

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



BABYTREE GROUP

寶寶樹集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1761)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the “**Board**”) of directors (the “**Directors**”) of BabyTree Group (the “**Company**” or “**BabyTree**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended December 31, 2022 together with the comparative figures for the year ended December 31, 2021.

In this announcement, “we”, “us”, and “our” refer to the Company and where the context otherwise requires, the Group.

KEY HIGHLIGHTS

Set forth below are our key highlights for the year ended December 31, 2022:

1. Our total revenue for the year ended December 31, 2022 was RMB314.6 million, representing a year-on-year increase of 11.6%, while we recorded loss for the year of RMB467.6 million, representing a year-on-year increase of 20.8%;
2. As of December 31, 2022, our BabyTree WeChat community had approximately 1.6 million community active members, being the largest community in scale as well as the most active community in the Internet M&C industry;
3. As of December 31, 2022, the core monetization user traffic of our BabyTree Parenting App remained solid at 21.6 million;
4. The second-day retention rate of our BabyTree Parenting App remained relatively stable at 52.6% for the year ended December 31, 2022.

KEY OPERATIONAL DATA

	For the year ended December 31, 2022	For the year ended December 31, 2021	Year-on-year change ⁽⁴⁾
Core monetization user traffic (<i>in million</i>) ⁽¹⁾	21.6	21.6	0
Second-day retention rate (%) ⁽²⁾	52.6	50.7	1.9
Number of community members ⁽³⁾	1,620,000	1,140,000	42.1%

Notes:

- (1) “Core monetization user traffic” refers to monthly active user (“MAU”) of our BabyTree Parenting App (the “App”), calculated by counting the number of active users during the calendar month in question. The number of MAUs of our mobile apps is tracked and calculated by Umeng (友盟), a third-party data tracking service provided by Beijing Ruixunlingtong Technology Co., Ltd (北京銳訊靈通科技有限公司). The average number of MAUs of BabyTree is approximately 77.8 million as of December 31, 2022.
- (2) “Second-day retention rate” refers to the percentage of active users on the App that remained active users in the second day. The number of second-day retention rate is tracked and calculated by QuestMobile, a third-party data tracking service provided by Beijing Guishi Information Technology Limited (北京貴士信息科技有限公司).
- (3) “Number of community members” refers to the number of users in BabyTree WeChat communities.
- (4) The year-on-year change of core monetization user traffic represents the percentage change. The year-on-year change of second-day retention rate represents the difference between the years indicated. The year-on-year change of number of community users represents the percentage change.

KEY FINANCIAL DATA

	For the year ended December 31, 2022 RMB'000	For the year ended December 31, 2021 RMB'000	Year-on-year change (%)
Revenue	314,556	281,823	11.6
– Advertising	234,322	255,578	–8.3
– E-commerce	76,947	23,885	222.2
– Others	3,287	2,360	39.3
Gross profit	135,250	170,720	–20.8
Gross profit margin	43.0%	60.6%	–17.6
Loss for the year	(467,623)	(387,114)	–20.8

BUSINESS REVIEW AND OUTLOOK

Our leading market position and the overall M&C market expansion

As a trusted maternity and children (“M&C”) brand in the People’s Republic of China (“PRC”) for 16 years, we strive to deliver products and services of premium quality to our customers. According to BigData-Research (比達諮詢), BabyTree Parenting App continued to rank first among the Internet M&C platforms in the PRC in terms of user coverage ratio, monthly active users, second-day retention rate and usage rate for Generation Z (the demographic cohort of individuals born from 1995 to 2009) M&C users for the year ended December 31, 2022. As we shape the Internet M&C market leveraging our leading position, the ever-evolving and policy-oriented M&C industry greatly influences our business strategies as well.

Supportive birth-encouraging policies and social environment

Since the promulgation of three-child policy in May 2021 in the PRC, the PRC government put forward supporting policies to encourage birth. On August 16, 2022, 17 departments of the PRC government jointly issued the Guiding Opinions on Further Improving and Implementing the Supportive Measures for Encouraging Childbirth (《關於進一步完善和落實積極生育支持措施的指導意見》) (the “Opinions”). A number of new methods of implementing the three-child policy regarding housing, social insurance, childcare, education and maternity leave were introduced nationwide through the Opinions, which were designed to encourage childbirth and embodied the determination of the PRC government to promote long-term and balanced population development. Subsequently, local authorities in different provinces started to explore supporting measures to implement the three-child policy and the Opinion. For instance, the Guangdong local authorities actively draw on experience from the international community to explore the provision of inclusive economic subsidies for children. The Beijing local authorities gradually establish and improve the family subsidy system for child-rearing. The local authorities of Zhejiang, Hunan, Jilin and Heilongjiang have proposed

to establish a childcare subsidy system in the newly revised population and family planning regulations. As policies and supporting measures were gradually put into place, a birth-friendly social environment is gradually taking shape. Apart from policies encouraging birth, the PRC government also pays much attention to child development. For instance, with the implementation of the “double reduction” policy (雙減政策), the PRC Government has further reduced the burden of curriculum study and off-campus training for students, so as to promote all-round development of children in terms of morality, intelligence, physical fitness and aesthetic sense. It is expected that the combined effects of the above-mentioned policies will promote the balanced development of China’s population in the long run.

Moreover, in 2022, the PRC government has implemented a number of policies to promote economic growth, strengthen innovative and technological transformation and boost consumer confidence. As a result, the improvement of household consumption capacity has further promoted the growth of Internet M&C platforms industry. According to BigData-Research, the average revenue per user generated from M&C families in the PRC has recorded continuous growth over the past five years, which is estimated to reach RMB6,785 and RMB7,410 by the end of 2023 and 2024, respectively.

The social environment of M&C industry has also witnessed fundamental transformation as the Generation Z has now become the key consumer group, who indirectly shifted the industry standards and the service patterns. Traditional parenting methods have therefore been gradually replaced by refined and comprehensive scientific parenting concepts. We are delighted to have benefited greatly from our deep understanding of the users’ needs and consumption habits.

Impact of COVID-19

During 2022, the COVID-19 pandemic continued to rage in the PRC, especially in tier one cities like Beijing and Shanghai. Consequently, our business operation and financial performance in 2022 were adversely affected both directly and indirectly by the stringent prevention and control measures such as travel restrictions and lockdowns. For instance, our overall business development was seriously affected due to the loss of opportunity to travel onsite and our customers’ tightened budget for advertisement placement, causing a number of our advertising projects being interrupted. However, despite the challenging business environment, the Group has strived to improve its operational efficiency and formulate strategic expansion plans to prepare itself for the post-pandemic consumption patterns and advertising models.

Outlook for 2023

Against the backdrop of continuous improvement and implementation of birth-supportive measures, the Internet M&C market actively deploys its resources to promote growth, establish the Internet M&C ecosystem under brand-new business models and stimulate the ever-evolving user markets. As the concepts of scientific and quality parenting prevail, we will continue to gain deep insight into the needs of young families, timely adjust our marketing strategies, accurately capture the user consumption behaviors by intelligent means, improve our product matrix and service scenarios aided by big data and ultimately, provide users with professional knowledge and caring services.

