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## Be Friends Holding Limited

交個朋友控股有限公司

(Incorporated under the laws of the Cayman Islands with limited liability)

(Stock Code: 1450)

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the “**Board**”) of directors (the “**Directors**”) of Be Friends Holding Limited (the “**Company**”) herewith presented the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**” or “**We**”) for the six months ended 30 June 2023 (the “**Interim Period**”), together with the comparative figures for the six months ended 30 June 2022 (the “**Corresponding Period**”). The unaudited condensed consolidated interim results of the Group have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

#### KEY HIGHLIGHTS

##### Financial Summary

	For the six months ended 30 June		Year-over- year change increase/ (decrease) (%)
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	
<b>Revenue</b>			
<i>New media services</i>	391,711	52,886	640.7
<i>Application solutions</i>	25,764	61,753	(58.3)
<i>Sales of self-developed products</i>	13,900	16,301	(14.7)
<i>System maintenance services</i>	1,305	6,213	(79.0)
<b>Total</b>	<b>432,680</b>	<b>137,153</b>	<b>215.5</b>
<b>Gross profit</b>			
<i>New media services</i>	227,568	29,377	674.6
<i>Application solutions</i>	7,154	13,340	(46.4)
<i>Sales of self-developed products</i>	9,317	10,344	(9.9)
<i>System maintenance services</i>	322	1,812	(82.2)
<b>Total</b>	<b>244,361</b>	<b>54,873</b>	<b>345.3</b>
<b>Profit/(Loss) for the period</b>	<b>43,253</b>	<b>(29,995)</b>	<b>244.2</b>
<b>Non-HKFRS Measures:</b>			
<b>Adjusted net profit*</b>	<b>94,635</b>	<b>4,986</b>	<b>1,798.0</b>

\* For details of the adjusted net profit calculated by non-HKFRS measures, please refer to the paragraph headed “Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures” in this announcement.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

As a leading all media service provider in the PRC, thanks to the technology and experience accumulated by the Group in the live-streaming field, during the Interim Period, our business, which is to provide customers with full-scale video application services, has achieved healthy and sustainable development. In particular, the live-streaming e-commerce business based on new media platforms has achieved remarkable growth, which was a successful implementation of the Group's diversification strategy, and the result of the Group's deep cultivation of video streaming technology, seizing the market opportunities brought about by the rapid growth of the new media market. During the Interim Period, revenue of the Group was approximately RMB432.7 million, representing an increase of 215.5% as compared to approximately RMB137.2 million for the Corresponding Period. The Group recorded a net profit of approximately RMB43.3 million for the Interim Period as compared to a net loss of approximately RMB30.0 million for the Corresponding Period. Moreover, the Group recorded a non-HKFRS adjusted net profit\* of approximately RMB94.6 million for the Interim Period, representing an increase of 1,798.0% as compared to the non-HKFRS adjusted net profit\* of approximately RMB5.0 million for the Corresponding Period. The remarkable results of the Group's new media services segment deployed by the Group since 2019 were the main reason for the net profit recorded during the Interim Period. Meanwhile, the Group built high-quality brand of live-streaming e-commerce and new media marketing channels, and successfully achieved cross-platform operation. The total gross merchandise volume (GMV) completed on the whole network exceeded RMB5 billion, resulting in a rapid growth in the Group's overall business operation and financial performance.

During the Interim Period, the Group has strategically strengthened the synergies between core businesses to ensure the appropriate, long-term and healthy growth and profitability of the Group, continues to innovate and lead the industry, and continuously consolidates the Group's ecological capabilities in the new media market. In January 2023, the Group granted awarded shares of the Company to its employees and service providers, taking into account short-term performance targets and long-term development plans, which served as a great incentive to retain outstanding talents and nurture talent in the industry, and foster the diversification strategy. In May 2023, the Group successfully acquired Beijing Be Friends Digital Technology Co., Ltd.\* (北京交個朋友數碼科技有限公司) completing the closed loop capabilities of new media services. We have put forward the corporate mission of "cherry-pick good products and promote better and high-quality lives to consumers", and refined the values of "perfection, integrity, altruism, compassion and long-termism", and to implement our corporate mission and values in every aspect of our daily operations. Currently, we have more than 10 live-streaming accounts on the Douyin platform, covering a wide range of categories such as cosmetics, alcoholic beverages and costumes, etc. We have achieved uninterrupted live-streaming at major time slots every day, which can satisfy the consumer demand in most situations. While we continue to extend our vertical accounts on the Douyin platform, we have also successfully achieved cross-platform operations, successfully establishing Taobao and JD.com platforms to cover a larger consumer base and provide consumers with more convenient shopping channels, thereby developing "Be Friends" into a high-quality channel brand trusted by our consumers.

\* For details of the adjusted net profit calculated by non-HKFRS measures, please refer to the paragraph headed "Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures" in this announcement.

\* The official name is in Chinese and the English name is translated for identification purpose only.

For application solutions and system maintenance services segment, during the Interim Period, we continued to maintain reasonable resource investment and maintained our relatively leading position in the live broadcast industry. At the same time, our existing technical level and comprehensive service capabilities were capable of meeting the extensive needs of customers in the live broadcast industry. This better implemented the Group's diversified development strategy and conformed to the market trend of all-media industry, for the further diversification of customers and expansion of our businesses. For sales of self-developed products segment, during the Interim Period, Cogent (Beijing) Technology Company Limited\* (高駿(北京)科技有限公司), a subsidiary of the Group, has launched a new generation of fully automated Ku satellite portable station (NanoSat 505U), which is faster, better and more efficient in realizing the needs of communication and the purpose of lightweight design of the avenue, while the security and reliability of transmission have also been significantly improved.

### **Future Outlook**

In the future, we will endeavour to better capitalize on the opportunities brought about by the continued recovery of the Chinese economy and insist on serving our merchants and consumers better. We hope to provide consumers with products with more varieties, better services, more convenient shopping channels and a better shopping experience, so that consumers can enjoy a better life. At the same time, provide merchants with a more efficient and stable sales and promotion channel, which requires us to continuously optimize our organizational structure and create a learning and service-oriented organization. We will make use of our brand influence and reliability to attract and nurture our talented employees, and to promote and implement our corporate mission and values more comprehensively in all aspects of our daily operations, so as to continuously enhance our operational efficiency and service capabilities. Following the establishment of a fuller selection, operation and after-sales process, we will implement more standardized and digitalized improvements, so as to become a better bridge connecting consumers and merchants, with the aim of further expanding our brand reputation and influence. And we will try more live-streaming methods and present diverse forms of content. At the same time, we will continue to enhance the technological innovation and upgrading optimization in the field of application solutions regarding live-streaming in order to maintain our leading position in technology and market. In addition, we will also continue to participate in the drafting and formulation of national, local and industry-related standards and pilot implementation to promote the standardization process of the live-streaming e-commerce industry and ensure the healthy development of the industry.

\* *The official name is in Chinese and the English name is translated for identification purpose only.*

## Financial Review

### Revenue

For the six months ended 30 June 2023 and 2022, the revenue of the Group was approximately RMB432.7 million and RMB137.2 million respectively, representing an increase of approximately 215.5%. The table below sets out the Group's segment revenue for the six months ended 30 June 2023 and 2022 respectively:

	For the six months ended 30 June		2022	
	2023	% of total	RMB'000	% of total
	RMB'000	revenue	RMB'000	revenue
	(Unaudited)		(Unaudited)	
<b>Segment revenue</b>				
New media services	<b>391,711</b>	<b>90.5%</b>	52,886	38.6%
Application solutions	<b>25,764</b>	<b>6.0%</b>	61,753	45.0%
Sales of self-developed products	<b>13,900</b>	<b>3.2%</b>	16,301	11.9%
System maintenance services	<b>1,305</b>	<b>0.3%</b>	6,213	4.5%
Total	<b>432,680</b>	<b>100.0%</b>	137,153	100.0%

#### *New media services*

During the Interim Period, the Group created high-quality brand of live-streaming e-commerce and new media marketing channels and successfully realized the cross-platform operation on Douyin, Taobao and JD.com, which drove a significant increase in revenue from the new media services segment. Revenue generated from the Group's new media services segment increased from approximately RMB52.9 million for the Corresponding Period to approximately RMB391.7 million for the Interim Period, representing an increase of approximately 640.7%. Such revenue represented approximately 90.5% and 38.6% of the total revenue of the Group for the Interim Period and the Corresponding Period, respectively.

