strengthen the linkage of social relationships so as to enhance user stickiness. The Group's team will focus on cultivating innovative capabilities and stimulating the spirit of innovation within the team to continuously inject new inspirations into the innovation of product functions and interactive modes.

At the same time, the Group will continue to improve content ecosystem of the platform, increase the proportion of high-quality talented hosts, provide online and offline display platforms for high-quality content makers, stimulate the enthusiasm for content creation, and actively explore the possibility of integrating live streaming and social networking products with the latest technologies, so as to provide users with a higher-quality and more diversified entertainment and social experience, which will also bring continuous and strong momentum for the Group's business growth.

II. Overseas business: maintaining growth momentum and practicing long-termism

In response to the rising demand for online entertainment and socializing in overseas emerging markets, the Group will continue to expand its resource investment in overseas business, focusing on the North American market while expanding its scale of growth in key regions such as Europe, Southeast Asia and the Middle East. In the coming six months, the Group will focus on refining the operation of our core products such as 'MONKEY' and 'HOLLA', further strengthening the overseas social ecosystems, enhancing user interaction experience, improving business compliance, optimizing localization operation strategies and improving the efficiency of operation processes. At the same time, the overseas business team will adhere to the principle of long-termism and continue to polish products with an attitude of meticulous workmanship to expand the brand's global influence. Through strict control of product quality and keen insight into market trends, the Group will ensure the continued healthy growth of its overseas business and realize the long-term accumulation and enhancement of brand value.

III. Innovative business: innovating and exploring continuously to keep Huafang "forever young"

Leveraging on the rich industry resources, technology resources and solid financial support of Huafang Group, the Group's "Huafang Lab" will continue to maintain an open and innovative posture, and through continuous technological innovation and business model exploration, the Group will empower its existing live streaming and social products to ensure the continuous release of business innovation momentum. At the same time, the Group will also actively focus on and invest in high-growth potential projects, so that Huafang will always maintain the vitality of "forever young" and make breakthroughs on the road of innovation, ensuring that the Group will always maintain the vitality of the brand and market competitiveness in the ever-changing market.

Huafang People will continue to create long-term value for its shareholders, employees, users and the society by consistently adhering to its mission of "connecting people with technology and spreading happiness through companionship" and its vision of "building a top influential online social entertainment ecosystem in the world".



FINANCIAL REVIEW

Revenue

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

The Group's total revenue decreased by approximately 40.6% to approximately RMB965.3 million for the Relevant Period as compared to approximately RMB1,626.1 million for the Last Corresponding Period.

The revenue generated from live streaming and audio social networking decreased by approximately 45.3% to approximately RMB813.0 million in the Relevant Period, as compared to approximately RMB1,486.4 million in the Last Corresponding Period. This was mainly due to the challenging and complex external environment and the Group's continued implementation of more prudent operating strategies.

The revenue generated from overseas social networking increased by approximately 9.8% to approximately RMB138.5 million in the Relevant Period as compared to approximately RMB126.1 million in the Last Corresponding Period primarily due to the Group's focus on the user growth of its core markets such as North America market.

During the Relevant Period, the Group generated revenue from other services, consisting of (1) advertisement services, which was offered to enterprise customers during live streaming sessions, and (2) website technical services offered to enterprise customers. The Group recognizes revenue when it has satisfied the performance of the Group's obligations under the service contracts. The Group's revenue from other services was approximately RMB13.8 million for the Relevant Period, compared with approximately RMB13.6 million for the Last Corresponding Period.

Cost of Sales

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

The Group's cost of sales decreased by approximately 38.1% to approximately RMB725.3 million for the Relevant Period, as compared to approximately RMB1,172.5 million for the Last Corresponding Period which is in line with the decrease of revenue.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit decreased by approximately 47.1% to approximately RMB239.9 million in the Relevant Period, as compared to approximately RMB453.6 million in the Last Corresponding Period, and the Group's gross profit margin in the Relevant Period was approximately 24.9%, compared to approximately 27.9% in the Last Corresponding Period.

Selling and Marketing Expenses

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

The Group's selling and marketing expenses decreased by approximately 69.1% to approximately RMB67.7 million in the Relevant Period as compared to approximately RMB219.2 million in the Last Corresponding Period, primarily attributable to a decrease in marketing and promotion fees.

General and Administrative Expenses

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

The Group's general and administrative expenses decreased by approximately 34.6% to approximately RMB94.1 million in the Relevant Period as compared to approximately RMB143.8 million in the Last Corresponding Period, primarily attributed to a decrease in share-based compensation expenses.

Research and Development Expenses

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

The Group's research and development expenses decreased by approximately 43.6% to approximately RMB65.5 million in the Relevant Period as compared to approximately RMB116.1 million in the Last Corresponding Period.

Other Income

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

Other income decreased by approximately 32.2% to approximately RMB20.2 million in the Relevant Period as compared to approximately RMB29.8 million in the Last Corresponding Period primarily due to the expiration of VAT (value-added tax) preference policies as of 31 December 2023.

Operating Profit

As a result of the foregoing, operating profit was approximately RMB32.9 million in the Relevant Period, compared with an operation loss of approximately RMB677.4 million in the Last Corresponding Period, mainly due to an impairment loss on goodwill of RMB681.8 million in the Last Corresponding Period.

Finance Costs

Finance cost decreased by approximately 54.5% to approximately RMB0.5 million in the Relevant Period as compared to approximately RMB1.1 million in the Last Corresponding Period.

Income Tax

Income tax credit in the Relevant Period was approximately RMB2.1 million as compared to income tax expenses of approximately RMB10.2 million in the Last Corresponding Period, mainly attributed to R&D expense super deduction.



Profit for the Period

As a result of the foregoing, profit for the period was approximately RMB34.5 million in the Relevant Period, compared with a loss of approximately RMB688.7 million in the Last Corresponding Period.

Non-IFRS Accounting Standards Measure

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

	Six months ended 30 June	
	2024 RMB'000	2023 RMB'000
Profit/(Loss) for the period	34,501	(688,672)
Add:		
Share-based compensation expenses	17,316	63,190
Impairment loss on goodwill	–	681,763
Adjusted net profit (non-IFRS Accounting Standards measure)	51,817	56,281

Liquidity and Financial Resources

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

The Group's total assets was approximately RMB2,516.0 million as of 30 June 2024, as compared to approximately RMB2,466.0 million as of 31 December 2023. The Group's total liabilities was approximately RMB413.5 million as of 30 June 2024, as compared to approximately RMB406.4 million as of 31 December 2023.

As of 30 June 2024, the current ratio (the current assets to current liabilities ratio) of the Group was 5.9, and the gearing ratio (total liabilities to total equity ratio) was 0.2, as compared with 6.0 and 0.2, respectively, as of 31 December 2023.

As of 30 June 2024, the Group's cash and cash equivalents were approximately RMB1.93 billion, compared with approximately RMB1.82 billion as of 31 December 2023. Approximately RMB1.58 billion is denominated in Renminbi and approximately RMB0.34 billion is denominated in other currencies (primarily Hong Kong dollars). The Group currently does not hedge transactions in foreign currencies.