Continue to gain better insight into the M&C industry and the M&C users

To understand our users and optimize our products and services

Currently, the M&C contents and products are constantly evolving as the number of M&C users of Generation Z continues to rise, with its core of users' needs remain unchanged. The Group has always been keeping abreast of users' needs, exploring changes thereof and constantly upgrading our product functions in order to provide users with better services and experiences. In terms of our product, we have optimized the overall user experience of pregnancy photo recording tools and recently added the portal of pregnancy recording tools – Pregnancy Weekly (孕育周刊) on the BabyTree Parenting App. For families with multiple children, we have introduced new user mode to cater for their needs. We continue to bring product innovation driven by technology innovation. For instance, we have launched the AI Parent Story-telling (爸媽AI講故事), an intelligent voice-imitation function on the BabyTree Parenting App, through which users' voices can be recorded and imitated, thus forming the AI storytelling the voices of which babies are familiar with. As of December 31, 2022, the post-pregnancy users and users in the Father Edition on our platform accounted for 53.2% and 15.4%, respectively, of our total users. We believe that our ongoing upgrade and optimization on our products have greatly enhanced the overall user experience, extended the user life cycle and enhanced the users' propensity to spend.

To continuously improve user activity on our platform through refined operation

With the aim of providing users with high-quality and efficient contents and services, we continue to carry out refined operations through technical means. By focusing on the individual needs of users and applying the multi-dimensional data analysis methods, we can obtain a full picture of our user profile, and thus provide users with better services. In terms of user activity, we have formed a cooperative working group to promote the development and integration of search, feed and push functions based on our understanding on the user journey. The main path for users to enter the BabyTree Parenting App has been constantly upgraded and iterated, forming the strategy of layer-by-layer content support. In terms of user retention, we continue to optimize users' first-time experience with us, enrich high-quality contents, increase exposure and enhance the overall content quality aided by our content-based tools. For the year ended December 31, 2022, the second-day retention rate of BabyTree Parenting App reached 52.6%, with a year-on-year increase of 1.9%. Also, the average daily usage time per person reached 10.5 minutes, which was well ahead of our competitors. 883,277 pieces of user-generated contents (“UGC”) and 23,180 pieces of professionally-generated contents (“PGC”) were published. The second-day retention rate of pregnancy and post-pregnancy related content-based tools recorded a 2.3% and 3.3% year-on-year growth, respectively.

To strengthen the web-wide user operation system and extend our brand value

In an environment where the fragmentation of consumption scenarios is intensifying and users' attention becomes increasingly spread out, the competition for traffic portals is becoming increasingly fierce, while the web-wide traffic layout has become the inevitable trend. The Group is committed to providing the most professional M&C knowledge. In order to build a world-leading M&C family ecosystem, we have established full-cycle product and service systems ranging from online communities to complex ecosystem, with the targeted contents ranging from pregnancy preparation to pregnancy and parenting.

The development of our WeChat communities experienced continuous growth. As of December 31, 2022, the total number of BabyTree WeChat communities reached 13,904, with the total number of community members reaching 1,620,000. We are positioned to serve the Generation Z community, committed to cultivating community ecosystem and developing valued experiences. With our goals set on “knowledge, socializing, recording and shopping”, we established different communities based on users' common interests and values through unique themes and special consumption scenarios. Also, we had enhanced the cohesion between community members through frequent online and offline activities. For the year ended December 31, 2022, we have held more than 30 offline activities in more than 20 cities in the PRC. At the same time, relying on our unique community administration system and accurate user classification, we set our customer-to-manufacturer (“C2M”) business and business solutions as the dual cores. For the year ended December 31, 2022, the purchase penetration rate of e-commerce users in our communities exceeded 51.2%. In the meantime, the development of our WeChat communities has contributed to the formulation of over 170 advertising projects, which assist our advertising business in providing customers with diversified solutions. Through continuous innovation of our front-end business, the sales in the new marketing mode have gained momentum.

We intend to further utilize our successful experience in developing WeChat communities and BabyTree Parenting App for the development of our business on other external platforms. As of December 31, 2022, we have accumulated approximately 3.0 million followers in total on external platforms, including Weibo (微博), WeChat Official Account (微信公眾號), Douyin (抖音), Kuaishou (快手) and Xiaohongshu (小紅書). Going forward, we will continue to integrate our cross-platform resources so as to realize multi-scenario coverage and ultimately achieve long-term growth.

Continue to build the BabyTree brand by developing different business sections

As the ceiling on platform user traffic starts to take shape, and other industry giants stride into the M&C business, the market competition of the M&C industry further intensified, presenting great challenge for the advertising business. Amid the fierce competition, during 2022, we strived to consolidate our traditional advertising business and making full use of our brand name and channel resources to build up our C2M business.

B2B business solutions

Traditional advertising

For the year ended December 31, 2022, we continued to monetize our user traffic through integrated management of advertising business. Guided by the strategy of integrating different business sections, optimizing existing resources and reducing unnecessary expenses or expenses with low commercial value, we continued to exert efforts on developing M&C related customers, improve our integrated marketing capabilities and our community operation capabilities through developing our M&C marketing intellectual properties both online and offline, in order to create our exclusive “integration of brand establishment and marketing effectiveness” for our advertising customers.

For the year ended December 31, 2022, the revenue derived from traditional brand advertising amounted to RMB193.7 million. Our traditional brand advertising contributed approximately 82.6% of the Group’s revenue generated from our advertising business.

Self-serve advertising

We have continued to capitalize on the self-serve advertising services in 2022. However, primarily due to the impact of COVID-19 and the nationwide macroeconomic downturn, the revenue for this business segment declined slightly compare with that in 2021.

In 2022, the revenue generated from self-serve advertising amounted to approximately RMB40.7 million, representing approximately 17.4% of the Group’s revenue generated from our advertising business and with the gross profit margin remained at approximately 95.0% due to the tech-driven business nature.

Outlook for 2023

In 2023, we aim to deepen the transformation from capitalizing on user traffic to capitalizing on capabilities, develop innovative projects and expand our customer base comprehensively.

We will vigorously promote customer acquisition through enriching innovative projects, create M&C related atmosphere through synergizing with manufacture, operation and research departments, launch projects directly tailored to M&C related industries.

E-commerce and C2M

For the year ended December 31, 2022, the Company’s e-commerce and C2M businesses have generated revenue of RMB76.9 million, representing a 222.2% growth compared to RMB23.9 million for the same period in 2021. However, the corresponding gross profit margin decreased to 32.9% for the year ended December 31, 2022 from 81.4% for the same period in 2021. The change was mainly attributable to our efforts in developing our self-owned brand which has a lower gross profit margin and the lower gross profit margin of our third-party operation business.

Combination of dual-track mode of private domain and online mall to forge new M&C E-commerce channels

BabyTree accelerates the construction of a web-wide ecosystem to reach more users, cover longer user life cycle and infiltrate more diverse user activity scenarios. Therefore, BabyTree is able to establish more frequent connections and deeper trust mechanism with our users.

