花房集团
HUAFANG GROUP

Huafang Group Inc.
花房集团公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3611)

AUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022 AND CONTINUED SUSPENSION OF TRADING

KEY FINANCIALS

- Revenue for the year ended 31 December 2022 amounted to approximately RMB5.1 billion, representing an increase of approximately 10.8% from approximately RMB4.6 billion for the year ended 31 December 2021.

- Gross profit for the year ended 31 December 2022 amounted to approximately RMB1.3 billion, representing an increase of approximately 6.2% from approximately RMB1.2 billion for the year ended 31 December 2021.

- Profit attributable to owners of the Company for the year ended 31 December 2022 amounted to approximately RMB231.8 million, representing an decrease of approximately 28.7% from approximately RMB325.0 million for the year ended 31 December 2021.

- Non-IFRS net profit attributable to owners of the Company was approximately RMB458.2 million for the year ended 31 December 2022, representing an increase of approximately 6.4% from approximately RMB430.6 million for the year ended 31 December 2021.

- Basic earnings per share and diluted earnings per share in 2022 were approximately RMB0.24 and approximately RMB0.24 (2021: approximately RMB0.34 and approximately RMB0.34), respectively, representing an decrease of approximately 29.4% and approximately 29.4% from 2021, respectively.

The board (the "**Board**") of directors (the "**Directors**") of Huafang Group Inc. (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to announce the audited annual consolidated final results of the Group for the year ended 31 December 2022, together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*4*	**5,097,508**	4,599,690
Cost of sales		**(3,799,508)**	(3,377,109)
Gross profit		**1,298,000**	1,222,581
Other income, net	*5*	**78,060**	68,852
Selling and marketing expenses		**(537,216)**	(544,839)
General and administrative expenses		**(152,525)**	(146,011)
Research and development expenses		**(235,329)**	(207,850)
Impairment loss on goodwill and intangible assets		**(790)**	–
Profit from operations		**450,200**	392,733
Provision for loss on the Incident	*16*	**(154,895)**	–
Finance costs	*6*	**(2,303)**	(484)
Profit before taxation	*6*	**293,002**	392,249
Income tax expenses	*7*	**(61,255)**	(67,226)
Profit for the year		**231,747**	325,023
Profit/(Loss) for the year attributable to:			
Owners of the Company		**231,788**	325,023
Non-controlling interests		**(41)**	–
Profit for the year		**231,747**	325,023
Earnings per share	*8*		
– Basic (RMB)		**0.24**	0.34
– Diluted (RMB)		**0.24**	0.34

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
Profit for the year	**231,747**	325,023
Other comprehensive (loss)/income		
Items that will not be reclassified to profit or loss:		
– Exchange differences on translation of the Company's financial statements to presentation currency	**(270)**	–
– Changes in the fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")	**(16,558)**	1,224
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency	**(1,972)**	(46)
Total other comprehensive (loss)/income for the year, net of tax	**(18,800)**	1,178
Total comprehensive income	**212,947**	326,201
Total comprehensive income/(loss) for the year attributable to:		
Owners of the Company	**212,988**	326,201
Non-controlling interests	**(41)**	–
	212,947	326,201

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
Non-current assets			
Property and equipment		**72,442**	83,073
Intangible assets		**111,383**	132,641
Goodwill	*10*	**699,157**	699,778
Other financial assets	*11*	**133,777**	65,960
Deferred tax assets		**19,773**	63,848
		1,036,532	1,045,300
Current assets			
Trade receivables	*12*	**786**	621
Prepayments, deposits and other receivables	*13*	**291,104**	138,457
Other financial assets	*11*	**422,238**	45,346
Cash at banks and on hand		**1,633,031**	1,614,783
		2,347,159	1,799,207
Current liabilities			
Trade payables	*14*	**164,630**	143,150
Contract liabilities	*15*	**91,687**	85,781
Accrued expenses and other payables		**90,432**	80,840
Lease liabilities		**11,917**	12,246
Provision for loss on the Incident	*16*	**154,895**	–
Current taxation		**513**	8,871
		514,074	330,888
Net current assets		**1,833,085**	1,468,319
Total assets less current liabilities		**2,869,617**	2,513,619

	Notes	**2022**	2021
		RMB'000	*RMB'000*
Non-current liabilities			
Deferred tax liabilities		**16,840**	19,501
Lease liabilities		**34,427**	46,063
		51,267	65,564
Net assets		**2,818,350**	2,448,055
Capital and reserves			
Share capital	*17*	**694**	33
Reserves		**2,817,697**	2,448,022
Equity attributable to owners of the Company		**2,818,391**	2,448,055
Non-controlling interests		**(41)**	–
Total equity		**2,818,350**	2,448,055

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Huafang Group Inc. (the "**Company**") was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on 1 June 2021 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company and its subsidiaries (together, the "**Group**") are principally engaged in operating online social entertainment live streaming platforms and social networking services (the "**Listing Business**") both in the People's Republic of China (the "**PRC**") and overseas. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 3611.HK) on 12 December 2022 (the "**Listing**").