Borrowings

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

Other Financial Assets

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

As of 30 June 2024, the Group had current and non-current financial assets at fair value through other comprehensive income of approximately RMB148.5 million (31 December 2023: approximately RMB146.5 million), mainly comprised (a) financial products issued by banks of approximately RMB100.8 million (31 December 2023: approximately RMB100.8 million); and (b) unlisted equity investment of approximately RMB47.7 million (31 December 2023: approximately RMB45.7 million).

Capital Expenditures

The Group's capital expenditures were approximately RMB1.0 million for the Relevant Period, compared with approximately RMB3.0 million for the Last Corresponding Period. The Group funded its capital expenditure requirements during the Relevant Period mainly from cash generated from the Group's operating activities.

Contingent Liabilities

As of 30 June 2024, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Credit Risk

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

Liquidity Risk

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

Foreign Exchange Risk

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

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



Contractual Arrangements

Please refer to the section headed “Contractual Arrangements” in the Prospectus. For the six months ended 30 June 2024, the Board has reviewed the overall performance of the contractual arrangements and confirmed that the Group has complied with the contractual arrangements in all material respects.

Significant Investments Held

As of 30 June 2024, the Group did not hold any significant investments in the equity interests of any other companies.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

The Group did not have any investment, acquisition or disposal of subsidiaries, associates and joint ventures during the six months ended 30 June 2024.

Future Plans for Material Investments and Capital Assets

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

Charges on the Group’s Assets

As of 30 June 2024, the Group had no charges on the Group’s assets.

Supplementary Information

USE OF PROCEEDS FROM GLOBAL OFFERING

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

During the Relevant Period, the Company has not utilized any of the net proceeds raised from the Global Offering. The Company intends to use the net proceeds in the same manner and proportion as set out in the Prospectus under the section headed “Future Plans and Use of Proceeds”. Based on the current business plan, the Company intended to implement the use of proceeds from the Global Offering in the next three to five financial years.

EMPLOYEES

The Group had approximately 410 full-time employees as at 30 June 2024, as compared to 410 full-time employees as at 31 December 2023. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination.

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

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Relevant Period (for the six months ended 30 June 2023: nil).

CORPORATE GOVERNANCE PRACTICES

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

On 31 August 2023, the Company appointed AOGB Professional Consultancy Services Company Limited, an external and independent accounting firm with appropriate experience and credentials as the independent internal control consultant (the “**Internal Control Consultant**”) to conduct an independent internal control review (the “**Internal Control Review**”) and demonstrate that the Company has in place adequate internal controls and procedures to comply with the Listing Rules. On 19 February 2024, the Internal Control Consultant issued a report of the Internal Control Review. In respect of the findings of the Internal Control Consultant, the Group has taken remedial actions and implemented the recommendations provided by the Internal Control Consultant. Please refer to the Company’s announcement entitled “Inside Information – Key Findings of Independent Internal Control Review and Continued Suspension of Trading” and dated 23 February 2024 for further details.

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



MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the Relevant Period. As of 30 June 2024, the Company did not have any treasury shares.

CHANGES IN DIRECTORS' INFORMATION

During the Relevant Period, Ms. QIAN Aimin was appointed as a director of Beijing Tri-Prime Gene Pharmaceutical Co.,Ltd. (北京三元基因藥業股份有限公司) (stock code: 837344.BJ) since January 2024. Save as disclosed above, during the Relevant Period, there is no other change in Directors' information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF FINANCIAL INFORMATION

Audit Committee

The Audit Committee of the Company (comprising Ms. QIAN Aimin, Mr. CHEN Shengmin and Mr. LI Bing) has reviewed the unaudited consolidated financial information of the Group for the six months ended 30 June 2024, including accounting principles and practices adopted by the Group, and discussed financial reporting matters with the Group's management.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2024, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

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

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

Notes:

- (1) Blossom Deluxe Holdings Limited has entered into a voting proxy with Blossom Glory Limited to entrust 42.69% voting rights held by Blossom Deluxe Holdings Limited in Pepper Blossom Limited to Blossom Glory Limited, which enables Blossom Glory Limited to exercise 90.26% of voting rights at the general meeting of Pepper Blossom Limited. Therefore, Blossom Glory Limited is deemed to be interested in the entire interests held by Pepper Blossom Limited. Blossom Glory Limited is held by Blossom Eternity Limited as to 71.94%, and Blossom Eternity Limited is wholly owned by Mr. ZHOU Hongyi, therefore, Mr. ZHOU Hongyi is deemed to be interested in the entire interests held by Pepper Blossom Limited.
- (2) On 22 November 2022, Ms. YU Dan was granted 19,402,000 options under the Pre-IPO Share Option Scheme. Ms. YU Dan is also deemed to be interested in the Shares held by Blossom Bliss Limited under the SFO. Please refer to the section headed "Substantial Shareholders' Interests in Securities" in this interim report for details.
- + The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2024.



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

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

Notes:

- (1) Huafang Technology is owned by Qihoo 360 Software (Beijing) Co., Ltd. (奇虎三六零軟件(北京)有限公司), Tianjin Huajiao No. 1 Technology Limited Partnership (天津花椒壹號科技合夥企業(有限合夥)) and Tianjin Huajiao No. 2 Technology Limited Partnership (天津花椒貳號科技合夥企業(有限合夥)) as to approximately 38.21% in aggregate, each of which is ultimately controlled by Mr. ZHOU Hongyi since 1 January 2020.
- (2) Huafang Technology is owned by Tianjin Huafang Feiteng Technology Center (L.P.) (天津花房飛騰科技中心(有限合夥)) (“**Huafang Feiteng**”) as to approximately 6.25%. Tianjin Huafang Feiteng No. 2 Technology Center (L.P.) (天津花房飛騰貳號科技中心(有限合夥)) (“**Huafang Feiteng No. 2**”), as a limited partner, holds as to 51.8305% of the partnership interest in Huafang Feiteng. Ms. YU Dan, an executive Director and CEO, is a limited partner of Huafang Feiteng No. 2 and holds 45.2191% of the partnership interest in Huafang Feiteng No. 2.
- + The percentage represents the number of ordinary shares/underlying shares interested divided by the number of the Company's issued shares as at 30 June 2024.