In 2022, Babytree e-commerce made continuous breakthrough in the dual-track mode of private domain combined with online mall. By the end of 2022, the number of BabyTree community users exceeded 1.6 million. The managers of BabyTree communities who are also new mothers themselves (the “**Mother Partners**”) are able to effectively lead the active users in our communities, gradually form a shopping chain and help establish a mechanism in which knowledge is to solve difficulties and blind spots of parenting, products are to improve the experience and quality of parenting and supply and demand in the M&C consumption becomes more matched and balanced. The number of Mother Partners in BabyTree WeChat communities has grown from 13,182 for the year ended December 31, 2021 to 100,185 for the year ended December 31, 2022, and the revenue generated from sales in our communities grew significantly by 351.0% to RMB17.7 million for the year ended December 31, 2022. Meanwhile, the average amount per customer order decreased from RMB70.0 in 2021 to RMB63.6 in 2022.

The online mall on our App focuses on refined operations, iteration and upgrade of the homepage marketing, quick link and seckill optimization. The revenue generated from sales in our App grew by 48.2% to RMB20.6 million for the year ended December 31, 2022. In terms of developing our business on external platforms, the BabyTree Douyin team has achieved breakthroughs and innovations from zero to one. For the year ended December 31, 2022, the ratings of our Douyin store continues to grow. By making full use of the popularity brought by the short videos we posted, we were able to attract and gain more followers. Some of our video shots that went viral were selected as popular recommendations on Douyin, our total video views reached over 1.8 million and the average number of viewers in each of our live streaming sessions exceeded 40,000. All these laid solid foundation for the expansion of our channel matrix in 2023.

Steadily develop our own products while optimizing our product matrix

In 2022, the main focus of the Group’s core business hinges on nutritional supplements and tissue and personal hygiene products and, coupled with the integration of internal and external resources, we developed our own brand building through internal incubation and external cooperation and strived to transform the business of the Company from the operation to incubation and management. As a result, we were able to achieve our sales target and accumulate brand assets. For the year ended December 31, 2022, our self-owned brand has a prominent role in driving the Company’s performance, and has generated the revenue of RMB30.9 million, representing a 521.1% year-on-year growth and accounted for 40.1% of the total revenue generated from our e-commerce business.

In 2022, BabyTree C2M integrated marketing goes from zero to one. We constantly seek opportunities and entry points in the blue ocean market and explore users' pain points in the red ocean market. Powered by the in-depth user insights, our self-operation team has achieved major breakthrough in 2022, including the introduction of a total of 40 SKU products.

Instead of following the traditional mode of selling each and every nutritional product to end customers, the Group developed its unique "Family Nutrition and Health Program" through which we provide new products that can cater for consumers' needs, new services including online professional evaluation, and new treatment-based marketing aimed to acquire high-value users. In 2022, empowered by our ecosystem, research capabilities and supply chain provided by Fosun, we launched two product lines to focus on the physical health of our users, including Pretty Box which tailored to the nutritional needs of female adult and Genius Key which focuses on the healthy growth of infants and children.

Our entry into the nutritional supplement sector was proven to be successful. Approximately 5,000 bottles of DHA supplements were sold out on the first day of its launch, and 180,000 bottles of prebiotic prune juice were sold in the first four months after being introduced to the market, which was included in the Tmall top-sell list. We continue to carry out research and development of nutritional supplements tailored to consumers' needs, and have successfully developed innovative nutritional snacks such as iron-rich gummies, lutein esters and probiotic gummies. Our algae oil DHA was awarded as the "Annual Infant Nutritional Products with Potential" in the Cherry Awards (櫻桃大賞), an annual event initiated within the M&C industry in the PRC.

We actively take advantage of the consumer demands in the post-pandemic era, closely cooperate with mature and professional companies from different industries, focus on the needs of M&C family users, carry out personalized product upgrades and continuously introduce new series of products, ensuring constant upgrade of our self-owned products and continuous satisfaction from the consumer side.

Outlook for 2023

In 2023, we will continue to make our way into the registered nutritional supplements area, explore joint private domains to develop our communities, upgrade and iterate the scenarios on our mall, link the contents on our App with the e-commerce end, improve the efficiency of traffic supply, develop and cultivate core offline partners, and build platform membership system to enhance user loyalty.

Our Tmall and Douyin stores will continue to shoulder the mission of embracing external platforms in 2023, build the reputation of BabyTree nutritional supplement products, and increase the penetration rate of our brand and products.

Continue to bring addition to and benefit from the Fosun ecosystem

In 2022, our Ecosystem Business Development department has empowered our C2M, B2B and user operation business lines leveraging its multi-dimensional resources and has brought about cooperation with enterprises from 67 different industries. The 88 projects currently in operation covers modules including “Health” (大健康), “Happiness” (大快樂), the banking and insurance industry operation committee and the asset management committee. While empowering different business departments, we actively explore new revenue-generating models and develop our own competitive edges.

The Fosun ecosystem empowers our C2M business from the source of the supply chain to channel development. Leveraging the expertise of Fosun supply chain experts, we are able to establish effective and efficient supply chain for our self-operated and self-owned products. Relying on our influence in the market, we were able to reach logistics and warehousing strategic cooperation with Stater Cloud (信泰雲), which greatly reduced our logistical expenses. We also opened up eight major online channels including Fosun Selection (復星甄選) and Huanyu (寰宇).

Focusing on supporting revenue generating activities of the Group

In 2023, in terms of research and development, we plan to commence cooperations with domestic and international top research institutes to support the development of our nutritional supplement products, bring in overseas brand agencies to test-run our marketing strategy, establish an ecological key account channel, promote our self-operated and self-owned products leveraging the closed ecological loops provided by Huanyu and Fosun Selection, explore more external sales channels for scenario-specific gift bags and explore tentatively the overseas offline channels. In terms of user operation, we intend to make breakthrough by adjusting our operation model and attempt to empower other M&C private domains leveraging our middle and back-end capabilities. In terms of B2B, we intend to further strengthen our competitive edges concerning the barriers of differentiation through the provision of offline M&C professional services.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2022

	Year ended December 31,	
	2022	2021
	RMB' 000	RMB' 000
Revenue	314,556	281,823
Cost of revenue	<u>(179,306)</u>	<u>(111,103)</u>
Gross Profit	135,250	170,720
Other income	11,279	40,910
Other net (losses)/gains	(54,874)	4,298
Selling and marketing expenses	(315,782)	(285,225)
General and administrative expenses	(114,923)	(123,998)
Research and development expenses	(49,741)	(48,824)
Net impairment losses on trade and other receivables and contract assets	<u>(30,992)</u>	<u>(94,465)</u>
Loss from operations	(419,783)	(336,584)
Net finance income	41	2,842
Fair value change on financial instruments measured at fair value through profit or loss	(45,660)	(60,216)
Share of losses of associates	<u>(1,110)</u>	<u>(3,439)</u>
Loss before taxation	(466,512)	(397,397)
Income tax	<u>(1,111)</u>	<u>10,283</u>
Loss for the year	<u>(467,623)</u>	<u>(387,114)</u>
Attributable to:		
Equity shareholders of the Company	(467,623)	(387,099)
Non-controlling interests	<u>-</u>	<u>(15)</u>

Revenue

Our total revenue increased by 11.6% to RMB314.6 million for the year ended December 31, 2022, compared to RMB281.8 million for the year ended December 31, 2021, primarily due to increase of revenue generated from our e-commerce business. The following table sets forth our revenue by segment for the years indicated:

	Year ended December 31,		2021	
	2022	% of total	2021	% of total
	Amount	revenue	Amount	revenue
	<i>RMB'000</i>		<i>RMB'000</i>	
Advertising	234,322	74.5%	255,578	90.7%
E-commerce	76,947	24.5%	23,885	8.5%
Others	3,287	1.0%	2,360	0.8%
Total	314,556	100.0%	281,823	100.0%

Advertising

Revenue from advertising business decreased by 8.3% to RMB234.3 million for the year ended December 31, 2022, compared to RMB255.6 million for the year ended December 31, 2021, The decrease was primarily because under the influence of COVID-19, the macroeconomic environment in China has deteriorated, and our advertising customers started to tighten their budgets, resulting in a decline in our advertising business.