#### *Application solutions*

During the Interim Period, given the sluggish broadcasting industry market conditions in connection with the Group's business, as well as the declining purchase intention from our customers for application solutions, revenue generated from the Group's application solutions segment decreased from approximately RMB61.8 million for the Corresponding Period to approximately RMB25.8 million for the Interim Period, representing a decrease of approximately 58.3%. Such revenue represented approximately 6.0% and 45.0% of the total revenue of the Group for the Interim Period and the Corresponding Period, respectively.

### *Sales of self-developed products*

As a result of the disposal of Beijing BroadVision Information Technology Company Limited\* (北京經緯中天信息技術有限公司) during the Corresponding Period, which was a non-wholly owned subsidiary of the Company prior to the completion of the aforesaid disposal and its major source of revenue derives from the sales of self-developed products, revenue generated from the Group's sales of self-developed products segment decreased from approximately RMB16.3 million for the Corresponding Period to approximately RMB13.9 million for the Interim Period, representing a decrease of approximately 14.7%. Such revenue represented approximately 3.2% and 11.9% of the total revenue of the Group for the Interim Period and the Corresponding Period, respectively.

### *System maintenance services*

During Interim Period, given the sluggish broadcasting industry market conditions in connection with the Group's business, as well as the declining purchase intention from our customers for system maintenance services, revenue generated from the Group's system maintenance services segment decreased from approximately RMB6.2 million for the Corresponding Period to approximately RMB1.3 million for the Interim Period, representing a decrease of approximately 79.0%. Such revenue represented approximately 0.3% and 4.5% of the total revenue of the Group for the Interim Period and the Corresponding Period, respectively.

### *Cost of sales*

For the six months ended 30 June 2023 and 2022, the Group's cost of sales was approximately RMB188.3 million and RMB82.3 million respectively, representing an increase of approximately 128.9%. The following table sets forth the cost of sales for each segment for the six months ended 30 June 2023 and 2022 respectively:

	For the six months ended 30 June			
	2023		2022	
	<i>RMB'000</i>	<i>% of total</i>	<i>RMB'000</i>	<i>% of total</i>
	<i>(Unaudited)</i>	<i>cost</i>	<i>(Unaudited)</i>	<i>cost</i>
<b>Segment cost of sales</b>				
New media services	<b>164,143</b>	<b>87.2%</b>	23,509	28.6%
Application solutions	<b>18,610</b>	<b>9.9%</b>	48,413	58.8%
Sales of self-developed products	<b>4,583</b>	<b>2.4%</b>	5,957	7.2%
System maintenance services	<b>983</b>	<b>0.5%</b>	4,401	5.4%
Total	<b>188,319</b>	<b>100.0%</b>	82,280	100.0%

### *New media services*

The cost of sales for the new media services segment of the Group increased from approximately RMB23.5 million for the Corresponding Period to approximately RMB164.1 million for the Interim Period, representing an increase of approximately 598.2%, which was primarily due to the significant increase in revenue of the Group's new media services segment during the Interim Period which in turn, significantly increased the cost of sales of the new media services segment.

### *Application solutions*

The cost of sales for the application solutions segment of the Group decreased from approximately RMB48.4 million for the Corresponding Period to approximately RMB18.6 million for the Interim Period, representing a decrease of approximately 61.6%, which was primarily due to the cost of sales decreased correspondingly with the decrease in the revenue of the application solutions segment of the Group during the Interim Period.

### *Sales of self-developed products*

The cost of sales for the sales of self-developed products segment of the Group decreased from approximately RMB6.0 million for the Corresponding Period to approximately RMB4.6 million for the Interim Period, representing a decrease of approximately 23.1%, which was primarily due to the cost of sales decreased correspondingly with the decrease in the revenue of the sales of self-developed products segment of the Group during the Interim Period.

### *System maintenance services*

The cost of sales for the system maintenance services segment of the Group decreased from approximately RMB4.4 million for the Corresponding Period to approximately RMB1.0 million for the Interim Period, representing a decrease of approximately 77.7%, which was primarily due to the cost of sales decreased correspondingly with the decrease in the revenue of the system maintenance services segment of the Group during the Interim Period.

### ***Gross profit and gross profit margin***

For the six months ended 30 June 2023 and 2022, the Group's gross profit was approximately RMB244.4 million and RMB54.9 million respectively, representing an increase of approximately 345.3%. The Group's gross profit margin improved from approximately 40.0% for the Corresponding Period to approximately 56.5% for the Interim Period. The following table sets forth the gross profit and gross profit margin of each of the Group's segments during the periods:

	<b>For the six months ended 30 June</b>			
	<b>2023</b>		<b>2022</b>	
	<b>RMB'000</b>	<b>Gross profit</b>	<b>RMB'000</b>	<b>Gross profit</b>
	<b>(Unaudited)</b>	<b>margin</b>	<b>(Unaudited)</b>	<b>margin</b>
<b>Segment gross profit and gross profit margin</b>				
New media services	<b>227,568</b>	<b>58.1%</b>	29,377	55.5%
Application solutions	<b>7,154</b>	<b>27.8%</b>	13,340	21.6%
Sales of self-developed products	<b>9,317</b>	<b>67.0%</b>	10,344	63.5%
System maintenance services	<b>322</b>	<b>24.7%</b>	1,812	29.2%
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Total	<b>244,361</b>	<b>56.5%</b>	<b>54,873</b>	40.0%

#### *New media services*

The gross profit margin of the new media services segment of the Group increased from approximately 55.5% for the Corresponding Period to approximately 58.1% for the Interim Period, such change was within a reasonable range in its normal operation.

#### *Application solutions*

The gross profit margin of the application solutions segment of the Group increased from approximately 21.6% for the Corresponding Period to approximately 27.8% for the Interim Period, which was primarily due to the increased adoption of domestic brand application solutions in the application solutions segment, resulting in a decrease in the corresponding purchase costs and thus the increase in the gross profit margin.

### *Sales of self-developed products*

The gross profit margin of the sales of self-developed products segment of the Group increased from approximately 63.5% for the Corresponding Period to approximately 67.0% for the Interim Period, such change was within a reasonable range in its normal operation.

### *System maintenance services*

The gross profit margin of the system maintenance services segment of the Group decreased from approximately 29.2% for the Corresponding Period to approximately 24.7% for the Interim Period, which was primarily attributable to the occurrence of more add-on maintenance and warranty period maintenance reports during the Interim Period and thus the decrease in the gross profit margin.

### *Selling expenses*

The selling expenses for the six months ended 30 June 2023 and 2022 were approximately RMB107.7 million and RMB26.3 million respectively, representing an increase of approximately RMB81.4 million. The increase in selling expenses was mainly due to the increase in salary and wage expenses for the recruitment and reserve planning for outstanding marketing talents, and the increase in share-based payment expenses to certain outstanding marketing talents for the purpose of creating long-term incentives.