Save as disclosed above and in the section headed “Pre-IPO Share Option Scheme” and to the best knowledge of the Directors, as at 30 June 2024, none of the Directors or the chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

As at 30 June 2024, the following corporations/persons had interests of 5% or more in the issued shares or underlying shares of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Interest in ordinary Shares of the Company – Long position

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



Supplementary Information

Notes:

- (1) Blossom Deluxe Holdings Limited has entered into a voting proxy with Blossom Glory Limited to entrust 42.69% voting rights held by Blossom Deluxe Holdings Limited in Pepper Blossom Limited to Blossom Glory Limited, which enables Blossom Glory Limited to exercise 90.26% of voting rights at the general meeting of Pepper Blossom Limited. Therefore, Blossom Glory Limited is deemed to be interested in the entire interests held by Pepper Blossom Limited. Blossom Glory Limited is held by Blossom Eternity Limited as to 71.94%, and Blossom Eternity Limited is wholly owned by Mr. ZHOU Hongyi, therefore, both Mr. ZHOU Hongyi and Blossom Eternity Limited is deemed to be interested in the entire interests held by Pepper Blossom Limited.
 - (2) Global Bacchus Limited is wholly owned by Songcheng Performance, a company listed on the Shenzhen Stock Exchange (stock code: 300144) in the PRC. Therefore, Songcheng Performance is deemed to be interested in the entire interests held by Global Bacchus Limited.
 - (3) Blossom Bliss Limited is wholly owned by Huafang Feiteng. Huafang Feiteng No. 2, as a limited partner, holds as to 51.8305% of the partnership interest in Huafang Feiteng. The general partner of both of Huafang Feiteng and Huafang Feiteng No. 2 is Tianjin Yongsheng Technology Co., Ltd. (天津詠升科技有限責任公司), which is wholly owned by Ms. LI Rui (李蕊), an employee of the Company. Ms. YU Dan, an executive Director and CEO, is a limited partner of Huafang Feiteng No. 2 and holds 45.2191% of the partnership interest in Huafang Feiteng No. 2. Therefore, each of Huafang Feiteng, Huafang Feiteng No. 2, Ms. LI Rui and Ms. YU Dan, is deemed to be interested in the Shares held by Blossom Bliss Limited under the SFO. In addition, on 22 November 2022, Ms. YU Dan was granted 19,402,000 options under the Pre-IPO Share Option Scheme.
- + The percentage represents the number of ordinary Shares interested divided by the number of the issued Shares as at 30 June 2024.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2024, no person had registered an interest or a short position in the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

PRE-IPO SHARE OPTION SCHEME

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

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

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

Supplementary Information

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

Name of the Grantee	Date of Grant	Vesting Period	Exercise Period	Exercise Price	Outstanding as of 1 January 2024	Exercised during the Relevant Period	Lapsed during the Relevant Period	Cancelled during the Relevant Period	Outstanding as of 30 June 2024
Director of the Company									
Ms. YU Dan	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	19,402,000	0	0	0	19,402,000
Senior management and other employees of the Group									
Ms. LIU Tao	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	11,670,000	0	0	0	11,670,000
Mr. ZHANG Zhen	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	10,579,000	0	0	0	10,579,000
Mr. CHEN Xing	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	8,374,000	0	0	0	8,374,000
Others									
Mr. LIU Kaiyin	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	15,580,000	0	0	0	15,580,000
Mr. JIAO Yang	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	1,985,600	0	0	0	1,985,600
Ms. CHEN Xiaohui	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	1,701,600	0	0	0	1,701,600
Mr. TANG Geng	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	700,000	0	0	0	700,000
Mr. TAO Sha	22 November 2022	Four years from the date of grant	Ten years from the date of grant	0.0001	1,961,000	0	1,568,800	0	392,200
Total					71,953,200	0	1,568,800 ⁽¹⁾	0	70,384,400

Note:

- (1) 1,568,800 options lapsed during the Relevant Period as a result of the resignation of the grantee during the Relevant Period and the non-fulfilment of certain vesting condition.

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

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

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



EVENT AFTER THE RELEVANT PERIOD

The Group had no material events for disclosure subsequent to 30 June 2024 and up to the date of this report.

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	3	965,277	1,626,139
Cost of sales		(725,345)	(1,172,491)
Gross profit		239,932	453,648
Other income, net	4	20,222	29,811
Selling and marketing expenses		(67,709)	(219,229)
General and administrative expenses		(94,132)	(143,772)
Research and development expenses		(65,463)	(116,111)
Impairment loss on goodwill	11	–	(681,763)
Profit/(Loss) from operations		32,850	(677,416)
Finance costs	5	(478)	(1,067)
Profit/(Loss) before taxation	5	32,372	(678,483)
Income tax credit/(expenses)	6	2,129	(10,189)
Profit/(Loss) for the period		34,501	(688,672)
Profit/(Loss) for the period attributable to:			
Owners of the Company		34,489	(688,655)
Non-controlling interests		12	(17)
Profit/(Loss) for the period		34,501	(688,672)
Earnings/(Loss) per share	8		
– Basic (RMB)		0.03	(0.69)
– Diluted (RMB)		0.03	(0.69)



Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit/(Loss) for the period	34,501	(688,672)
Other comprehensive income/(loss)		
<i>Items that will not be reclassified to profit or loss:</i>		
– Exchange differences on translation of the Company's financial statements to presentation currency	594	4,013
– Changes in the fair value of financial assets at fair value through other comprehensive income ("FVOCI")	(8,270)	(77,769)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
– Exchange differences on translation into presentation currency	(1,413)	(2,223)
Total other comprehensive loss for the period, net of tax	(9,089)	(75,979)
Total comprehensive income/(loss) for the period	25,412	(764,651)
Total comprehensive income/(loss) for the period attributable to:		
Owners of the Company	25,544	(764,634)
Non-controlling interests	(132)	(17)
	25,412	(764,651)

Condensed Consolidated Statement of Financial Position

At 30 June 2024

	<i>Notes</i>	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Non-current assets			
Property and equipment	9	29,565	37,824
Intangible assets	10	82,080	91,386
Goodwill	11	17,394	17,394
Other financial assets	12	47,691	45,671
Deferred tax assets		17,974	17,974
		194,704	210,249
Current assets			
Trade receivables	13	4,608	3,071
Prepayments, deposits and other receivables	14	286,341	325,617
Other financial assets	12	100,838	100,838
Tax recoverable		4,196	1,709
Cash at banks and on hand	15	1,925,288	1,824,564
		2,321,271	2,255,799
Current liabilities			
Trade payables	16	67,119	64,010
Contract liabilities		82,531	82,356
Accrued expenses and other payables	17	78,743	69,830
Lease liabilities		8,729	8,001
Provision for loss on the Incident	18	154,895	154,895
		392,017	379,092
Net current assets		1,929,254	1,876,707
Total assets less current liabilities		2,123,958	2,086,956
Non-current liabilities			
Deferred tax liabilities		12,466	13,919
Lease liabilities		9,025	13,400
		21,491	27,319
Net assets		2,102,467	2,059,637
Capital and reserves			
Share capital	19(a)	694	694
Reserves		2,085,861	2,042,899
Equity attributable to owners of the Company		2,086,555	2,043,593
Non-controlling interests		15,912	16,044
Total equity		2,102,467	2,059,637