E-commerce

Revenue from e-commerce business increased by 222.2% to RMB76.9 million for the year ended December 31, 2022, compared to RMB23.9 million for the year ended December 31, 2021, primarily due to our efforts in developing (i) both the online and offline sales channels and (ii) both our self-owned and co-branded C2M products.

Others

Revenue from others increased by 39.3% to RMB3.3 million for the year ended December 31, 2022, compared to RMB2.4 million for the year ended December 31, 2021, primarily due to the increased number of our customers.

Cost of Revenue

Our cost of revenue increased by 61.4% to RMB179.3 million for the year ended December 31, 2022, compared to RMB111.1 million for the year ended December 31, 2021, primarily due to the increased cost of advertising execution and the increased cost of our C2M products driven by its revenue growth. The following table sets forth our cost of revenue by segment for the years indicated:

	Year ended December 31, 2022		2021	
	Amount <i>RMB'000</i>	% of total cost of revenue	Amount <i>RMB'000</i>	% of total cost of revenue
Advertising	127,640	71.2%	106,532	95.9%
E-commerce	51,633	28.8%	4,448	4.0%
Others	33	0.0%	123	0.1%
Total	179,306	100.0%	111,103	100.0%

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit decreased by 20.8% to RMB135.3 million for the year ended December 31, 2022, compared to RMB170.7 million for the year ended December 31, 2021. Our gross profit margin decreased from 60.6% for the year ended December 31, 2021 to 43.0% for the year ended December 31, 2022. The following table sets forth our gross profit and gross profit margin by segment for the years indicated:

	Year ended December 31, 2022		2021	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Advertising	106,682	45.5	149,046	58.3
E-commerce	25,314	32.9	19,437	81.4
Others	3,254	99.0	2,237	94.8
Total	135,250	43.0	170,720	60.6

Other Income

Our other income decreased by 72.4% to RMB11.3 million for the year ended December 31, 2022, compared to RMB40.9 million for the year ended December 31, 2021, primarily due to the decrease in investment income on financial assets measured at fair value through profit or loss.

Other Net (Losses)/Gains

Our other net (losses)/gains primarily consists of net foreign exchange loss. We recorded other net gains of RMB4.3 million for the year ended December 31, 2021, while we recorded other net losses of RMB54.9 million for the year ended December 31, 2022, primarily due to fluctuations in foreign exchange rates and recognition of impairment losses of interests in associates during this year.

Selling and Marketing Expenses

Our selling and marketing increased by 10.7% to RMB315.8 million for the year ended December 31, 2022, compared to RMB285.2 million for the year ended December 31, 2021, primarily due to the traffic acquisition expenses and operation promotion expenses incurred so as to further increase our market share. Selling and marketing expenses as a percentage of revenue remained relatively stable at 101.2% and 100.4% for the year ended December 31, 2021 and 2022, respectively.

General and Administrative Expenses

Our general and administrative expenses decreased by 7.3% to RMB114.9 million for the year ended December 31, 2022, compared to RMB124.0 million for the year ended December 31, 2021, primarily due to reduced expenses arising from enhancement in our operational efficiency. General and administrative expenses as a percentage of revenue decreased to 36.5% for the year ended December 31, 2022 from 44.0% for the year ended December 31, 2021.

Research and Development Expenses

Our research and development expenses increased by 1.9% to RMB49.7 million for the year ended December 31, 2022, compared to RMB48.8 million for the year ended December 31, 2021, primarily due to our slightly increased expenditure in developing and maintaining existing IT services for research and development purposes. Research and development expenses as a percentage of revenue decreased to 15.8% for the year ended December 31, 2022 from 17.3% for the year ended December 31, 2021, primarily because the extent of our growth in revenue was greater than that in our research and development expenses in 2022.

Net Impairment Losses on Trade and Other Receivables and Contract Assets

Our net impairment losses on trade and other receivables and contract assets decreased by 67.2% to RMB31.0 million for the year ended December 31, 2022, compared to RMB94.5 million for the year ended December 31, 2021, primarily due to the decline of other receivables, at the same time we have strengthened the collection of trade and other receivables.

Loss from Operations

As a result of the foregoing, we recorded loss from operations of RMB419.8 million for the year ended December 31, 2022, representing an increase of 24.7% from the loss from operations of RMB336.6 million we incurred for the year ended December 31, 2021.

Net Finance Income

Our finance income primarily comprises interest income from deposits in banks and other financial institutions. Our net finance income decreased to approximately RMB41,000 for the year ended December 31, 2022, compared to RMB2.8 million for the year ended December 31, 2021. Such decrease was primarily due to the decrease in the interest income generated from bank deposits.

Fair Value Change on Financial Instruments Measured at Fair Value through Profit or Loss

Our fair value loss on financial instruments measured at fair value through profit or loss decreased by 24.2% to RMB45.7 million for the year ended December 31, 2022 compared to RMB60.2 million for the year ended December 31, 2021, primarily due to the impact of market volatility on the price of financial instruments.

Share of Losses of Associates

Our share of losses of associates decreased to RMB1.1 million for the year ended December 31, 2022, compared to RMB3.4 million for the year ended December 31, 2021, primarily due to the reduction in losses recorded by our associates through their improvement in operational performance.

Income Tax

We recorded income tax expense of RMB1.1 million for the year ended December 31, 2022, and recorded income tax credit of RMB10.3 million for the year ended December 31, 2021, primarily because by the end of 2021, we estimate there will be sufficient taxable profits in the foreseeable future and therefore recognised certain deferred tax assets.

Loss Attributable to Equity Shareholders of the Company

As a result of the foregoing, we recorded loss attributable to equity shareholders of the Company of RMB467.6 million for the year ended December 31, 2022, representing an increase of 20.8% from the loss attributable to equity shareholders of the Company of RMB387.1 million we incurred for the year ended December 31, 2021.

Capital Structure

Our total assets decreased from RMB2,052.3 million as of December 31, 2021 to RMB1,734.7 million as of December 31, 2022. Our total liabilities increased from RMB163.0 million as of December 31, 2021 to RMB175.9 million as of December 31, 2022. Liabilities-to-assets ratio changed from 7.9% as of December 31, 2021 to 10.1% as of December 31, 2022.