### *Administrative expenses*

The administrative expenses for the six months ended 30 June 2023 and 2022 were approximately RMB88.4 million and RMB49.1 million respectively, representing an increase of approximately RMB39.3 million. The increase in administrative expenses was due to the increase in salary and wage expenses for the recruitment and reserve planning for administrative talents, and the increase in share-based payment expenses to certain outstanding administrative talents for the purpose of creating long-term incentives.



### *Other gains/losses, net*

Other gains, net was approximately RMB7.4 million for the Interim Period while other losses, net was approximately RMB12.3 million for the Corresponding Period. The abovementioned variations were mainly due to the increase in government grant during the Interim Period and the decrease in fair value loss on the life insurance policies of the key man.

### *Finance costs, net*

During the Interim Period and the Corresponding Period, the net finance costs of the Group were approximately RMB4.7 million and RMB3.1 million respectively, representing an increase of approximately RMB1.6 million. Although the Group has improved its capital structure that lowered interest expenses, the decrease in foreign exchange gains reduced the amount available for offsetting finance costs, resulting in an overall increase in net finance costs.

### *Income tax expense*

During the Interim Period and the Corresponding Period, income tax expense amounted to approximately RMB4,949,000 and RMB85,000 respectively. The increase of the income tax expense is mainly due to the increase in profit generated from the Group.

### *Net Profit/Loss for the Interim Period*

As a result of the aforementioned factors, the Group recorded a net profit of approximately RMB43.3 million for the Interim Period and a net loss of approximately RMB30.0 million for the Corresponding Period.

### **Reconciliation of Non-HKFRS Measures to the Nearest HKFRS Measures**

To supplement the consolidated financial statements, which are presented in accordance with HKFRSs, the Company also use adjusted net profit as additional financial measures, which are not required by, or presented in accordance with, HKFRSs. The Company believes adjusted net profit facilitate comparisons of operating performance from period to period and group to group by eliminating potential impacts of items which our management considers non-indicative of the Group's operating performance, such as certain non-cash items, one-off items or items which are not operating in nature.

The Company believes adjusted net profit provides useful information in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of adjusted net profit has limitations as an analytical tool, and anyone should not consider it in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under HKFRSs. In addition, these non-HKFRS financial measures may be defined differently from similar terms used by other companies, and may not be comparable to other similarly titled measures used by other companies.

The following table sets forth the reconciliations of the non-HKFRS financial measures of the Group for the six months ended 30 June 2023 and 2022 and the year ended 31 December 2022, respectively, to the nearest measures prepared in accordance with HKFRS:

	<b>For the six months ended</b>		For the
	<b>30 June</b>		year ended
	<b>2023</b>	2022	31 December
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Net profit/(loss) for the period/year</b>	<b>43,253</b>	(29,995)	(16,391)
Adjusted for:			
Share-based payment expenses ( <i>Note 16**</i> )	<b>51,382</b>	18,445	23,422
Fair value losses on financial assets at FVPL ( <i>Note 5** and Note 12**</i> )	–	12,139	12,139
Amortization of deferred day-one loss ( <i>Note 18**</i> )	–	4,397	6,546
	<u>–</u>	<u>4,397</u>	<u>6,546</u>
<b>Adjusted net profit</b>	<b><u>94,635</u></b>	<b><u>4,986</u></b>	<b><u>25,716</u></b>

\*\* Please refer to the Notes to the Condensed Consolidated Interim Financial Information for the six months ended 30 June 2023

## Liquidity, financial resource and capital structure

Net cash inflow generated from the Group's operating activities during the Interim Period amounted to approximately RMB70.1 million and net cash outflow generated from the Group's operating activities during the Corresponding Period amounted to approximately RMB21.7 million. The net cash inflow generated from the operating activities during the Interim Period was mainly attributable to the significantly improved performances of new media services segment.

Net cash outflow generated from the Group's investing activities amounted to approximately RMB39.7 million for the Interim Period and net cash inflow generated from the Group's investing activities amounted to approximately RMB38.5 million for the Corresponding Period. The net cash outflow generated from the investing activities for the Interim Period was mainly attributable to the cash settlement paid by the Group for the acquisition of a subsidiary company.

Net cash outflow generated from the Group's financing activities amounted to approximately RMB11.1 million for the Interim Period and net cash outflow generated from the Group's financing activities amounted to approximately RMB39.4 million for the Corresponding Period. The net cash outflow generated from the financing activities for the Interim Period was mainly attributable to repayment of the Group's bank and other borrowings during the Interim Period.

The total bank and other borrowings of the Group decreased from approximately RMB126.8 million as at 31 December 2022 to approximately RMB115.7 million as at 30 June 2023, which was mainly attributable to repayment of the Group's bank and other borrowings during the Interim Period.

As at 30 June 2023, the Group had current assets of approximately RMB386.2 million (as at 31 December 2022: approximately RMB352.9 million) and current liabilities of approximately RMB364.5 million (as at 31 December 2022: approximately RMB318.2 million). The current ratio (which is calculated by dividing current assets by current liabilities) decreased to approximately 1.06 as at 30 June 2023 from approximately 1.11 as at 31 December 2022.

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders of the Company through the optimisation of the debt and equity balance.

The Group's overall strategy remains unchanged from the prior years. The capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued capital and reserves.

The bank balances and cash of the Group as at 30 June 2023 were mainly denominated in Renminbi (“**RMB**”) and Hong Kong Dollar (“**HKD**”).

## **Foreign exchange exposure**

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD, JPY and HKD. Foreign exchange risk arose from future commercial transactions, recognised assets and liabilities which are denominated in non-RMB.

The management of the Group has set up a policy to require the Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to control the exposure of the foreign currency during the business operation. The foreign currency exposure is mainly due to the purchase of equipment from other countries and the management controls on the payment schedule to reduce the foreign exchange risk. Save for certain bank balances, accounts payables and loans dominated in USD, JPY and HKD, the impact of foreign exchange exposure to the Group was minimal and there was no significant adverse effect on normal operations. During the Interim Period, the Group did not commit to any financial instruments to hedge its exposure to foreign exchange risk. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **Interest rate risk**

Other than the bank balances with variable interest rates, the Group has no other significant interest-bearing assets. The management of the Group does not anticipate significant impact on interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

The Group's interest rate risk arises from borrowings. Borrowings with variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. The Group has not hedged its cash flow interest rate risks.

## **Charge over assets**

As at 30 June 2023, bank borrowings of approximately RMB29,500,000 (31 December 2022: approximately RMB29,500,000) were secured by buildings included in the property, plant and equipment of the Group, net book value of which amounted to approximately RMB24,238,000 (31 December 2022: approximately RMB25,333,000).

## **Gearing position**

The gearing ratio, which represented net debt (total debts less pledged bank deposits and bank balances and cash) divided by total equity multiplied by 100%, was 34.4% and 88.3% as at 30 June 2023 and 31 December 2022, respectively. The total borrowings of the Group decreased from approximately RMB126.8 million as at 31 December 2022 to approximately RMB115.7 million as at 30 June 2023. The abovementioned variation of gearing ratio was mainly attributable to an increase in total equity and bank balances and cash due to the Group's profits; and a reduction in total debts upon repayment of part of the Group's borrowings during the Interim Period.

## **Significant investments, acquisitions and disposals**

During the Interim Period, the Group had no significant investments or material acquisitions and disposals of its subsidiaries, associates and joint ventures.

## **Contingencies**

As at 30 June 2023, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

## **Dividends**

The Board does not recommend the distribution of any interim dividend for the Interim Period (2022: Nil).

## **SHARE AWARD PLANS**

In order to recognise and reward the contribution of certain eligible participants to the growth and development of the Group, the Group adopted a share award plan (the "**2014 Share Award Plan**") on 24 March 2014.