The registered office of the Company is situated on the Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The Company's principal place of business is situated at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong and the Group's headquarter is situated at Building 5, Yard 6, Jiuxianqiao Road, Chaoyang District, Beijing, the PRC.

Pursuant to a group reorganisation (the "**Reorganisation**") carried out by the Group in preparation for the Listing, the Company became the holding company of the subsidiaries now comprising the Group on 8 September 2022. Details of the Reorganisation are set out in the paragraph headed "Reorganisation" of the section headed "History, Reorganisation and Corporate Structure" to the prospectus issued by the Company dated 30 November 2022 (the "**Prospectus**").

The Reorganisation only involved inserting certain investment holding companies with no substantive operations as the new holding companies of the Listing Business. There were no changes in the economic substance of the ownership and the business of the Group before and after the Reorganisation. Accordingly, the consolidated financial statements for the year ended 31 December 2022 and the comparative information for the year ended 31 December 2021 have been prepared and presented as a continuation of the financial information of the Listing Business with the assets and liabilities recognised and measured at their historical carrying amounts prior to the Reorganisation. Intra-group balances, transactions and unrealised gain/loss on intra-group transactions are eliminated in full in preparing the consolidated financial statements.

The consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the years ended 31 December 2022 and 2021 include the financial performance and cash flows of the companies now comprising the Group as if the current group structure had been in existence and remained unchanged throughout the relevant years, or since their respective dates of incorporation or establishment, where this is a shorter period. The consolidated statement of financial position of the Group at 31 December 2021 has been prepared to present the financial position of the companies now comprising the Group as if the current group structure had been in existence at that date.

2 STATEMENT OF COMPLIANCE

The consolidated financial statements have been prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**"), which collective term includes all applicable individual IFRS Accounting Standards, IAS Standards and IFRIC Interpretations by the IASB. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosures provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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

3 BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

– other financial assets at fair value through profit or loss ("**FVPL**")

– other financial assets at FVOCI

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements as set out in Appendix I of the Prospectus except for the adoption of the new/revised IFRS Accounting Standards that are relevant to the Group and effective from the current financial reporting period.

Incident relating to an investee company

As set out in announcements of the Company dated 20 March 2023, 30 March 2023, 3 April 2023, 25 April 2023, 23 June 2023, 30 June 2023, 25 July 2023, 3 August 2023, 17 August 2023, 24 August 2023, 31 August 2023, 29 September 2023, 4 January 2024 and 23 February 2024, certain authorities in the PRC had initiated an investigation on an investee company ("**Investee Company**") which is classified as other financial assets at FVOCI in which the Group holds 25% equity interest (the "**Criminal Case**"). The Investee Company's four employees (the "**Investee Company's Four Employees**") and the legal representative of the Company's certain subsidiaries (the "**Legal Representative of Certain Subsidiary**") were subject to certain criminal compulsory measures taken by the relevant government authorities on suspicion of certain crime. In connection with the Criminal Case, the Group's certain business/ bank accounts maintained with a third-party payment platform in the PRC with an aggregate amount of approximately RMB105,600,000 at 31 December 2022, were frozen by the relevant government authorities in the PRC (the "**Frozen Accounts**"). Prior to the release of the Frozen Accounts, the aggregate cash amount of the Frozen Accounts was approximately RMB136,197,000.

The Group had tendered detained funds pending final judgement of approximately RMB154,895,000 (the "**Detained Funds**") to the relevant government authority on 3 July 2023 and all Frozen Accounts had been released and available for daily business operations as of 25 July 2023. Subsequent to 31 December 2022 and up to the date of approving the consolidated financial statements, the criminal investigation phase of the Criminal Case was completed and the Criminal Case has entered into the examination and prosecution stage.

During the criminal investigation phase of the Criminal Case, the relevant government authority did not list any member of the Group as a criminal suspect. As of 29 February 2024, the Group has not received any notice from the relevant government authority adding it as a criminal suspect.