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company							Non-controlling interests	Total equity	
	Share capital	Share premium	Fair value reserve (non-recycling)	Other reserve	Share-based payment reserve	Translation reserve	Accumulated losses			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
	(Note 19(a))	(Note 19(b)(i))	(Note 19(b)(iii))	(Note 19(b)(iii))	(Note 19(b)(iv))	(Note 19(b)(v))				
At 1 January 2023 (Audited)	694	110,260	(16,558)	4,269,199	47,636	(2,288)	(1,590,552)	2,818,391	(41)	2,818,350
Loss for the period	-	-	-	-	-	-	(688,655)	(688,655)	(17)	(688,672)
Other comprehensive (loss)/income										
<i>Items that will not be reclassified to profit or loss:</i>										
Exchange differences on translation of the Company's financial statements to presentation currency	-	-	-	-	-	4,013	-	4,013	-	4,013
Changes in the fair value of financial assets at FVOCI	-	-	(77,769)	-	-	-	-	(77,769)	-	(77,769)
<i>Item that may be reclassified subsequently to profit or loss:</i>										
Exchange differences on translation into presentation currency	-	-	-	-	-	(2,223)	-	(2,223)	-	(2,223)
Total comprehensive (loss)/income for the period	-	-	(77,769)	-	-	1,790	(688,655)	(764,634)	(17)	(764,651)
Transactions with owners										
<i>Contributions and distributions</i>										
Equity settled share-based transaction	-	-	-	(37)	63,190	-	-	63,153	-	63,153
Vesting of restricted share units	-	-	-	1,969	(1,969)	-	-	-	-	-
Total transactions with owners	-	-	-	1,932	61,221	-	-	63,153	-	63,153
At 30 June 2023 (Unaudited)	694	110,260	(94,327)	4,271,131	108,857	(498)	(2,279,207)	2,116,910	(58)	2,116,852

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company									Non-controlling interests RMB'000	Total equity RMB'000
	Share capital RMB'000 (Note 19(a))	Share premium RMB'000 (Note 19(b)(i))	Fair value reserve (non-recycling) RMB'000 (Note 19(b)(ii))	Other reserve RMB'000 (Note 19(b)(iii))	Share-based payment reserve RMB'000 (Note 19(b)(iv))	Translation reserve RMB'000 (Note 19(b)(v))	Accumulated losses RMB'000	Sub-total RMB'000			
At 1 January 2024 (Audited)	694	110,260	(97,811)	4,266,105	153,197	(1,420)	(2,387,432)	2,043,593	16,044	2,059,637	
Profit for the period	-	-	-	-	-	-	34,489	34,489	12	34,501	
Other comprehensive income/(loss) <i>Items that will not be reclassified to profit or loss:</i>											
Exchange differences on translation of the Company's financial statements to presentation currency	-	-	-	-	-	594	-	594	-	594	
Changes in the fair value of financial assets at FVOCI	-	-	(8,126)	-	-	-	-	(8,126)	(144)	(8,270)	
Transfer upon disposal of financial assets at FVOCI	-	-	55,250	-	-	-	(55,250)	-	-	-	
<i>Item that may be reclassified subsequently to profit or loss:</i>											
Exchange differences on translation into presentation currency	-	-	-	-	-	(1,413)	-	(1,413)	-	(1,413)	
Total comprehensive income/(loss) for the period	-	-	47,124	-	-	(819)	(20,761)	25,544	(132)	25,412	
Transactions with owners <i>Contributions and distributions</i>											
Equity settled share-based transaction	-	-	-	102	17,316	-	-	17,418	-	17,418	
Vesting of restricted share units	-	-	-	901	(901)	-	-	-	-	-	
Total transactions with owners	-	-	-	1,003	16,415	-	-	17,418	-	17,418	
At 30 June 2024 (Unaudited)	694	110,260	(50,687)	4,267,108	169,612	(2,239)	(2,408,193)	2,086,555	15,912	2,102,467	



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
OPERATING ACTIVITIES		
Profit/(Loss) before taxation	32,372	(678,483)
<i>Adjustments for:</i>		
Finance costs	478	1,067
Income from financial products issued by banks	–	(741)
Interest income	(20,168)	(17,767)
Depreciation	6,523	10,176
Amortisation of intangible assets	9,314	10,803
Share-based payment expenses	17,316	63,190
Changes in fair value of financial products issued by banks	–	770
Loss on termination of leases	–	46
Loss on disposal of long-term assets	922	2,612
Provision for/(Reversal of) loss allowance	6,285	(92)
Impairment loss on goodwill	–	681,763
Changes in working capital:		
Trade receivables	(1,574)	800
Prepayments, deposits and other receivables	8,196	(16,937)
Contract liabilities	175	(8,857)
Trade payables	3,109	(97,457)
Accrued expenses and other payables	9,015	(4,067)
Cash generated from/(used in) operations	71,963	(53,174)
Income tax paid	(1,811)	(8,708)
Net cash generated from/(used in) operating activities	70,152	(61,882)
INVESTING ACTIVITIES		
Interest received	20,168	17,767
Income from financial products issued by banks	–	741
Purchase of financial products issued by banks	(100,838)	(111,338)
Proceeds from disposal of financial products issued by banks	100,838	431,968
Purchase of other financial assets	(2,860)	–
Loans to third parties	(700)	(53,667)
Proceeds from disposal of investments	7,570	10,000
Repayment from third parties	10,532	16,022
Payments for purchase of property and equipment	(985)	(1,483)
Proceeds on disposal of property and equipment	2,040	908
Payments for purchase of intangible assets	–	(1,498)
Proceeds from disposal of intangible assets	–	77
Net cash generated from investing activities	35,765	309,497

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
FINANCING ACTIVITIES		
Capital element of lease rentals paid	(3,888)	(6,941)
Interest element of lease rentals paid	(478)	(1,067)
Listing expenses paid	–	(78)
Net cash used in financing activities	(4,366)	(8,086)
Net increase in cash and cash equivalents	101,551	239,529
Cash and cash equivalents at beginning of the reporting period	1,824,564	1,633,031
Effect on foreign exchange rate changes	(827)	1,719
Cash and cash equivalents at end of the reporting period, represented by cash at banks and on hand	1,925,288	1,874,279



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

Huafang Group Inc. (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 1 June 2021 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the laws of the Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (stock code: 3611.HK) on 12 December 2022.

The registered office of the Company is situated on the Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The Company’s principal place of business is situated at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and the Group’s headquarters is situated at Building 5, Yard 6, Jiuxianqiao Road, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**”).

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

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

The unaudited condensed consolidated financial statements for the six months ended 30 June 2024 (the “**Interim Financial Statements**”) of the Group have been prepared in accordance with International Accounting Standards (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”).

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

2. SIGNIFICANT ACCOUNTING POLICIES

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and financial performance of the Group since 31 December 2023, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the IFRS Accounting Standards which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations issued by the IASB. They shall be read in conjunction with the Group's audited consolidated financial statements for the year ended 31 December 2023 (the "**2023 Audited Financial Statements**").

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

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those followed in the preparation of the 2023 Audited Financial Statements.

The adoption of the new/revised IFRS Accounting Standards which are relevant to the Group and effective for current period does not have any significant impact on the Group's results and financial position for the current or prior periods and does not result in any significant change in accounting policies of the Group.

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



3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Live streaming	813,046	1,486,440
Social networking	138,458	126,090
Others	13,773	13,609
	965,277	1,626,139

The Group's customer base is diversified, where there was no customer with whom transactions exceeded 10% of the Group's revenue for the six months ended 30 June 2024 and 2023.