In order to standardize the regulations on share option plans and share award plans, Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") was amended with effect from 1 January 2023. In order to comply with such new requirements, the Company adopted a new share award plan ("**2022 Share Award Plan**") on 8 December 2022.

Having considered that the awarded shares granted under the 2014 Share Award Plan will be immediately vested upon termination of the 2014 Share Award Plan, the Company decided not to terminate the 2014 Share Award Plan upon the adoption of the 2022 Share Award Plan, in order to motivate the grantees of the 2014 Share Award Plan who have contributed to the Group's long-term growth. The Company also undertakes that, no further awarded shares will be issued under the 2014 Share Award Plan upon the adoption of the 2022 Share Award Plan.

Pursuant to 2022 Share Award Plan, the Board has resolved on 10 January 2023 to award an aggregate of 74,471,230 awarded shares (the “**2023 Awarded Shares**”) at nil purchase price to 68 selected participants under the 2022 Share Award Plan, including the conditional grant of 39,338,200 awarded shares to Mr. Li Liang (an executive Director) which was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 27 February 2023. The 2023 Awarded Shares were issued and allotted pursuant to the terms of the 2022 Share Award Plan. Subject to the satisfaction of the vesting criteria and conditions of the 2022 Share Award Plan, the 2023 Awarded Shares shall be transferred from the trustee, Tricor Trust (Hong Kong) Limited (the “**Tricor Trust**”) to the selected participants upon expiry of the respective vesting period. As at the end of the Interim Period, all 2023 Awarded Shares had been issued to Tricor Trust. Save as the disclosed above, during the Interim Period, no other awarded shares were granted by the Company under the 2022 Share Award Plan.

Further details of the movement of the awarded shares granted under the 2014 Share Award Plan and the 2022 Share Award Plan during the Interim Period will be set out in the 2023 interim report of the Company.

## FINANCIAL INFORMATION

### INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Note</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>Unaudited</b>	<b>Unaudited</b>
Revenue	4	<b>432,680</b>	137,153
Cost of sales	4	<b>(188,319)</b>	(82,280)
<b>Gross profit</b>	4	<b>244,361</b>	54,873
Selling expenses		<b>(107,735)</b>	(26,299)
Administrative expenses		<b>(88,383)</b>	(49,123)
Other gains/(losses), net	5	<b>7,418</b>	(12,319)
Finance income	7	<b>218</b>	95
Finance costs	7	<b>(4,938)</b>	(3,166)
Finance expenses, net	7	<b>(4,720)</b>	(3,071)
Gain on disposal of a subsidiary		–	5,560
Share of results of an associate	6	<b>(2,739)</b>	469
<b>Profits/(losses) before income tax</b>		<b>48,202</b>	(29,910)
Income tax expense	8	<b>(4,949)</b>	(85)
<b>Profits/(losses) for the period</b>		<b>43,253</b>	(29,995)
<b>Profits/(losses) attributable to:</b>			
Owners of the Company		<b>44,180</b>	(27,003)
Non-controlling interests		<b>(927)</b>	(2,992)

		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
	<i>Note</i>	<b>RMB'000</b>	<b>RMB'000</b>
		<b>Unaudited</b>	<b>Unaudited</b>
<b>Other comprehensive losses:</b>			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Currency translation differences		<u>(518)</u>	<u>(2,242)</u>
<b>Total other comprehensive losses for the period</b>		<u>(518)</u>	<u>(2,242)</u>
<b>Total comprehensive profits/(losses) for the period</b>		<u>42,735</u>	<u>(32,237)</u>
<b>Total comprehensive profits/(losses) attributable to:</b>			
Owners of the Company		<b>43,662</b>	(29,245)
Non-controlling interests		<u>(927)</u>	<u>(2,992)</u>
<b>Profits/(losses) per share (expressed in RMB cents per share)</b>			
Basic profits/(losses) per share	20	<b>3.36</b>	(2.46)
Diluted profits/(losses) per share	20	<u>3.20</u>	<u>(2.46)</u>



## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		30 June 2023	31 December 2022
	<i>Note</i>	<i>RMB'000</i> Unaudited	<i>RMB'000</i> Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	35,193	30,811
Intangible assets	10	95,898	5,598
Right-of-use assets		25,662	16,302
Deferred income tax assets		8,830	–
Trade and other receivables	11	9,279	9,659
Interests in an associate	6	28,869	31,608
		<b>203,731</b>	93,978
<b>Total non-current assets</b>			
<b>Current assets</b>			
Inventories		62,744	64,361
Other current assets	13	29,109	19,605
Trade and other receivables	11	222,656	217,142
Pledged bank deposits		1,233	892
Bank balances and cash		70,438	50,928
		<b>386,180</b>	352,928
<b>Total current assets</b>			
		<b>589,911</b>	446,906
<b>Total assets</b>			
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	11,316	10,667
Share premium	15	330,273	330,273
Other reserves		2,736	(47,479)
Retained earnings		(155,986)	(200,166)
		<b>188,339</b>	93,295
<b>Non-controlling interests</b>			
		<b>8,761</b>	9,688
<b>Total equity</b>			
		<b>197,100</b>	102,983

		<b>30 June</b>	31 December
		<b>2023</b>	2022
	<i>Note</i>	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
		<b>Unaudited</b>	Audited
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Bank and other borrowings	<i>17</i>	<b>17,012</b>	17,859
Lease liabilities		<b>8,563</b>	7,908
Deferred income tax liabilities		<b>2,753</b>	–
		<hr/>	<hr/>
<b>Total non-current liabilities</b>		<b>28,328</b>	25,767
		<hr/>	<hr/>
<b>Current liabilities</b>			
Contract liabilities	<i>14</i>	<b>36,948</b>	14,670
Trade and other payables	<i>19</i>	<b>194,056</b>	169,168
Current income tax liabilities		<b>19,602</b>	17,356
Lease liabilities		<b>15,177</b>	7,997
Bank and other borrowings	<i>17</i>	<b>98,700</b>	108,965
		<hr/>	<hr/>
<b>Total current liabilities</b>		<b>364,483</b>	318,156
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>392,811</b>	343,923
		<hr/>	<hr/>
<b>Total equity and liabilities</b>		<b>589,911</b>	446,906
		<hr/> <hr/>	<hr/> <hr/>
<b>Net current assets</b>		<b>21,697</b>	34,772
		<hr/> <hr/>	<hr/> <hr/>
<b>Total assets less current liabilities</b>		<b>225,428</b>	128,750
		<hr/> <hr/>	<hr/> <hr/>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company				Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserves RMB'000	Retained earnings RMB'000	
<b>Unaudited</b>					
<b>Balance at January 1, 2023</b>	<b>10,667</b>	<b>330,273</b>	<b>(47,479)</b>	<b>(200,166)</b>	<b>93,295</b>
<b>Comprehensive income/(loss)</b>					
Profit for the period	-	-	-	44,180	44,180
<b>Other comprehensive loss</b>					
— currency translation differences	-	-	(518)	-	(518)
<b>Total comprehensive income/(loss) for the period ended 30 June 2023</b>	<b>-</b>	<b>-</b>	<b>(518)</b>	<b>44,180</b>	<b>43,662</b>
<b>Transactions with owners</b>					
Employees share award plan					
— value of employee services (Note 16)	649	-	50,733	-	51,382
<b>Total transactions with owners, recognised directly in equity</b>	<b>649</b>	<b>-</b>	<b>50,733</b>	<b>-</b>	<b>51,382</b>
<b>Balance as at 30 June 2023</b>	<b>11,316</b>	<b>330,273</b>	<b>2,736</b>	<b>(155,986)</b>	<b>188,339</b>
<b>Unaudited</b>					
<b>Balance at January 1, 2022</b>	<b>8,694</b>	<b>281,110</b>	<b>(35,869)</b>	<b>(188,135)</b>	<b>65,800</b>
<b>Comprehensive loss</b>					
Loss for the period	-	-	-	(27,003)	(27,003)
<b>Other comprehensive loss</b>					
— currency translation differences	-	-	(2,242)	-	(2,242)
<b>Total comprehensive loss for the period ended 30 June 2022</b>	<b>-</b>	<b>-</b>	<b>(2,242)</b>	<b>(27,003)</b>	<b>(29,245)</b>
<b>Transactions with owners</b>					
Employees share award plan					
— value of employee services (Note 16)	139	-	18,306	-	18,445
<b>Total transactions with owners, recognised directly in equity</b>	<b>139</b>	<b>-</b>	<b>18,306</b>	<b>-</b>	<b>18,445</b>
<b>Balance as at 30 June 2022</b>	<b>8,833</b>	<b>281,110</b>	<b>(19,805)</b>	<b>(215,138)</b>	<b>55,000</b>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
	<b>Unaudited</b>	Unaudited
<b>Cash flows from operating activities</b>		
Cash generated from/(used in) operations	<b>85,918</b>	(16,327)
Interest paid	<b>(2,497)</b>	(5,161)
Income tax paid	<b>(13,300)</b>	(172)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) operating activities</b>	<b>70,121</b>	(21,660)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchases of property, plant and equipment	<b>(6,676)</b>	(1,180)
Payment of pledged bank deposits	<b>(1,233)</b>	(839)
Collection of pledged bank deposits	<b>892</b>	801
Purchase of intangible assets	<b>(644)</b>	(212)
Acquisition of a subsidiary, net of cash acquired	<b>(32,029)</b>	–
Proceeds from sales of property, plant and equipment	–	94
Net cash inflow arising from disposal of subsidiaries	–	944
Proceeds from disposal of financial assets at FVPL	–	38,863
	<hr/>	<hr/>
<b>Net cash (used in)/generated from investing activities</b>	<b>(39,690)</b>	38,471
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Proceeds from bank and other borrowings	<b>7,700</b>	17,889
Repayments of bank and other borrowings	<b>(18,812)</b>	(57,303)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(11,112)</b>	(39,414)
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>19,319</b>	(22,603)
Cash and cash equivalents at beginning of the period	<b>50,928</b>	60,063
Effect of foreign exchange rate changes	<b>191</b>	2,360
	<hr/>	<hr/>
<b>Cash and cash equivalents at end of the period</b>	<b>70,438</b>	39,820
	<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 JUNE 2023