On 31 August 2023, the Company appointed AOGB Professional Consultancy Services Company Limited as an independent investigator (the "**Independent Investigator**") to conduct an internal investigation to assess the impact of the incidents of the Frozen Accounts and the Criminal Case (the "**Incident**") (the "**Independent Investigation**").

On 19 February 2024, the Independent Investigator issued the report of the Independent Investigation (the "**Independent Investigation Report**") and certain key findings about the Incident were brought to the attention to the directors of the Company:

(a) the product of the Investee Company is a social networking app with the functions of live streaming and audio chatting room. On 18 March 2023 and 19 March 2023, the Investee Company's Four Employees and the Legal Representative of Certain Subsidiary were subject to certain criminal compulsory measure taken by the relevant government authority on suspicion of certain crime. During the criminal investigation phase of the Criminal Case, the relevant government authority did not list any member of the Group as a criminal suspect. As of 29 February 2024, the Group has not received any notice from the relevant authorities adding it as a criminal suspect;

(b) the freezing of the Frozen Accounts did not significantly affect the Group's daily operations, as the major products of the Group continued to operate normally, and new third-party payment platform accounts could be established if needed. As of 25 July 2023, all Frozen Accounts had been released and available for daily business operations. According to the relevant rules on the confidentiality of the criminal investigation, public security authorities normally do not disclose the reasons of freezing and the investigation status to banking financial institutions or specific non-financial institutions;

(c) as stated in the legal opinion issued by the PRC counsel of the Company (the "**Legal Opinion**"), Application of Seizing and Freezing Measures in the Handling of Criminal Cases (公安機關辦理刑事案件適用查封、凍結措施有關規定) defines the scope of frozen assets in criminal case as "various assets that can be used to prove the guilt or innocence of a criminal suspect" (可用以證明犯罪嫌疑人有罪或者無罪的各種財產), and the owner of the frozen accounts may not necessarily be the criminal suspect (or entity). Especially in economic crime cases where flow of funds is complicated, any account having fund flows with the account of the criminal suspect may also be frozen by relevant government authority for investigation purpose; and

(d) as stated in the Legal Opinion on the Incidents, which stated that (i) the Group is currently not involved in certain crime; and (ii) the Criminal Case would not have material adverse impact on the Group's financial position and business operation.

Having considered the internal and external information available to the management of the Group, the Independent Investigation Report obtained from Independent Investigator and the Legal Opinion, the directors of the Company considered that, the Group reserves its right to seek reimbursement and/or compensation from the Investee Company for any loss arising from the Frozen Accounts and subsequently, the Detained Funds. Upon occurrence of the Incident, the Investee Company had suspended its operations with no significant assets retained and the Group had recognised a decrease of fair value on the investment in the Investee Company of approximately RMB19,000,000 in other comprehensive income for the year ended 31 December 2022. Based on the Legal Opinion, it is likely that the Detained Funds would be confiscated by the relevant government authorities upon conclusion of the Criminal Case and therefore, the Group recognised the estimated risks arising from the Incident of approximately RMB154,895,000, which approximates to amount of the Detained Funds as "Provision for loss on the Incident" in the consolidated financial statements for the year ended 31 December 2022 in accordance with the accounting policies adopted by the Group.

Although the directors of the Company believe the Group's exposure on the Incident would be largely limited to the provision amount as recognised at 31 December 2022, there are still uncertainties on the outcome and the related impact of the Incident. In addition, the directors of the Company would seek for further legal advice and take appropriate actions to recover any crystallised loss on the Incident from the Investee Company.

Other than above, the directors of the Company did not aware of any other impact on the business operation and financial position of the Group about the Incident.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	2022	2021
	RMB'000	*RMB'000*
Live streaming	**4,912,118**	4,477,093
Social networking	**184,291**	118,243
Others	**1,099**	4,354
	5,097,508	4,599,690

The Group's customer base is diversified, where there was no customer with whom transactions have exceeded 10% of the Group's revenue during the years ended 31 December 2022 and 2021.

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

	2022	2021
	RMB'000	*RMB'000*
At a point in time	**5,096,409**	4,597,043
Over time	**1,099**	2,647
	5,097,508	4,599,690

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

(b) Segment reporting

For the purposes of assessing segment performance and allocating resources among segments, the CODM monitors the results, assets and liabilities attributable to each reportable segment are as follows:

1) 6.cn – represents the Group's PC client flagship product with its own mobile apps including 6.cn live streaming, Shiliu live streaming and Huafang live streaming, which enable the PRC users to access content offered on 6.cn through mobile phones;

2) Huajiao – represents the Group's mobile app flagship product, which offers a stage for people who aspire to show their talents and share their skills, experience and lifestyles through interactive and entertaining experience delivered in live streaming sessions; and

3) HOLLA Group - represents the Group's overseas social entertainment and networking products which offer social discovery and video-based chatroom services to overseas users.