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
At a point in time	951,504	1,612,530
Over time	13,773	13,609
	965,277	1,626,139

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

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

For the purposes of assessing segment performance and allocating resources among segments, the chief operating decision-maker (“CODM”) monitors the results, assets and liabilities attributable to each reportable segment are as follows:

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

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



For the six months ended 30 June 2024

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

Segment revenue and result

	Six months ended 30 June 2024			
	6.cn RMB'000 (Unaudited)	Huajiao RMB'000 (Unaudited)	HOLLA Group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers and reportable segment revenue	279,910	535,323	150,044	965,277
Reportable segment profit before taxation	12,811	15,973	42,313	71,097
Including:				
Host cost	190,390	417,182	13,357	620,929
Promotion and advertising expenses	10,332	17,382	31,750	59,464
Staff cost (excluded share-based payment expenses)	40,722	53,993	21,141	115,856
Depreciation	614	5,816	89	6,519
Amortisation	82	91	210	383
Capital expenditures	781	194	5	980
Interest income	(3,628)	(9,171)	(4,398)	(17,197)
Income tax credit	(1,765)	(82)	(282)	(2,129)
	Six months ended 30 June 2023			
	6.cn RMB'000 (Unaudited)	Huajiao RMB'000 (Unaudited)	HOLLA Group RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from external customers and reportable segment revenue	456,627	1,042,451	127,061	1,626,139
Reportable segment profit/(loss) before taxation	56,425	29,355	(6,950)	78,830
Including:				
Host cost	296,029	726,609	24,474	1,047,112
Promotion and advertising expenses	28,337	139,734	32,353	200,424
Staff cost (excluded share-based payment expenses)	49,485	109,209	33,981	192,675
Depreciation	1,996	5,807	2,373	10,176
Amortisation	61	1,583	228	1,872
Capital expenditures	910	1,571	500	2,981
Interest income	(9,875)	(7,638)	(254)	(17,767)
Income tax expenses/(credit)	7,528	2,943	(282)	10,189

3. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue		
Revenue from external customers and reportable segment revenue	965,277	1,626,139
Profit		
Reportable segment profit before taxation	71,097	78,830
Unallocated expenses	(12,000)	(2,362)
Depreciation and amortisation resulted from revaluation of property and equipment, and intangible assets	(8,931)	(8,931)
Finance costs	(478)	(1,067)
Impairment loss on goodwill	–	(681,763)
Share-based payment expenses	(17,316)	(63,190)
Profit/(Loss) before taxation	32,372	(678,483)

Geographical information

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<i>Revenue from external customers:</i>		
The PRC	815,679	1,499,078
Overseas	149,598	127,061
	965,277	1,626,139

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

Information about major customers

No external customers individually contributed 10% or more of the total revenue for the six months ended 30 June 2024 and 2023.



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

4. OTHER INCOME, NET

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Income from financial products issued by banks	–	741
Changes in fair value of financial products issued by banks	–	(770)
Interest income	20,168	17,767
Government grants (Note i)	882	3,047
Loss on disposal of long-term assets	(922)	(2,612)
Additional deduction value-added tax (“VAT”) (Note ii)	–	5,733
Others	94	5,905
	20,222	29,811

Notes:

- (i) In the opinion of the directors of the Company, there were no unfulfilled conditions or contingencies relating to these grants.
- (ii) According to the Announcement of the Ministry of Finance and the State Taxation Administration ([2023] No. 1), the Group's subsidiaries, as modern service companies, qualify for additional 5% deduction of input VAT from output VAT during the year ended 31 December 2023. The additional deduction was recognised as other income.

5. PROFIT/(LOSS) BEFORE TAXATION

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(a) Finance cost		
Interest on lease liabilities	478	1,067
(b) Staff costs (charged to “cost of sales”, “selling and marketing expenses”, “general and administrative expenses” and “research and development expenses”, as appropriate)		
Salaries, allowances, bonuses and other benefits in kind	98,957	154,665
Contributions to defined retirement schemes	21,159	38,010
Share-based payment expenses	17,316	63,190
	137,432	255,865

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

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

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions for the six months ended 30 June 2024 and 2023.

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
(c) Other items		
Depreciation charge (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)		
– owned property and equipment	2,858	3,238
– right-of-use assets	3,665	6,938
	6,523	10,176
Host cost	620,929	1,047,112
Amortisation of intangible assets (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)	9,314	10,803
Provision for/(Reversal of) loss allowance	6,285	(92)
Impairment loss on goodwill	–	681,763
Promotion and advertising expenses	59,469	200,424
Bandwidth expenses and server custody costs	13,852	18,828
Payment processing cost	28,267	45,498
Auditors' remuneration		
– Current period	2,722	380
– Under-provision in prior period	–	4,500



6. INCOME TAX (CREDIT)/EXPENSES

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current taxation		
The PRC Enterprise Income Tax ("EIT")		
– Current year	816	9,506
– (Over)/Under provision in prior years	(1,492)	65
	(676)	9,571
Deferred taxation		
Origination or reversal of temporary differences	(1,453)	618
	(2,129)	10,189

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

The Hong Kong Profits Tax rate for the six months ended 30 June 2024 and 2023 is 16.5%. Hong Kong Profits Tax has not been provided as the group entities established in Hong Kong had no assessable profits for the six months ended 30 June 2024 and 2023.

The tax rate in Delaware state in United States ("US") is 8.7%. The group entities established in US have not provided income tax as the Group had no assessable profits in US for the six months ended 30 June 2024 and 2023.

Singapore income tax has not been provided as the Group had no assessable profits for the six months ended 30 June 2024 and 2023.

The Group's entities established in the PRC are subject to EIT at a statutory rate of 25%, except for Huafang Technology Co., Ltd. (北京花房科技有限公司, "Huafang Technology"), Beijing Mijing Hefeng Technology Co., Ltd. (北京密境和風科技有限公司, "Mijing Hefeng") and Beijing HOLLA Technology Co., Ltd. (北京猴啦科技有限公司, "Beijing HOLLA"), which were approved to be "New and High Technology Enterprise" since October 2022, October 2021 and October 2023, respectively, with a valid period of 3 years. The "New and High Technology Enterprise" is subject to a preferential rate of 15% during the valid period. The State Taxation Administration of the PRC announced in March 2021 that enterprises engaging in research and development activities would be entitled to claim at maximum 200% of their research and development expenses as "Super Deduction". The directors of the Company consider the eligibility of the PRC subsidiaries and recognise the additional tax deduction for the six months ended 30 June 2024 and 2023.

7. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2024 and 2023.

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately RMB34,489,000 (30 June 2023: loss attributable to the owners of the Company of approximately RMB688,655,000) and the weighted average of 1,000,000,000 ordinary shares (30 June 2023: 1,000,000,000 shares) in issue during the six months ended 30 June 2024.