The current ratio (being the ratio of total current assets to the total current liabilities) was 8.5 as of December 31, 2022, compared to 11.6 as of December 31, 2021.

Liquidity, Financial Resources and Gearing

Our cash and other liquid financial resources (comprising (i) cash and cash equivalents including cash on hand and bank deposits and (ii) short-term bonds portfolios and wealth management products we bought), decreased from RMB1,413.9 million as of December 31, 2021 to RMB1,295.3 million as of December 31, 2022, primarily due to use of cash in operating activities.

As of December 31, 2022 we did not have any outstanding borrowings. Accordingly, no gearing ratio is presented.

Capital Expenditure

Our capital expenditures, consisting of payments for the purchase of property, plant and equipment and intangible assets, were incurred mainly for servers, computers, computer software and office equipment. Our capital expenditures were RMB1.7 million as of December 31, 2022, compared to RMB1.5 million as of December 31, 2021.

Foreign Exchange Risk Management

We had cash at banks denominated in foreign currencies, which exposed us to foreign exchange risk. We do not use any derivative contracts to hedge against its exposure to foreign exchange risk. We manage currency risk by closely monitoring the movement of the foreign currency rates and will take prudent measures to minimize the currency translation risk.

Contingent Liabilities

As of December 31, 2022, we did not have any material contingent liabilities.

Material Acquisitions and Future Plans for Material Investments

During the year ended December 31, 2022, we did not conduct any material acquisitions and disposals of subsidiaries, associates and joint ventures.

As at the date of this announcement, we did not have any future plans for material investments.

Significant Investments

The Group did not have any significant investments held as of December 31, 2022.

Pledge of Assets

As of December 31, 2022, bank balances of RMB0.5 million was pledged to secure investments.

Significant Events after the Reporting Period

The Group does not have any material subsequent event after December 31, 2022 and up to the date of this announcement.

Final Dividend

The Board did not recommend the payment of a final dividend for the year ended December 31, 2022 (for the year ended December 31, 2021: Nil).

Annual General Meeting

The annual general meeting of the Company (the “AGM”) will be held on Friday, June 9, 2023. A notice convening the AGM will be published and despatched to the shareholders of the Company in the manner required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) in due course.

Closure of Register of Members

For the purpose of ascertaining the members’ eligibility to attend and vote at the AGM, the Company’s register of members will be closed from Monday, June 5, 2023 to Friday, June 9, 2023, both days inclusive, during which period no transfer of share will be registered. Holders of the shares of the Company whose names appear on the register of members on Friday, June 9, 2023 are entitled to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, June 2, 2023.

Company Information

The Company was incorporated in the Cayman Islands on February 9, 2018 as an exempted company with limited liability, and the shares were listed on the Main Board of the Hong Kong Stock Exchange on November 27, 2018.

Employees

As of December 31, 2022, we had 431 full-time employees, substantially all of whom were based in China, primarily in Beijing and Shanghai, with the rest based in Wuhan, Guangzhou and Hangzhou. Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide for retirement, medical, work-related injury, maternity and unemployment benefits.

USE OF NET PROCEEDS FROM LISTING

Our shares were listed on the Hong Kong Stock Exchange on November 27, 2018, and the net proceeds raised during our initial public offering were approximately HKD1,769.7 million.

The following table sets forth the status of the use of net proceeds from the initial public offering⁽¹⁾:

Intended use of proceeds Categories	Sub-categories	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering (in HKD millions)	Percentage of used amount as of December 31, 2022 (%)	Percentage of unused balance as of December 31, 2022 (%)	Timeframe for the unused balance
Business expansion, such as acquiring users and improving user engagement, generating and acquiring more quality content, recruiting and retaining competent personnel to support our expansion and brand marketing activities, and further enhancing our brand awareness through marketing activities	Acquiring users and improving user engagement	5.0	88.5	5.0	0.0	N/A
	Generating and acquiring more quality content	10.0	177.0	10.0	0.0	N/A
	Recruiting and retaining competent personnel to support our expansion and brand marketing activities	10.0	177.0	10.0	0.0	N/A
	Further enhancing our brand awareness through marketing activities	5.0	88.5	5.0	0.0	N/A
Sub-total		<u>30.0</u>	<u>530.9</u>	<u>30.0</u>	<u>0.0</u>	

Intended use of proceeds Categories	Sub-categories	Percentage of intended use of proceeds (%)	Intended use of proceeds from the initial public offering <i>(in HKD millions)</i>	Percentage of used amount as of December 31, 2022 (%)	Percentage of unused balance as of December 31, 2022 (%)	Timeframe for the unused balance
Research and development, such as recruiting and retaining technical talent, maintaining and strengthening our IT infrastructure and further developing our technology stack	Recruiting and retaining technical talent to develop and upgrade our mobile apps and websites with more functionalities by providing competitive salary and equity compensation and opening development centers in emerging technology hubs	10.0	177.0	10.0	0.0	N/A
	Maintaining and strengthening our IT infrastructure to accommodate our business expansion	10.0	177.0	9.1	0.9	In the next three months
	Further developing our technology stack, including data and storage management, computer vision, Neurolinguistic programming and augmented reality, to enhance user experience	10.0	177.0	9.0	1.0	In the next three months
Sub-total		<u>30.0</u>	<u>530.9</u>	<u>28.1</u>	<u>1.9</u>	
Further investments, acquisitions and strategic Alliances, such as investing in companies with advanced technology and service solutions or with complimentary business lines, or have adequate capabilities to generate synergy with our current business, and establishing partnerships with quality local partners in overseas countries		30.0	530.9	14.7	15.3	In the next twelve months
Working capital and other general corporate purposes		10.0	177.0	10.0	0.0	N/A
Total		<u>100.0</u>	<u>1,769.7</u>	<u>82.8</u>	<u>17.2</u>	

Notes:

- (1) The figures in the table are approximate figures.
- (2) The Company expects to fully utilize the remaining unused net proceeds for research and development in the next three months, representing a 28-month delay in the expected timeframe set out in the prospectus of the Company dated November 15, 2018 (the “**Prospectus**”) for further developing technology stack, and a 16-month delay in the expected timeframe set out in the Prospectus for maintaining and strengthening IT infrastructure. Such delay was primarily due to adjustments to the Group’s business development strategy as affected by the macroeconomic environment in China.
- (3) The Company expects to fully utilize the remaining unused net proceeds for investments in the next 12 months, representing a 37-month delay in its expected timeframe set out in the Prospectus. Such delay was primarily because the operating results of potential targets were materially and adversely affected by the outbreak of COVID-19 and the Company will continue to explore potential investment opportunities.