## 1. GENERAL INFORMATION

Be Friends Holding Limited (the “**Company**”) was incorporated in the Cayman Islands on 18 December 2012 as an exempted company with limited liability under the Companies Act (Cap. 22, as consolidated and revised) of the Cayman Islands. The Company’s shares are listed on the Stock Exchange.

The address of the Company’s registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company and its subsidiaries (together the “**Group**”) are principally engaged in the provision of (i) new media services, (ii) application solutions, (iii) sales of self-developed products, and (iv) system maintenance services, for the all-media industry in the People’s Republic of China (“**PRC**”). The Group has operations mainly in the People’s Republic of China (“**PRC**”).

This interim financial information was approved for issue by the Board on 21 August 2023. This interim financial information has not been audited. This interim financial information was presented in Renminbi (“**RMB**”) and rounded to the nearest thousands (“**000**”), unless otherwise stated.

## 2. BASIS OF PREPARATION AND PRESENTATION

This interim financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”), “Interim financial reporting”. The interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

## 3. ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements.

Amendments to HKFRSs effective for the financial year ending 31 December 2023 do not have a material impact on the Group.

Taxes on income in the interim periods are accrued using the tax rates that would be applicable to expected total annual earnings.

## 4. SEGMENT INFORMATION

The chief operating decision-maker (“**CODM**”) of the Company mainly includes the board of directors of the Company, who is responsible for allocating resources, assessing performance of the operating segments and making strategic decisions, the CODM considers the business from both business and geographical perspective.

The Group has the following reportable segments for the relevant periods:

- New media services
- Application solutions
- Sales of self-developed products
- System maintenance services

The CODM assess the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling expenses, administrative expenses and net finance cost are common costs incurred for the operating segment as a whole and therefore they are not included in the measure of the segments' performance which is used by the CODM.

The segment information provided to the CODM for the reportable segments for the periods is as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>RMB'000</b>	RMB'000
	<b>Unaudited</b>	Unaudited
<b>Segment revenue</b>		
New media services	<b>391,711</b>	52,886
Application solutions	<b>25,764</b>	61,753
Sales of self-developed products	<b>13,900</b>	16,301
System maintenance services	<b>1,305</b>	6,213
	<u>432,680</u>	<u>137,153</u>
<b>Total</b>	<b>432,680</b>	137,153
<b>Segment cost</b>		
New media services	<b>(164,143)</b>	(23,509)
Application solutions	<b>(18,610)</b>	(48,413)
Sales of self-developed products	<b>(4,583)</b>	(5,957)
System maintenance services	<b>(983)</b>	(4,401)
	<u>(188,319)</u>	<u>(82,280)</u>
<b>Total</b>	<b>(188,319)</b>	(82,280)
<b>Segment gross profit</b>		
New media services	<b>227,568</b>	29,377
Application solutions	<b>7,154</b>	13,340
Sales of self-developed products	<b>9,317</b>	10,344
System maintenance services	<b>322</b>	1,812
	<u>244,361</u>	<u>54,873</u>
<b>Total</b>	<b>244,361</b>	54,873

## 5. OTHER GAINS/(LOSSES), NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	Unaudited	Unaudited
<b>Other gains/(losses), net</b>		
Government grant	7,198	–
Fair value losses on financial assets at FVPL ( <i>Note 12</i> )	–	(12,139)
Others	220	(180)
	<u>7,418</u>	<u>(12,319)</u>
<b>Other gains/(losses), net</b>	<b>7,418</b>	<b>(12,319)</b>

## 6. INTERESTS IN AN ASSOCIATE

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	Unaudited	Unaudited
At 1 January	31,608	31,458
Share of results of an associate	(2,739)	469
	<u>28,869</u>	<u>31,927</u>
At 30 June	<b>28,869</b>	<b>31,927</b>

The Group's share of the results in Beijing Evertop Sports Culture Media Co., Ltd.\* (北京永達天恆體育文化傳媒有限公司) and its aggregated assets and liabilities are shown below:

	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	Unaudited	Audited
Assets	39,711	48,267
Liabilities	23,333	25,802
	<u>16,378</u>	<u>22,465</u>
Net assets	<b>16,378</b>	<b>22,465</b>

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	Unaudited	Unaudited
Revenue	1,595	9,469
Share of profit	(2,739)	469
	<u>45%</u>	<u>45%</u>
Percentage held	<b>45%</b>	<b>45%</b>

## 7. FINANCIAL EXPENSES, NET

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	Unaudited	Unaudited
<b>Finance expenses</b>		
Interest expenses on bank and other borrowings	(4,475)	(5,353)
Interest expenses on lease liabilities	(419)	(111)
Interest expenses on amounts due to directors	(23)	(114)
Interest expenses on amounts due to a shareholder	(212)	(203)
Interest expenses on convertible bonds ( <i>Note 18</i> )	–	(1,436)
Net foreign exchange gain	191	4,051
	<u>(4,938)</u>	<u>(3,166)</u>
<b>Finance income</b>		
Interest income on short-term bank deposits	218	95
	<u>218</u>	<u>95</u>
<b>Finance expenses, net</b>	<u>(4,720)</u>	<u>(3,071)</u>

## 8. INCOME TAX EXPENSE

### Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act (Cap. 22, as consolidated and revised) of the Cayman Islands and accordingly, is exempted from the Cayman Islands income tax.