Weighted average number of ordinary shares:

	2024 (Unaudited) '000	2023 (Unaudited) '000
Issued ordinary shares at 1 January	1,000,000	1,000,000
Weighted average number of ordinary shares at 30 June	1,000,000	1,000,000

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to owners of the Company of approximately RMB34,489,000 (30 June 2023: loss attributable to the owners of the Company of approximately RMB688,655,000) and the weighted average number of issued ordinary shares of 1,063,745,000 (30 June 2023: 1,044,345,000 shares) after adjusting the effects of dilutive potential ordinary shares during the six months ended 30 June 2024, calculated as follows:

Weighted average number of ordinary shares (diluted):

	2024 (Unaudited) '000	2023 (Unaudited) '000
Weighted average number of ordinary shares at 30 June	1,000,000	1,000,000
Effect of deemed issue of shares under the Company's share option scheme	63,745	44,345
Weighted average number of ordinary shares (diluted) at 30 June	1,063,745	1,044,345

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



9. PROPERTY AND EQUIPMENT

(a) Reconciliations of carrying amounts

	Office equipment and furniture <i>RMB'000</i>	Electronic equipment <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Leasehold improvement <i>RMB'000</i>	Leasehold properties <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:						
At 1 January 2024 (Audited)	4,301	16,024	2,160	12,497	39,769	74,751
Additions	159	23	803	-	241	1,226
Disposals	(1,687)	(4,556)	(871)	-	-	(7,114)
At 30 June 2024 (Unaudited)	2,773	11,491	2,092	12,497	40,010	68,863
Accumulated depreciation:						
At 1 January 2024 (Audited)	(1,119)	(11,427)	(219)	(5,584)	(18,578)	(36,927)
Charge for the period	(924)	(447)	(247)	(1,240)	(3,665)	(6,523)
Written back on disposals	1,607	2,377	168	-	-	4,152
At 30 June 2024 (Unaudited)	(436)	(9,497)	(298)	(6,824)	(22,243)	(39,298)
Net carrying amount:						
At 30 June 2024 (Unaudited)	2,337	1,994	1,794	5,673	17,767	29,565
At 31 December 2023 (Audited)	3,182	4,597	1,941	6,913	21,191	37,824

10. INTANGIBLE ASSETS

	Copyrights, trademark and technology <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:			
At 1 January 2024 (Audited)	202,727	5,720	208,447
Exchange realignments	–	25	25
At 30 June 2024 (Unaudited)	202,727	5,745	208,472
Accumulated amortisation:			
At 1 January 2024 (Audited)	(114,539)	(2,522)	(117,061)
Charge for the period	(8,959)	(355)	(9,314)
Exchange realignments	–	(17)	(17)
At 30 June 2024 (Unaudited)	(123,498)	(2,894)	(126,392)
Net carrying amount:			
At 30 June 2024 (Unaudited)	79,229	2,851	82,080
At 31 December 2023 (Audited)	88,188	3,198	91,386

The copyrights, trademark and technology of approximately RMB75,432,000 (30 June 2023: RMB91,039,000) and approximately RMB3,383,000 (30 June 2023: RMB5,638,000) that were mainly acquired through business combination in Huajiao-6.cn merger and HOLLA Group, respectively, which relate to live streaming and social networking copyrights during the six months ended 30 June 2024 and 2023.

The copyrights, trademark and technology are tested for impairment at least annually.



11. GOODWILL

	RMB'000
Cost:	
At 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	2,542,997
Accumulated impairment losses:	
At 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	2,525,603
Net carrying amount: At 30 June 2024 (Unaudited)	17,394
At 31 December 2023 (Audited)	17,394

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

	<i>Notes</i>	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
6.cn	11(a)	–	–
HOLLA Group	11(b)	17,394	17,394
Tianjin Maijike Network Technology Co., Ltd. (“Maijike”)	11(c)	–	–
Total		17,394	17,394

(a) 6.cn CGU

The goodwill arising on acquisition of 6.cn was fully impaired during the year ended 31 December 2023.

(b) HOLLA Group CGU

The goodwill at 30 June 2024 amounting to approximately RMB17,394,000 arose on the acquisition of HOLLA Group.

(c) Maijike CGU

The goodwill arising on acquisition of Maijike was fully impaired during the year ended 31 December 2022.

12. OTHER FINANCIAL ASSETS

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Current		
Financial products issued by banks (xi)	100,838	100,838
Non-current		
Financial assets measured at FVOCI		
– Investment in Tianjin Jiadui Technology Co., Ltd. (天津佳對科技有限公司, “ Tianjin Jiadui ”) (i)	–	–
– Investment in Wuhan Qijifangzhou Information Technology Co., Ltd. (武漢奇蹟方舟信息技術有限公司, “ Wuhan Qijifangzhou ”) (ii)	15,871	15,163
– Investment in Chengdu Xundui Culture Communication Co., Ltd. (成都尋對文化傳媒有限公司, “ Chengdu Xundui ”) (iii)	–	–
– Investment in Battuta Technology Pte. Ltd. (“ Battuta ”) (iv)	15,771	15,456
– Investment in Chengdu Aobeisha Cultural Communication Co., Ltd. (成都奧貝沙文化傳媒有限公司, “ Chengdu Aobeisha ”) (v)	–	–
– Investment in Chengdu Lailiaoyiliao Cultural Communication Co., Ltd. (成都來聊一聊文化傳媒有限公司, “ Chengdu Lailiaoyiliao ”) (vi)	–	–
– Investment in Hainan Lefuqiyu Technology Co., Ltd. (海南樂芙奇遇科技有限公司, “ Hainan Lefuqiyu ”) (vii)	–	8,026
– Investment in Investee Company (as defined in the 2023 Audited Financial Statements) (viii)	–	–
– Investment in Billionaire Pte Ltd. (“ Billionaire ”) (ix)	–	7,026
– Investment in Typing Technology Pte. Ltd (“ Typing ”) (x)	16,049	–
	47,691	45,671

- (i) The Group holds 25% of the interests of Tianjin Jiadui, which operates an online dating platform in the PRC during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Tianjin Jiadui. Since the major changes in market conditions and the uncertainty of profitability, Tianjin Jiadui is currently adjusting its business focus. In view of the uncertainty of Tianjin Jiadui's business prospect, the directors of the Company consider the fair value of Tianjin Jiadui would be insignificant.
- (ii) The Group holds 25% of the interests of Wuhan Qijifangzhou, which is an information technology service provider in the PRC during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Wuhan Qijifangzhou.
- (iii) The Group holds 25% of the interests of Chengdu Xundui, which operates an online social networking platform in the PRC the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Chengdu Xundui. Chengdu Xundui was deregistered during the six months ended 30 June 2024.