ROUNDING

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
for the year ended 31 December 2022
(Expressed in Renminbi)

	<i>Note</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Revenue	4	314,556	281,823
Cost of revenue		<u>(179,306)</u>	<u>(111,103)</u>
Gross profit		135,250	170,720
Other income	5(a)	11,279	40,910
Other net (losses)/gains	5(b)	(54,874)	4,298
Selling and marketing expenses		(315,782)	(285,225)
General and administrative expenses		(114,923)	(123,998)
Research and development expenses		(49,741)	(48,824)
Net impairment losses on trade and other receivables and contract assets	6(c)	<u>(30,992)</u>	<u>(94,465)</u>
Loss from operations		(419,783)	(336,584)
Net finance income	6(a)	41	2,842
Fair value change on financial instruments measured at fair value through profit or loss		(45,660)	(60,216)
Share of losses of associates		<u>(1,110)</u>	<u>(3,439)</u>
Loss before taxation	6	(466,512)	(397,397)
Income tax	7	<u>(1,111)</u>	10,283
Loss for the year		<u>(467,623)</u>	<u>(387,114)</u>
Attributable to:			
Equity shareholders of the Company		(467,623)	(387,099)
Non-controlling interests		<u>–</u>	<u>(15)</u>
Loss for the year		<u>(467,623)</u>	<u>(387,114)</u>
Loss per share	8		
Basic and diluted (RMB)		<u>(0.28)</u>	<u>(0.23)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2022

(Expressed in Renminbi)

	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Loss for the year	<u>(467,623)</u>	<u>(387,114)</u>
Other comprehensive income/(expense) for the year		
Items that are or may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company and overseas subsidiaries, net of nil tax	139,345	(38,092)
Share of an associate's other comprehensive income/(expense), net of nil tax	<u>612</u>	<u>(245)</u>
Other comprehensive income/(expense) for the year	<u>139,957</u>	<u>(38,337)</u>
Total comprehensive expense for the year	<u>(327,666)</u>	<u>(425,451)</u>
Attributable to:		
Equity shareholders of the Company	(327,666)	(425,430)
Non-controlling interests	<u>-</u>	<u>(21)</u>
Total comprehensive expense for the year	<u>(327,666)</u>	<u>(425,451)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2022

(Expressed in Renminbi)

	Note	2022 RMB'000	2021 RMB'000
Non-current assets			
Property, plant and equipment		24,261	38,662
Intangible assets		4,265	4,609
Interests in associates		15,905	38,922
Financial assets measured at fair value through profit or loss	9	204,715	232,416
Deferred tax assets		37,445	38,428
		<u>286,591</u>	<u>353,037</u>
Current assets			
Inventories		16,330	2,511
Contract assets		5,016	18,991
Trade receivables	10	92,467	99,737
Prepayments and other receivables		37,879	161,387
Financial assets measured at fair value through profit or loss	9	280,428	175,757
Cash and bank balances	11	1,015,986	1,240,856
		<u>1,448,106</u>	<u>1,699,239</u>
Current liabilities			
Trade payables	12	37,733	23,433
Accruals and other payables		111,784	100,688
Contract liabilities		5,417	7,592
Lease liabilities		14,611	14,398
Derivative financial instruments		–	114
Current taxation		–	63
		<u>169,545</u>	<u>146,288</u>
Net current assets		<u>1,278,561</u>	<u>1,552,951</u>
Total assets less current liabilities		<u>1,565,152</u>	<u>1,905,988</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
as at 31 December 2022
(Expressed in Renminbi)

	2022	2021
	RMB'000	RMB'000
Non-current liabilities		
Lease liabilities	6,384	16,570
Deferred tax liabilities	–	115
	<u>6,384</u>	<u>16,685</u>
Net assets	<u>1,558,768</u>	<u>1,889,303</u>
Equity		
Share capital	1,152	1,152
Reserves	1,557,616	1,885,282
	<u>1,558,768</u>	<u>1,886,434</u>
Total equity attributable to equity shareholders of the Company	1,558,768	1,886,434
Non-controlling interests	–	2,869
	<u>1,558,768</u>	<u>1,889,303</u>
Total equity	<u>1,558,768</u>	<u>1,889,303</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Renminbi)

1 GENERAL INFORMATION

BabyTree Group (the “**Company**”) was incorporated in the Cayman Islands on 9 February 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company’s registered office address is P.O. BOX 309, Uglan House, Grand Cayman, KY1-1104, Cayman Islands. On 15 August 2022, the principal place of business of the Company was changed from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.

The Company is an investment holding company. The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the advertising, e-commerce and other service business (the “**Business**”) in the People’s Republic of China (the “**PRC**”).

The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 27 November 2018.

The consolidated financial statements are presented in Renminbi (“**RMB**”), which is different from the Company’s functional currency of United States dollars. The consolidated financial statements are presented in RMB as the Business of the Group is mainly carried out in the PRC.

2 BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards (“**IFRSs**”), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations issued by the International Accounting Standards Board (“**IASB**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2022 comprise the Group and the Group’s interests in associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that certain financial assets and derivative financial instruments are stated at their fair value through profit or loss (“**FVPL**”).

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 BASIS OF PREPARATION (continued)

(b) Basis of preparation of the consolidated financial statements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to these consolidated financial statements for the current accounting period:

- Amendments to IFRS 3, Reference to the Conceptual Framework
- Amendments to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021
- Amendments to IAS 16, Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to IAS 37, Onerous Contracts – Cost of Fulfilling a Contract
- Amendments to IFRSs, Annual Improvements to IFRSs 2018-2020

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new or revised IFRS that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are providing advertising, e-commerce and other services to customers.

(i) Disaggregation of revenue

Revenue of the Group are all from contracts with customers within the scope of IFRS 15. The amount of each significant category of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Advertising	234,322	255,578
E-commerce	76,947	23,885
Others	3,287	2,360
	<u>314,556</u>	<u>281,823</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition and by geographic markets is disclosed in note 4(b).

In 2022, the Group's customer base is diversified and includes no customer (2021: one customer) with whom transactions has exceeded 10% of the Group's revenues during the year. In 2021, revenues from advertising to this customer amounted to approximately RMB33,015,000.

4 REVENUE AND SEGMENT REPORTING (continued)

(a) Revenue (continued)

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

Contracts with advertising customers always have an original expected duration of less than one year. And contracts with individual customers for e-commerce and other services are always satisfied within one month.

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

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resources allocation and performance assessment, the Group has presented the following three reportable segments:

- Advertising;
- E-commerce, which includes direct sales and marketplace; and
- Others, which included content monetisation, insurance agent service and other services.

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the revenue and gross profit attributable to each reportable segment.

There were no separate segment assets and segment liabilities information provided to the Group's senior executive management, as they do not use this information to allocate resources to or evaluate the performance of the operating segments.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Depreciation and amortisation, recognition of impairment losses on trade and other receivables and contract assets and net finance (cost)/income are allocated to each reportable segment. Other items in profit or loss are not allocated to reportable segments.