### BVI income tax

Some of the subsidiaries of the Group, incorporated in BVI as exempted companies with limited liability under the Companies Law of BVI, are exempted from BVI income tax.

### Hong Kong profits tax

Entities of the Group incorporated in Hong Kong are subject to Hong Kong profits tax at a rate of 16.5% for the period ended 30 June 2023 (2022: 16.5%) on the estimated assessable profit for the period. Hong Kong Profits Tax has not been provided as the Group, an entity incorporated in Hong Kong, incurred a loss for taxation purposes during both periods.



### PRC enterprise income tax (“EIT”)

Entities of the Group incorporated in the PRC are subject to EIT. According to the EIT law effective from 1 January 2008, all PRC enterprises are subject to a standard EIT rate of 25%, except for enterprises which are allowed to enjoy the preferential policies and provisions as discussed below:

Certain subsidiaries of the Group obtained the High and New Technology Enterprise qualification. A reduced tax rate of 15% (2022: 15%) for the period of three years was granted as long as those PRC subsidiaries meet the high-tech enterprise qualification.

Certain subsidiaries of the Group meet the criteria of Micro-enterprise. Pursuant to the Announcement of Ministry of Finance and the State Administration of Taxation No. 13 of 2022\* (《財政部稅務總局公告2022年第13號》) and the Announcement of Ministry of Finance and the State Administration of Taxation No. 6 of 2023\* (《財政部稅務總局公告2023年第6號》), Micro-enterprise could enjoy an EIT at 20% on the assessable profits below RMB3,000,000 after reduction of 75% of assessable profits.

### PRC withholding tax

In addition, according to the EIT law, dividends, interests, rent, royalties and gains on transfers of property received by a foreign enterprise, i.e., a non-China tax resident enterprise, will be subject to PRC withholding tax at 10% or a reduced treaty rate depending on provisions of tax treaty entered between the PRC and the jurisdiction where the foreign enterprise incorporated. The withholding tax rate is 5% for the holding company in Hong Kong if the parent company is the beneficial owner of the dividend received from the invested enterprises in the PRC and obtained the approval of enjoying the treaty rate from the PRC tax authorities. The withholding tax imposed on the dividend income received from the Group’s PRC entities will reduce the Company’s net income.

The income tax expense of the Group is analyzed as follows:

	Six months ended 30 June	
	2023	2022
	RMB’000	RMB’000
	Unaudited	Unaudited
Enterprise income tax		
Current income tax	(13,779)	(85)
Deferred income tax	8,830	–
	<hr/>	<hr/>
<b>Income tax expense</b>	<b>(4,949)</b>	<b>(85)</b>
	<hr/> <hr/>	<hr/> <hr/>

\* For identification purposes only.

## 9. DIVIDENDS

The Board does not recommend the distribution of any interim dividend for the Interim Period (2022: Nil).

## 10. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

	<b>Property, plant and equipment</b>	<b>Goodwill</b>	<b>Other intangible assets</b>
	<i>RMB'000</i>	<i>(Note 21)</i> <i>RMB'000</i>	<i>RMB'000</i>
	Unaudited	Unaudited	Unaudited
<b>Six months ended 30 June 2023</b>			
<b>Net book value or valuation</b>			
<b>Opening amount as at 1 January 2023</b>	<b>30,811</b>	–	<b>5,598</b>
Additions	<b>6,676</b>	–	<b>644</b>
Acquisition of a subsidiary ( <i>Note 21</i> )	–	<b>80,112</b>	<b>11,010</b>
Depreciation	<b>(2,294)</b>	–	<b>(1,466)</b>
	<hr/> <b>35,193</b>	<hr/> <b>80,112</b>	<hr/> <b>15,786</b>
<b>Closing amount as at 30 June 2023</b>	<b><u><u>35,193</u></u></b>	<b><u><u>80,112</u></u></b>	<b><u><u>15,786</u></u></b>
<b>Six months ended 30 June 2022</b>			
<b>Net book value or valuation</b>			
<b>Opening amount as at 1 January 2022</b>	30,326	–	7,227
Additions	1,180	–	212
Disposals	(94)	–	–
Disposals of a subsidiary	(314)	–	(792)
Depreciation	<b>(1,678)</b>	–	<b>(1,242)</b>
	<hr/> <b>29,420</b>	<hr/> <b>–</b>	<hr/> <b>5,405</b>
<b>Closing amount as at 30 June 2022</b>	<b><u><u>29,420</u></u></b>	<b><u><u>–</u></u></b>	<b><u><u>5,405</u></u></b>

## 11. TRADE AND OTHER RECEIVABLES

	As at	
	30 June 2023 RMB'000 Unaudited	31 December 2022 RMB'000 Audited
<b>Trade receivables</b>		
— from third parties	235,697	200,022
— from an associate	4,052	3,667
	<u>239,749</u>	<u>203,689</u>
Less: provision for impairment of trade receivables	(49,220)	(50,195)
Trade receivables — net	<u>190,529</u>	<u>153,494</u>
<b>Other receivables</b>		
Deposit for guarantee certificate over tendering and performance	8,154	39,809
Deposit paid for acquisition of a subsidiary	—	16,934
Cash advance to employees	8,017	4,650
Due from related parties	5,385	6,047
Receivable from disposal of a subsidiary	3,602	3,602
Receivable from third parties	—	7,000
Other deposits paid	6,325	5,305
Others	9,923	8,694
	<u>41,406</u>	<u>92,041</u>
Less: provision for impairment of deposit paid for acquisition of a subsidiary	—	(16,934)
Less: provision for impairment of other receivable	—	(1,800)
	<u>41,406</u>	<u>73,307</u>
<b>Total trade and other receivables</b>	<u>231,935</u>	<u>226,801</u>
<b>Less: Non-current portion</b>		
Receivable from disposal of a subsidiary	3,602	3,602
Other deposit paid	3,647	4,027
Trade receivables— third parties	2,084	2,084
Less: provision for impairment of trade receivable	(54)	(54)
<b>Non-current portion</b>	<u>9,279</u>	<u>9,659</u>
<b>Current portion</b>	<u>222,656</u>	<u>217,142</u>

As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade receivables based on revenue recognition date is as follows:

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>Unaudited</b>	Audited
Up to 3 months	<b>88,227</b>	81,240
Over 3 months but less than 6 months	<b>25,100</b>	9,237
Over 6 months but less than 1 year	<b>25,097</b>	19,981
Over 1 year but less than 2 years	<b>17,290</b>	27,577
Over 2 years but less than 3 years	<b>18,445</b>	14,778
Over 3 years	<b>65,590</b>	50,876
	<b>239,749</b>	203,689

## 12. FINANCIAL ASSETS AT FVPL

The financial assets designated at FVPL represented key-man life insurance policies. The Group is the beneficiary of the insurance policies.

The Group can terminate the policy at any time, and the insurance contract value, net of a surrender charge, would be refunded to the Group.

On 13 April 2022, the Group surrendered the key-man life insurance policies and received the remaining value of the policies in the amount of RMB38,863,000.

## 13. OTHER CURRENT ASSETS

	<b>As at</b>	
	<b>30 June</b>	31 December
	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>Unaudited</b>	Audited
Prepayment for purchase of goods or services	<b>29,109</b>	19,605

## 14. CONTRACT LIABILITIES

	As at	
	30 June 2023 <i>RMB'000</i> Unaudited	31 December 2022 <i>RMB'000</i> Audited
Contract liabilities to third party	<u>36,948</u>	<u>14,670</u>

Contract liabilities primarily consist of the advance from customers for services or goods to be provided.