12. OTHER FINANCIAL ASSETS (CONTINUED)

- (iv) The Group holds 15.625% of the interests of Battuta, which operates an online social networking platform during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Battuta.
- (v) The Group holds 25% of the interests of Chengdu Aobeisha, which operates an online social networking platform in the PRC during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Chengdu Aobeisha. Since the major changes in market conditions and the uncertainty of profitability, Chengdu Aobeisha is currently adjusting its business focus. In view of the uncertainty of Chengdu Aobeisha's business prospect, the directors of the Company consider the fair value of Chengdu Aobeisha would be insignificant. Chengdu Aobeisha was deregistered subsequent to 30 June 2024.
- (vi) The Group holds 30% of the interests of Chengdu Lailiaoyiliao, which operates an online social networking platform in the PRC during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Chengdu Lailiaoyiliao. Since the major changes in market conditions and the uncertainty of profitability, Chengdu Lailiaoyiliao is currently adjusting its business focus. In view of the uncertainty of Chengdu Lailiaoyiliao's business prospect, the directors of the Company consider the fair value of Chengdu Lailiaoyiliao would be insignificant during the six months ended 30 June 2023. The residual value of approximately RMB288,000 was recovered during the six months ended 30 June 2024. Chengdu Lailiaoyiliao was deregistered subsequent to 30 June 2024.
- (vii) The Group holds 25% of the interests of Hainan Lefuqiyu, which operates an online social networking platform in the PRC during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Hainan Lefuqiyu. Hainan Lefuqiyu was deregistered and residual value of approximately RMB282,000 was recovered during the six months ended 30 June 2024.
- (viii) The Group holds 25% of the interests of the Investee Company, which operates an online social networking platform in the PRC during the six months ended 30 June 2023. The Group has not appointed any directors or participated in the operations of Investee Company. The fair value of the investment was fully impaired during the year ended 31 December 2022 as the Investee Company's business operation had been suspended with no significant assets retained due to the Incident as defined and disclosed in the 2023 Audited Financial Statements.
- (ix) The Group holds 28% of the interests of Billionaire, which operates an online social networking platform in Singapore during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Billionaire. During the six month ended 30 June 2024, the Group disposed Billionaire for approximately RMB7,000,000.
- (x) The Group holds 25% of the interests of Typing, which operates an online social networking platform in Singapore during the six months ended 30 June 2024. The Group has not appointed any directors or participated in the operations of Typing.
- (xi) Details of the financial products issued by banks are set out in Note 20(a) to the Interim Financial Statements.

13. TRADE RECEIVABLES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Trade receivables	4,645	3,071
Less: loss allowance	(37)	–
	4,608	3,071

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

Ageing analysis

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Within 3 months	4,645	3,071
Less: loss allowance	(37)	–
	4,608	3,071



14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Prepayments for purchase of services	16,646	13,489
Deposits	3,154	3,564
Deposit for acquisition of equity interests of a company (iv)	–	15,000
Detained fund pending final judgement (iii)	154,895	154,895
Loans to Battuta and its subsidiary (i)	40,000	47,791
Loans to third parties (ii)	35,807	37,848
Amounts due from third parties	16,274	17,453
Receivable from third party payment platform	32,433	40,437
Deductible input VAT	2,309	4,068
Government grant receivables	4,042	4,042
Others	7,291	7,292
	312,851	345,879
Less: loss allowance	(26,510)	(20,262)
	286,341	325,617

- (i) During the year ended 31 December 2023, the Group offered unsecured and interest-free loans to Battuta and its subsidiary in an aggregate principal amount of approximately RMB47,791,000, which is repayable in 12 months. During the six months ended 30 June 2024, the Group recovered approximately RMB7,791,000 from Battuta.
- (ii) During the year ended 31 December 2023, the Group offered unsecured and interest-free loans to Typing and its subsidiary in principal amount of approximately RMB15,004,000, which is repayable in 12 months. During the six months ended 30 June 2024, the Group recovered approximately RMB704,000 from Typing and its subsidiary and further advanced interest free loans in an aggregate principal amount of approximately RMB700,000, which is repayable in 12 months.

During the years ended 31 December 2023, the Group offered unsecured and interest-free loans to Beijing Sandou Technology Co., Ltd. (“**Beijing Sandou**”) in principal amount of approximately RMB19,300,000, which is repayable in 12 months. At 31 December 2023, the Group recognised loss allowance of approximately RMB19,300,000 after taking into account the financial position of Beijing Sandou by the directors of the Company and the Group recovered approximately RMB631,000 during the six months ended 30 June 2024.

During the year ended 31 December 2023, the Group offered unsecured and interest free loans to Turned E Pte. Ltd. (“**Turned E**”) in principal amount of approximately USD500,000 (equivalent to approximately RMB3,544,000), which is repayable in 12 months. During the six months ended 30 June 2024, the Group recovered approximately USD200,000 (equivalent to approximately RMB1,406,000) from Turned E.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (CONTINUED)

- (iii) The Group had tendered Detained Funds of approximately RMB154,895,000 to the relevant PRC authorities due to the Incident as disclosed in the 2023 Audited Financial Statements.
- (iv) On 29 December 2023, the Group paid approximately RMB15,000,000 to acquire 25% equity interests of Typing. During the six months ended 30 June 2024, the application to register as a shareholder of Typing was completed and classified as financial assets measured at FVOCI.

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

15. CASH AT BANKS AND ON HAND

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
RMB	1,583,396	1,640,429
USD	325,523	66,606
Hong Kong dollars ("HKD")	16,264	117,421
Singapore dollars ("SGD")	105	108
	1,925,288	1,824,564

16. TRADE PAYABLES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Hosts	43,546	46,834
Advertisers	11,563	9,584
Bandwidth providers	3,035	1,591
Others	8,975	6,001
Total	67,119	64,010



16. TRADE PAYABLES (CONTINUED)

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
1 to 3 months	63,306	62,013
4 to 6 months	1,094	666
7 to 12 months	2,286	559
Over 1 year	433	772
	67,119	64,010

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

17. ACCRUED EXPENSES AND OTHER PAYABLES

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Accrued expenses	14,949	15,036
Deposits	700	300
Amounts due to related parties	708	925
Payables for staff related cost	38,598	36,392
Payables for other taxes	9,730	9,098
Others	14,058	8,079
	78,743	69,830

Note:

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

18. PROVISION FOR LOSS ON THE INCIDENT

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
At beginning and end of the reporting period	154,895	154,895

The provision for loss on the Incident represented the management of the Group's best estimate of the outcome of the Incident as set out in Note 2(c)(i) to the 2023 Audited Financial Statements.

During the six months ended 30 June 2024 and up to the date of the approval of Interim Financial Statements, there is no significant judicial progress of the Incident.

19. CAPITAL, RESERVES AND DISTRIBUTIONS**(a) Share capital**

	Number of ordinary shares '000	Amount RMB'000
Issued and fully paid:		
1 January 2023 (Audited), 31 December 2023 (Audited), 1 January 2024 (Audited) and 30 June 2024 (Unaudited)	1,000,000	694

(b) Nature and purpose of reserves**(i) Share premium**

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

(ii) Fair value reserve (non-recycling)

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



19. CAPITAL, RESERVES AND DISTRIBUTIONS (CONTINUED)

(b) Nature and purpose of reserves (Continued)

(iii) Other reserve

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

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

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

At 30 June 2024, the statutory reserve made by the Company’s PRC subsidiaries amounting to approximately RMB167,891,000 (30 June 2023: approximately RMB170,530,000) were included in the Group’s reserves.

As disclosed in Note 23 to the consolidated financial statements in the 2023 Audited Financial Statements, Tianjin Huafang Feiteng Technology Center (L.P.) (天津花房飛騰科技中心(有限合夥)) (“**Huafang Feiteng**”) is controlled by the Company and therefore the unvested portion of shares issued to Huafang Feiteng was presented as other reserve. The other reserve represents the shares held by Huafang Feiteng controlled by the Company for the restricted share unit scheme.