The measure used for reporting segment profit is "adjusted EBITDA" i.e. "adjusted earnings before interest, taxes, depreciation and amortisation", where "interest" is regarded as including investment income and "depreciation and amortisation" is regarded as including impairment losses on non-current assets. To arrive at adjusted EBITDA the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as other income, share of profits or losses of associates, fair value change on financial instruments measured at FVPL, directors' and auditors' remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning inter-segment sales, the Group's interest income from deposits in banks and other financial institutions, depreciation and amortisation and impairment losses. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below:

	For the year ended 31 December 2022			
	Advertising RMB'000	E-commerce RMB'000	Others RMB'000	Total RMB'000
Disaggregated by timing of revenue recognition				
Over time	234,322	–	–	234,322
Point in time	–	76,947	3,287	80,234
Revenue from external customers	234,322	76,947	3,287	314,556
Inter-segment revenue	–	1,665	–	1,665
Reportable segment revenue	<u>234,322</u>	<u>78,612</u>	<u>3,287</u>	<u>316,221</u>
Reportable segment (loss)/profit (adjusted EBITDA)	<u>(236,392)</u>	<u>(33,273)</u>	<u>2,241</u>	(267,424)
Depreciation and amortisation	(13,492)	(1,407)	(96)	(14,995)
Recognition of impairment losses on trade and other receivables and contract assets	(26,713)	(4,105)	(374)	(31,192)
Net finance cost	(546)	(29)	(12)	(587)
Unallocated other income				7,673
Unallocated share of losses of associates				(1,110)
Unallocated fair value change on financial instruments measured at FVPL				(45,660)
Unallocated depreciation and amortisation				(5,128)
Unallocated reversal of impairment losses on other receivables				200
Unallocated net finance income				628
Unallocated other costs				<u>(108,917)</u>
Loss before taxation				(466,512)
Income tax				<u>(1,111)</u>
Loss for the year				<u>(467,623)</u>

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resources allocation and assessment of segment performance for the years ended 31 December 2022 and 2021 is set out below: (continued)

	For the year ended 31 December 2021			Total RMB'000
	Advertising RMB'000	E-commerce RMB'000	Others RMB'000	
Disaggregated by timing of revenue recognition				
Over time	255,578	–	–	255,578
Point in time	–	23,885	2,360	26,245
Revenue from external customers	255,578	23,885	2,360	281,823
Inter-segment revenue	–	1,890	–	1,890
Reportable segment revenue	<u>255,578</u>	<u>25,775</u>	<u>2,360</u>	<u>283,713</u>
Reportable segment (loss)/profit (adjusted EBITDA)	<u>(145,738)</u>	<u>(8,403)</u>	<u>1,186</u>	<u>(152,955)</u>
Depreciation and amortisation	(18,275)	(1,618)	(150)	(20,043)
Recognition of impairment losses on trade and other receivables and contract assets	(93,591)	(9)	(665)	(94,265)
Net finance income	2,610	272	23	2,905
Unallocated other income				36,009
Unallocated share of losses of associates				(3,439)
Unallocated fair value change on financial instruments measured at FVPL				(60,216)
Unallocated depreciation and amortisation				(3,494)
Unallocated recognition of impairment losses on trade and other receivables and contract assets				(200)
Unallocated net finance cost				(63)
Unallocated other costs				<u>(101,636)</u>
Loss before taxation				(397,397)
Income tax				<u>10,283</u>
Loss for the year				<u>(387,114)</u>

No geographical information is presented as more than 90% of the Group's revenue during the year ended 31 December 2022 and 2021 was in the PRC. As at 31 December 2022 and 2021, substantially all of the non-current assets of the Group other than certain interests in associates, bonds portfolios, unlisted equity securities and wealth management products were located in the PRC.

5 OTHER INCOME AND OTHER NET (LOSSES)/GAINS

(a) Other income

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Investment income on financial assets measured at FVPL	7,622	34,606
Government grants (<i>Note (i)</i>)	2,783	1,079
Value added tax concession (<i>Note (ii)</i>)	493	749
Sundry income	381	4,476
	<u>11,279</u>	<u>40,910</u>

Notes:

- (i) Government grants are awarded to the Group by the local government as incentives primarily to encourage the brand building of the Group and cultural development and the refund of unemployment insurance premiums paid by employers.
- (ii) It mainly represents the tax concession revenue generated by the policy of additional deduction of input Value-added tax. The policy was initially valid from 1 April 2019 to 31 December 2021 and has been extended to 31 December 2022. Taxpayers in the production and living service industries are allowed to add 10% of the current deductible input Value-added tax to offset the Value-added tax payable. As the Group's businesses meet the requirements of the policy, those businesses are eligible for the tax benefit.

(b) Other net (losses)/gains

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Recognition of impairment losses of interests in associates	(10,402)	–
Loss on deregistration of subsidiaries	(655)	–
Net foreign exchange (loss)/gain	(43,575)	6,832
Gain on deemed disposal of interest in an associate	1,848	–
Net loss on deemed partial disposal of interest in an associate	–	(127)
Net loss on disposal of property, plant and equipment	–	(64)
Write-off of property, plant and equipment	(1,712)	(1,788)
Others	(378)	(555)
	<u>(54,874)</u>	<u>4,298</u>

6 LOSS BEFORE TAXATION

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

(a) Net finance income

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Interest income from deposits in banks and other financial institutions	(1,296)	(4,087)
Interest on other borrowings	–	111
Interest on lease liabilities	1,255	1,134
	<u>(41)</u>	<u>(2,842)</u>

(b) Staff costs

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Salaries, wages and other benefits	184,113	165,129
Contributions to defined contribution retirement plan (<i>Note</i>)	42,919	33,885
Termination benefits	6,957	9,714
	<u>233,989</u>	<u>208,728</u>

Note:

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

No forfeited contributions (2021: Nil) were utilised during the year ended 31 December 2022. There is no forfeited contribution available at 31 December 2022 and 2021 to reduce future contributions.

6 LOSS BEFORE TAXATION (continued)

(c) Other items

The following expenses/(income) are included in cost of revenue, selling and marketing expenses, general and administrative expenses, research and development expenses and net impairment losses on trade and other receivables and contract assets:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Amortisation cost of intangible assets	1,360	1,654
Depreciation charge		
– owned property, plant and equipment	3,493	2,981
– right-of-use assets	15,270	18,902
	<u>20,123</u>	<u>23,537</u>
Recognition of impairment losses on trade receivables and contract assets	31,192	35,279
(Reversal)/recognition of impairment losses on other receivables	(200)	59,186
	<u>30,992</u>	<u>94,465</u>
Auditors' remuneration		
– audit services	4,900	4,730
– non-audit services	922	800
	<u>5,822</u>	<u>5,530</u>
Carry amount of inventories sold	31,058	4,353
Net write-down/(reversal of write-down) of inventories	740	(160)
	<u>31,798</u>	<u>4,193</u>
Cost of inventories		
Consultancy fee	20,209	27,022
Expense relating to short-term leases	459	301
	<u>459</u>	<u>301</u>

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Current tax – the PRC Enterprise Income Tax		
Provision for the year	–	63
Withholding tax of interest income	119	–
Under-provision in respect of prior years	124	21
	<u>243</u>	<u>84</u>
Deferred tax		
Origination and reversal of temporary differences	868	(10,367)
	<u>1,111</u>	<u>(10,283)</u>

8 LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of approximately RMB467,623,000 (2021: RMB387,099,000) and the weighted average of 1,660,712,000 ordinary shares (2021: 1,660,712,000 ordinary shares), calculated as follows:

(i) Loss attributable to ordinary equity shareholders of the Company

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Loss attributable to ordinary equity shareholders of the Company	<u>(467,623)</u>	<u>(387,099)</u>

(ii) Weighted average number of ordinary shares

	2022 <i>'000</i>	2021 <i>'000</i>
Issued ordinary shares at 1 January	1,660,712	1,662,002
Effect of repurchase and cancellation of ordinary shares	<u>–</u>	<u>(1,290)</u>
Weighted average number of ordinary shares at 31 December	<u>1,660,712</u>	<u>1,660,712</u>

(b) Diluted loss per share

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

There was no difference between the basic and diluted loss per share during the years ended 31 December 2022 and 2021 as there were no dilutive potential shares outstanding for both years.