## 15. SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Nominal value of ordinary shares <i>HK\$'000</i>	Equivalent nominal value of ordinary shares <i>RMB'000</i>	Share premium <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Balance at 1 January 2023</b>	1,311,270,995	13,112	10,667	330,273	340,940
Issuance of new shares under Share Award Plan ( <i>note 16</i> )	<u>74,471,230</u>	<u>745</u>	<u>649</u>	–	<u>649</u>
<b>Balance at 30 June 2023</b>	<u>1,385,742,225</u>	<u>13,857</u>	<u>11,316</u>	<u>330,273</u>	<u>341,589</u>
<b>Balance at 1 January 2022</b>	1,089,883,169	10,899	8,694	281,110	289,804
Issuance of new shares under the Share Award Plan ( <i>note 16</i> )	<u>17,040,000</u>	<u>170</u>	<u>139</u>	–	<u>139</u>
<b>Balance at 30 June 2022</b>	<u>1,106,923,169</u>	<u>11,069</u>	<u>8,833</u>	<u>281,110</u>	<u>289,943</u>

## 16. SHARE BASED PAYMENTS

### (i) 2014 Share Award Plan

The Company has adopted the 2014 Share Award Plan on 24 March 2014. The Board shall notify the trustee, who is designated to manage the plan, in writing upon the making of an award to an eligible participant under the 2014 Share Award Plan. On 1 April 2022, the Board has resolved to allot and issue to the Trustee a total of 17,040,000 new shares and grant such shares to Selected Participants under the 2014 Share Award Plan.

Movement of the awarded shares under the 2014 Share Award Plan for the six months ended 30 June 2023 and 2022 is as the following:

	<b>Number of awarded shares</b>
At 1 January 2023	3,408,000
Granted	–
Vested	–
	<hr/>
At 30 June 2023	<u>3,408,000</u>
At 1 January 2022	–
Granted	17,040,000
Vested	<u>(10,224,000)</u>
	<hr/>
At 30 June 2022	<u>6,816,000</u>

During the interim period, no shares were granted or newly issued under the 2014 Share Award Plan.

### (ii) 2022 Share Award Plan

The Company has adopted the 2022 Share Award Plan on 8 December 2022. The Board shall notify the trustee, who is designated to manage the plan, in writing upon the making of an award to an eligible participant under the 2022 Share Award Plan. The Board have resolved on 10 January 2023 to allot and issue to the Trustee a total of 74,471,230 new shares and grant such shares to Selected Participants under the 2022 Share Award Plan, including the conditional grant of 39,338,200 awarded shares to Mr. Li Liang (an executive director) which was approved by the independent shareholders of the Company at the extraordinary general meeting of the Company held on 27 February 2023.

Movement of the awarded shares under the 2022 Share Award Plan for the six months ended 30 June 2023 is as the following:

	<b>Number of awarded shares</b>
At 1 January 2023	–
Granted	74,471,230
Vested	<u>(10,768,578)</u>
At 30 June 2023	<u><u>63,702,652</u></u>

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. There were 74,471,230 new issued shares awarded under the 2022 Share Award Plan during the Interim Period.

**(iii) Share-based payment expenses**

The amounts of share-based payment expenses are as follows:

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
Share Award Plans	<u><b>51,382</b></u>	<u>18,445</u>

**17. BANK AND OTHER BORROWINGS**

	<b>As at</b>	
	<b>30 June</b>	<b>31 December</b>
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>Unaudited</b>	<b>Audited</b>
<b>Non-current</b>		
Bank and other borrowings	<u><b>17,012</b></u>	<u>17,859</u>
<b>Current</b>		
Bank and other borrowings	<u><b>98,700</b></u>	<u>108,965</u>
<b>Total bank and other borrowings</b>	<u><u><b>115,712</b></u></u>	<u><u>126,824</u></u>

As at 30 June 2023, bank borrowings of RMB29,500,000 (31 December 2022: RMB29,500,000) were secured by the buildings of the Group, net book value of which amounted to RMB24,238,000 (31 December 2022: RMB25,333,000), and were guaranteed by Beijing Zhongguancun Sci-Tech Financing Guaranty Co., Ltd. (31 December 2022: same).

## 18. CONVERTIBLE BONDS

On 30 July 2021, the Company, as the issuer, entered into a subscription agreement (the “**Subscription Agreement**”) with three subscribers (the “**Subscribers**”), pursuant to which the Company has conditionally agreed to issue, and the Subscribers have conditionally agreed to subscribe for the convertible bonds in the principal amount of HKD47,000,000 (equivalent to approximately RMB39,026,000), at the initial conversion price of HKD0.23 per share (the “**Subscription**”). The Subscription was completed on 27 September 2021. The bondholders have the right, during the period between the issuance date and the date falling on the third anniversary from the issuance date (both dates inclusive), to convert the whole or part of the principal amount of the convertible bonds into the conversion shares at the conversion price.

The convertible bonds are unsecured, interest-bearing at 1% per annum and have a term of 3 years.

If any of the events specified in the Subscription Agreement occurs, the bondholder may give notice to the Company to early redeem the convertible bonds and the Company shall redeem all outstanding convertible bonds held by such bondholder at their face value (plus the accrued but unpaid interest) in advance:

The shares to be allotted and issued upon conversion of the convertible bonds will be duly and validly issued as fully paid and free from any encumbrance and will rank at least pari passu with all other shares then in issue.

At initial recognition, the convertible bonds are separated into a liability component and an equity component representing the conversion options of the bondholders. The values of the liability component and the equity component were determined at the issue date. The fair value of the liability component was calculated using a market interest rate of 8.99% per annum for instruments without a conversion option of comparable credit status which is referenced to professional valuation conducted by Vincorn Consulting and Appraisal Limited. The residual amount, representing the value of the equity component, has been included in the convertible bonds reserve.

The fair value of the convertible bonds is determined using valuation model for which involved unobservable inputs. The day-one loss, which represented the difference between the nominal value and the fair value of the convertible bonds at the bond issue date, is not recognized in the profit or loss immediately but is deferred.

The carrying value of the liability component and the equity component of the convertible bonds is net of the deferred day-one loss which is allocated to the liability component and the equity component on the same allocation basis of the allocation of the fair value of the convertible bonds. The deferred day-one loss in the liability component will be amortized over the term of the convertible bonds on the basis similar with the effective interest method and included in “Administrative expenses” in the consolidated statement of profit or loss and the deferred day-one loss in the equity component will be accounted for in the same basis as the equity component.

The effective interest rate of the liability component of the convertible bonds on initial recognition, which excluded the impact of the deferred day-one loss, is 9.49% per annum and is subsequently carried at amortized cost.

Details of the Subscription are set out in the Company’s joint announcements dated 30 July 2021 and 27 September 2021 and the Company’s circular dated 6 September 2021 and the Company’s composite document dated 7 September 2021.