(iv) Share-based payment reserve

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

(v) Translation reserve

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

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Fair value measurement

(i) Financial assets and liabilities measured at fair value

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

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

Recurring fair value measurement	Fair value at 30 June 2024 RMB'000 (Unaudited)	Fair value measurements at 30 June 2024 categorised into		
		Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)
Financial assets:				
Financial products issued by banks	100,838	–	–	100,838
Unlisted equity investments	47,691	–	–	47,691
	148,529	–	–	148,529

Recurring fair value measurement	Fair value at 31 December 2023 RMB'000 (Audited)	Fair value measurements at 31 December 2023 categorised into		
		Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)
Financial assets:				
Financial products issued by banks	100,838	–	–	100,838
Unlisted equity investments	45,671	–	–	45,671
	146,509	–	–	146,509

During the six months ended 30 June 2024 and 2023, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.



20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (continued)

Information about Level 3 fair value measurements

(i) Financial products issued by banks

Financial products issued by banks were mainly principal-guaranteed structured deposits, while the rest were short-term and redeemable on-demand investment products. The financial products issued by banks typically had a maturity period of less than three months during the six months ended 30 June 2024 and the year ended 31 December 2023.

The fair value of financial products issued by banks has been estimated and report by the banks on a monthly basis. The unobservable inputs are the expected annual return rate fixed in the investment contracts.

At 30 June 2024 and 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease of expected annual return rate by 1% would have increased/decreased (31 December 2023: decrease/increase) the Group's profit before taxation (31 December 2023: loss before taxation) by approximately RMB1,008,000 and approximately RMB1,008,000, respectively.

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
At the beginning of the reporting period	100,838	422,238
Addition	100,838	111,338
Disposal	(100,838)	(431,968)
Change in fair value	–	(770)
At the end of the reporting period	100,838	100,838

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

Information about Level 3 fair value measurements (Continued)

(ii) Unlisted equity investments

The carrying amount of equity investments are measured at fair values in the consolidated statements of financial position at 30 June 2024 and 31 December 2023. The Group's equity investments are investments in unlisted companies. The Group determines the fair value by adopting the precedent transaction analysis, income approach or cost approach, as appropriate. The valuation involves the management of the Group's estimates on recent transaction prices or cash flow forecast for the relevant business and requires the adoption of certain assumptions such as budgeted sales, gross margin, other related expenses, discount rate and terminal growth rate and fair value of relevant assets and liabilities. Where observable market data is not available, or where instruments are not liquid, estimates must be developed based on the most appropriate source data.

At 30 June 2024 and 31 December 2023, it is estimated that with all other variables held constant, an increase/decrease in the fair values of equity investments by 1% would have increased/decreased (31 December 2023: decreased/increased) the Group's other reserve by approximately RMB477,000 and approximately RMB457,000, respectively.

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
At the beginning of the reporting period	45,671	133,777
Addition	17,860	4,000
Disposal	(7,570)	(10,000)
Change in fair value	(8,270)	(82,106)
At the end of the reporting period	47,691	45,671



20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value measurement (Continued)

Information about Level 3 fair value measurements (Continued)

(ii) Unlisted equity investments (Continued)

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

Assets	Fair value hierarchy	Valuation technique	Significant unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value	Sensitivity of unobservable inputs
Equity investment in Wuhan Qijifangzhou	Level 3	Discounted cash flow method (31 December 2023: Discounted cash flow method)	Long-term growth rate	2%-4% (31 December 2023: 2%-4%)	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/decrease 1% result in increase/decrease in fair value by approximately RMB1,297,000/RMB1,063,000 (31 December 2023: RMB1,195,000/RMB993,000)
			Discount rate	12%-14% (31 December 2023: 13%-15%)	The higher discount rate, the lower fair value of the investment, and vice versa	Increase/decrease 1% result in decrease/increase in fair value by approximately RMB1,511,000/RMB1,854,000 (31 December 2023: RMB1,483,000/RMB1,796,000)
Equity investment in Battuta	Level 3	Discounted cash flow method (31 December 2023: Discounted cash flow method)	Long-term growth rate	2%-4% (31 December 2023: 2%-4%)	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/decrease 1% result in increase/decrease in fair value by approximately RMB1,117,000/RMB916,000 (31 December 2023: RMB1,679,000/RMB1,374,000)
			Discount rate	12%-14% (31 December 2023: 12%-14%)	The higher discount rate, the lower fair value of the investment, and vice versa	Increase/decrease 1% result in decrease/increase in fair value by approximately RMB1,494,000/RMB1,817,000 (31 December 2023: RMB1,861,000)/RMB2,286,000
Equity investment in Typing	Level 3	Discounted cash flow method (31 December 2023: N/A)	Long-term growth rate	2%-4% (31 December 2023: N/A)	The higher long-term growth rate, the higher fair value of the investment, and vice versa	Increase/decrease 1% result in increase/decrease in fair value by approximately RMB160,000/RMB321,000
			Discount rate	12%-14% (31 December 2023: N/A)	The higher discount rate, the lower fair value of the investment, and vice versa	Increase/decrease 1% result in decrease/increase in fair value by approximately RMB275,000/RMB285,000

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)**(b) Fair values of financial instruments assets and liabilities carried at cost other than fair value**

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair value at 30 June 2024 and 31 December 2023.

21. MATERIAL RELATED PARTY TRANSACTIONS AND BALANCES

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

Chinese name of related party	English name of related party	Relationship
北京奇虎科技有限公司	Beijing Qihu Technology Co., Ltd.*	controlled by controlling shareholder
北京三六零智領科技有限公司 (前稱：北京鴻享技術服務有限公司)	Beijing 360 Intelligent Technology Co., Ltd.* (Formerly known as: Beijing Hongxiang Technology Service Co., Ltd.)	controlled by controlling shareholder
北京三六零數智科技有限公司 (前稱：北京鴻盈信息技術有限公司)	Beijing 360 Digital Intelligence Technology Co., Ltd.* (Formerly known as: Beijing Hongying Technology Service Co., Ltd.)	controlled by controlling shareholder
天津奇瀚科技有限公司	Tianjin Qihan Technology Co., Ltd.*	controlled by controlling shareholder
北京奇元科技有限公司	Beijing Qiyuan Technology Co., Ltd.*	controlled by controlling shareholder

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

(a) Transactions with related parties

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Charges of rental services	182	–
Charges of other services*	6,550	11,497

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



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

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

	At 30 June 2024 RMB'000 (Unaudited)	At 31 December 2023 RMB'000 (Audited)
Prepayments, deposits and other receivables*	422	332
Trade payables	1,030	2,108
Accrued expenses and other payables	708	925

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

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

(c) Key management personnel remuneration

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

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Short-term employee benefits	2,903	4,105
Post-employment benefits	74	151
Share-based payments expenses	10,709	33,688
	13,686	37,944

22. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved by the Board on 26 August 2024.