9 EQUITY AND DEBT INVESTMENTS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Financial assets measured at FVPL		
Non-current portion		
– Unlisted equity securities	170,629	167,052
– Bonds portfolios	34,086	65,364
	<u>204,715</u>	<u>232,416</u>
Current portion		
– Bonds portfolios	143,123	83,894
– Wealth management products	137,305	91,863
	<u>280,428</u>	<u>175,757</u>
	<u>485,143</u>	<u>408,173</u>

10 TRADE RECEIVABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Amounts due from third parties	270,693	249,016
Amounts due from related parties	3,705	–
Less: Loss allowance	(181,931)	(149,279)
	<u>92,467</u>	<u>99,737</u>

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

Ageing analysis

As of the end of each of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 6 months	81,271	82,989
6 months to 1 year	8,961	16,470
1 to 2 years	2,235	278
	<u>92,467</u>	<u>99,737</u>

The credit terms agreed with customers are normally 30-90 days from the date of billing or 60-120 days after the date the advertisement posted.

11 CASH AND BANK BALANCES

Cash and bank balances comprise:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Cash at banks and other financial institutions	989,021	1,161,593
Deposits with banks	26,965	79,263
Cash and bank balances in the consolidated statement of financial position	1,015,986	1,240,856
Less: Restricted cash (<i>Note</i>)	(1,141)	(2,717)
Cash and cash equivalents	<u>1,014,845</u>	<u>1,238,139</u>

Note:

Restricted cash mainly represents pledged bank balances which are used to secure investments.

12 TRADE PAYABLES

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Amounts due to third parties	37,585	23,107
Amounts due to related parties	148	326
	<u>37,733</u>	<u>23,433</u>

All of the trade payables are expected to be settled within one year.

Ageing analysis

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Within 6 months	19,526	13,850
6 months to 1 year	10,660	2,543
1 to 2 years	684	624
Over 2 years	6,863	6,416
	<u>37,733</u>	<u>23,433</u>

13 DIVIDENDS

During the year ended 31 December 2022, no dividends were declared or paid by the Company to its equity shareholders (2021: Nil).

14 COMPARATIVE FIGURES

The comparative figures have been re-presented in order to conform to the current year's presentation.

OTHER INFORMATION

Purchase, Sale or Redemption of the Company's Listed Securities

During the year ended December 31, 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any other listed securities of the Company.

Compliance with the Corporate Governance Code (the "CG Code")

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations and to enhance the transparency and accountability of the Board to all Shareholders. The Company has applied the principles as set out in the CG Code contained in Appendix 14 to the Listing Rules. The Board is of the view that during the year ended December 31, 2022, the Company has complied with all of the code provisions as set out in the CG Code, except for the deviation from code provision C.2.1 of part 2 of the CG Code as explained below.

Since July 28, 2021, the role of the chief executive officer of the Company (the "**Chief Executive Officer**") has been vacant up to the date of this announcement, and the responsibilities of the Chief Executive Officer have been assumed by Mr. GAO Min ("**Mr. Gao**"), our executive Director and co-Chairman, during such vacancy. In view of Mr. Gao's experience, personal profile and his roles in the Company, the Board considered it beneficial to the business prospect and operational efficiency of the Company that Mr. Gao acted as the Chairman of the Board and continued to assume the responsibilities of the Chief Executive Officer. While this would constitute a deviation from code provision C.2.1 of part 2 of the CG Code, the Board believed that this structure would not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board required approval by at least a majority of the Directors; (ii) Mr. Gao and the other Directors were aware of and undertook to fulfill their fiduciary duties as Directors, which required, among other things, that he acted for the benefit and in the best interests of the Company and would make decisions for the Company accordingly; and (iii) the balance of power and authority was ensured by the operations of the Board which comprised experienced and high caliber individuals who met regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Company were made collectively after thorough discussion at both Board and senior management levels. The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider the re-establishment of the role of the Chief Executive Officer.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the Group's code of conduct regarding the Directors' securities transactions. Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the Model Code for the year ended December 31, 2022.

The Board has also adopted the Model Code to regulate all dealings by relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of part 2 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted for the year ended December 31, 2022 after making reasonable enquiry.

Audit Committee and Review of Financial Statements

The Company established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the CG Code. As at the date of this announcement, the Audit Committee consists of three independent non-executive Directors, namely Mr. CHEN Guanglei (chairman), Mr. De-chao Michael YU and Mr. SHIAH Hung-Yu (with Mr. CHEN Guanglei possessing the appropriate professional qualifications and accounting and related financial management expertise). The main duties of the Audit Committee are to assist the Board in providing an independent review of the completeness, accuracy and fairness of the financial information of the Group, as well as the efficiency and effectiveness of the Group's operations and internal controls.

The Audit Committee has reviewed this annual results announcement and the audited financial statements of the Group for the year ended December 31, 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members and the Company's auditor, Baker Tilly Hong Kong Limited, Certified Public Accountants (the “**Auditor**”). Based on this review and discussions with the management and the Auditor, the Audit Committee was satisfied that this annual results announcement and the Group's audited consolidated financial statements were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2022.

Scope of Work of the Auditor

The figures contained in respect of the Group's consolidated statement of financial position as at December 31, 2022, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary announcement have been agreed by the Auditor, to the amounts set out in the Group's audited consolidated financial statements of the Group for the year ended December 31, 2022. The Auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-upon Procedures Regarding Financial Information” and with reference to Practice Note 730 (Revised) “Guidance for Auditors Regarding Preliminary Announcements of Annual Results” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). The work performed by the Auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements, or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by the Auditor on this announcement.

Publication of Annual Results Announcement and Annual Report

This annual results announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the website of the Company (ir.babytree.com). The annual report of the Company for the year ended December 31, 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the same websites in due course.

APPRECIATION

On behalf of everyone at BabyTree Group, I would like to express our sincere gratitude to all of our users. I would also like to thank all our employees and management team for demonstrating BabyTree's core values in every day's work, and executing the Group's strategy with professionalism, integrity and dedication. I am also thankful for the continued support and trust from our shareholders and stakeholders. We will strive to provide consolidated high-quality services and products to better serve various needs of young families.

By Order of the Board
BabyTree Group
寶寶樹集團
GAO Min
WANG Huainan
Co-Chairmen

Hong Kong, March 21, 2023

As at the date of this announcement, the Board comprises Mr. GAO Min and Mr. XU Chong as executive Directors; Mr. WANG Huainan, Mr. QIAN Shunjiang, Mr. CHEN Bing, Mr. CHEN Weijun, Mr. WU Ying and Mr. Christian Franz REITERMANN as non-executive Directors; and Mr. CHEN Guanglei, Mr. De-chao Michael YU, Mr. SHIAH Hung-Yu and Ms. Jin SU as independent non-executive Directors.