In September 2022 and October 2022, the Subscribers exercised the conversion options attaching to the convertible bonds and the Company has issued and placed 147,846,853 shares and 56,500,973 shares respectively. The carrying amounts of liability component at amortised cost of the convertible bonds as at 31 December 2022 and 30 June 2023 are nil and its movements for the corresponding period are as follow:

	<b>Liability Component</b> <i>RMB'000</i> Unaudited	<b>Deferred day-one loss</b> <i>RMB'000</i> Unaudited	<b>Total</b> <i>RMB'000</i> Unaudited
Carrying amount as at 31 December 2021	30,874	(23,980)	6,894
Interest charged for the period	1,436	–	1,436
Interest payables on convertible bonds included in other payables	(204)	–	(204)
Amortisation of deferred day-one loss	–	4,397	4,397
Exchange realignments	1,501	(984)	517
	<u>33,607</u>	<u>(20,567)</u>	<u>13,040</u>
Carrying amount as at 30 June 2022	<u>33,607</u>	<u>(20,567)</u>	<u>13,040</u>

## 19. TRADE AND OTHER PAYABLES

	<b>As at</b>	
	<b>30 June 2023</b> <i>RMB'000</i> Unaudited	31 December 2022 <i>RMB'000</i> Audited
Trade payables to third parties	<b>68,199</b>	51,663
Trade payables to an associate	<b>13,166</b>	12,894
Other taxes payables	<b>14,912</b>	24,424
Employee benefits payables	<b>34,725</b>	31,856
Amounts due to an associate	<b>3,666</b>	3,651
Amounts due to a director	<b>667</b>	4,477
Amounts due to a related company/a shareholder	<b>9,710</b>	9,710
Accrual for professional service fees	<b>1,657</b>	1,750
Interest payables	<b>19,150</b>	16,736
Loan from third parties	<b>5,000</b>	8,500
Consideration payable for acquisition of a subsidiary ( <i>Note 21</i> )	<b>17,000</b>	–
Others	<b>6,204</b>	3,507
	<u><b>194,056</b></u>	<u>169,168</u>

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

	As at	
	30 June 2023 <i>RMB'000</i> Unaudited	31 December 2022 <i>RMB'000</i> Audited
Up to 3 months	33,047	27,581
Over 3 months but within 6 months	14,164	6,475
Over 6 months but within 1 year	14,107	2,496
Over 1 year but within 2 years	4,469	14,871
Over 2 years but within 3 years	11,524	7,351
Over 3 years	4,054	5,783
	<b>81,365</b>	<b>64,557</b>

## 20. EARNING/(LOSS) PER SHARE

### (a) Basic

Basic earning/(loss) per share for the six months ended 30 June 2023 and 2022 are calculated by dividing the profit/(loss) of the Group attributable to owners of the Company by the weighted average number of ordinary shares deemed to be in issue during each respective period:

	Six months ended 30 June	
	2023 <i>RMB'000</i> Unaudited	2022 <i>RMB'000</i> Unaudited
Profit/(Loss) attributable to owners of the Company <i>(in RMB'000)</i>	44,180	(27,003)
Weighted average number of ordinary shares in issue (in thousand)	1,315,121	1,097,457
Basic earning/(loss) per share <i>(RMB cents per share)</i>	<b>3.36</b>	<b>(2.46)</b>

### (b) Diluted

	Six months ended 30 June	
	2023 <i>RMB'000</i> Unaudited	2022 <i>RMB'000</i> Unaudited
Profit/(Loss) attributable to owners of the Company <i>(in RMB'000)</i>	44,180	(27,003)
Profit/(Loss) attributable to owners of the Company for computation of diluted earnings per share	44,180	(27,003)
Weighted average number of ordinary shares in issue <i>(in thousand)</i>	1,315,121	1,097,457
Effect of dilutive potential ordinary shares relating to share awards	67,111	–
Weighted average number of ordinary shares for computation of diluted earnings per share	1,382,232	1,097,457
Basic earning/(loss) per share <i>(RMB cents per share)</i>	<b>3.20</b>	<b>(2.46)</b>

## 21. ACQUISITION OF A SUBSIDIARY

On 4 May 2023, the Group acquired 100% equity interest in Beijing Be Friends Digital Technology Company Limited\* (北京交個朋友數碼科技有限公司) (“**Beijing Be Friends**”) from a third party at a total consideration of RMB50,000,000, which was settled by the Group in the form of RMB50,000,000 in cash.

As a result of the acquisition, the Group generated goodwill of RMB80,112,000.

The following table summarizes the total consideration paid, the fair value of the assets acquired and the liabilities assumed in Beijing Be Friends as at the acquisition date.

	<i>RMB'000</i>
Consideration:	
— Cash consideration	33,000
— Consideration payable ( <i>Note 19</i> )	<u>17,000</u>
<b>Total consideration</b>	<b><u>50,000</u></b>
<b>Recognised amounts of identifiable assets acquired and liabilities assumed:</b>	
Cash and cash equivalents	971
Trade and other receivables and prepayments	1,238
Intangible assets ( <i>Note 10</i> )	11,010
Trade and other payables and receipts in advance	(40,578)
Deferred income tax liabilities	(2,753)
<b>Total identifiable net assets</b>	<b>(30,112)</b>
Goodwill ( <i>Note 10</i> )	<u>80,112</u>
<b>Total</b>	<b><u><u>50,000</u></u></b>

## 22. CONTINGENT LIABILITIES

As at 30 June 2023, the Directors were not aware of any significant events that would have resulted in material contingent liabilities.

\* *For identification purposes only*

## **OTHER INFORMATION**

### **Employees and remuneration policies**

As at 30 June 2023, the Group had a total of 829 employees (as at 31 December 2022: 785 employees).

The Group has formulated its emolument policy which specifies the basis for determining the remuneration of the employees and the remuneration structure of employees that comprises of basic wage, allowances, benefits and others, and share awards may be awarded to employees according to assessment of individual performance on a discretionary basis. The Company has also made contributions to, among others, social insurance, medical insurance, housing provident fund and mandatory provident fund on behalf of its employees in accordance with the relevant laws and regulations requirements of the PRC and Hong Kong.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Interim Period.

### **Corporate Governance**

Throughout the Interim Period, the Company continued to apply the principles set out in the Corporate Governance Code as contained in Part 2 of Appendix 14 to the Listing Rules (the “**CG Code**”) as its own code of corporate governance. The Directors consider that the Company has complied with all the applicable code provisions under the CG Code, save as the following:

- Under the code provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. During the period from 1 January 2023 to 18 June 2023, the roles of the chairman and the chief executive officer (the “**CEO**”) of the Group was not separated and was acted by the same individual, Mr. Lo Chi Sum.

As at 19 June 2023, Mr. Li Jun, the executive director of the Group was appointed as chairman of the Board. The Group complied with all applicable provisions of the CG Code since that date.

## **Model Code for Directors' Securities Transactions**

The Company has adopted a code of conduct regarding Directors' securities transactions (the "**Securities Dealing Code**") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "**Model Code**") (with certain modifications).

The Securities Dealing Code applies to all the Directors and all the employees to whom the Securities Dealing Code is given and who are informed that they are subject to its provisions.

The Company has made specific enquiry of all Directors and all Directors have confirmed with the Company that they complied with the required standard set out in the Securities Dealing Code throughout the Interim Period.

## **Audit Committee**

The Audit Committee comprises three members, all of whom are independent non-executive Directors, namely Dr. Yu Guo Jie, Mr. Ma Zhan Kai and Mr. Cui Xiao Bo. Dr. Yu Guo Jie is the chairman of the Audit Committee. The Audit Committee has written terms of reference in compliance with the Listing Rules and the CG Code.

The Audit Committee has in conjunction with the management reviewed the accounting principles and practices adopted by the Group and discussed risk management, internal controls and financial reporting matters of the Group. The Audit Committee has no disagreement with the accounting treatment adopted by the Company.

## **Significant Events after the Interim Period**

The Group does not have any material subsequent events after the Interim Period.

## **PUBLICATION**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.befriends.com.cn](http://www.befriends.com.cn)) respectively. The 2023 interim report of the Company will be despatched to the shareholders of the Company and published on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board  
**Be Friends Holding Limited**  
**Li Jun**  
*Chairman*

Hong Kong, 21 August 2023

*As at the date of this announcement, the executive Directors are Mr. Li Jun, Mr. Lo Chi Sum, Mr. Li Liang and Ms. Zhao Hui Li; and the independent non-executive Directors are Mr. Cui Xiao Bo, Mr. Ma Zhan Kai and Dr. Yu Guo Jie.*