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

Segment revenue and result

	Year ended 31 December 2022			
	6.cn *RMB'000*	**Huajiao** *RMB'000*	**HOLLA Group** *RMB'000*	**Total** *RMB'000*
Revenue from external customers and reportable segment revenue	**1,351,565**	**3,561,652**	**184,291**	**5,097,508**
Reportable segment profit/(loss) before taxation	**182,155**	**366,139**	**(28,291)**	**520,003**
Including:				
Host cost	**935,588**	**2,558,139**	**37,056**	**3,530,783**
Promotion and advertising expenses	**61,196**	**369,139**	**58,681**	**489,016**
Staff cost (excluded share-based payment expenses)	**107,704**	**197,512**	**53,686**	**358,902**

	Year ended 31 December 2021			
	6.cn *RMB'000*	Huajiao *RMB'000*	HOLLA Group *RMB'000*	Total *RMB'000*
Revenue from external customers and reportable segment revenue	1,007,763	3,472,177	119,750	4,599,690
Reportable segment profit/(loss) before taxation	163,552	345,800	(13,855)	495,497
Including:				
Host cost	585,101	2,479,332	20,560	3,084,993
Promotion and advertising expenses	76,635	389,763	29,244	495,642
Staff cost (excluded share-based payment expenses)	106,353	169,395	30,491	306,239

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

	2022	2021
	RMB'000	*RMB'000*
Revenue		
Revenue from external customers and reportable segment revenue	**5,097,508**	4,599,690
Profit		
Reportable segment profit before taxation	**520,003**	495,497
Unallocated expenses	**(5,690)**	–
Provision for loss on the Incident	**(154,895)**	–
Depreciation and amortisation resulted from revaluation of property and equipment, and intangible assets	**(18,145)**	(18,771)
Finance costs	**(2,303)**	(484)
Impairment loss on goodwill and intangible assets	**(790)**	–
Share-based payment expenses	**(45,178)**	(83,993)
Profit before taxation	**293,002**	392,249

Geographical information

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

	2022	2021
	RMB'000	*RMB'000*
Revenue from external customers:		
The PRC	**4,913,217**	4,481,447
Overseas	**184,291**	118,243
	5,097,508	4,599,690

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

Information about major customers

No external customers individually contributed 10% or more of the total revenue during the years ended 31 December 2022 and 2021.

5 OTHER INCOME, NET

	2022	2021
	RMB'000	*RMB'000*
Income from financial products issued by banks	**13,249**	7,593
Changes in fair value of financial products issued by banks	**763**	(999)
Interest income	**22,763**	20,375
Government grants *(Notes i)*	**10,246**	9,862
(Loss)/Gain on disposal of long-term assets	**(574)**	866
Additional deduction value-added tax ("**VAT**") *(Notes ii)*	**31,416**	26,809
Others	**197**	4,346
	78,060	68,852

Notes:

(i) In the opinion of the directors of the Company, there were no unfulfilled conditions or contingencies relating to these grants.

(ii) Pursuant to the Announcement on Relevant Policies for Deepening the Value-added Tax Reform (Cai Shui Haiguan [2019] No. 39) jointly issued by the Ministry of Finance, the State Taxation Administration and the General Administration of Customs, the Group's subsidiaries, as modern service companies, qualify for additional 10% deduction of input VAT from output VAT during the years ended 31 December 2022 and 2021. In accordance with the Announcement of the Ministry of Finance and the State Taxation Administration Regarding the VAT Policies for Promoting the Bailout and Development of Distressed Industries in the Service Sector ([2022] No. 11) the above policies are extended to 31 December 2022.

According to the Announcement of the Ministry of Finance and the State Taxation Administration ([2023] No. 1), the Group's subsidiaries, as modern service companies, qualify for additional 5% deduction of input VAT from output VAT during the year ending 31 December 2023. The additional deduction is recognised as other income.

6 PROFIT BEFORE TAXATION

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

	2022	2021
	RMB'000	*RMB'000*
(a) Finance costs		
Interest on lease liabilities	**2,303**	484
(b) Staff costs (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)		
Salaries, allowances, bonuses and other benefits in kind	**285,308**	244,780
Contributions to defined retirement schemes	**73,594**	61,459
Share-based payment expenses	**45,178**	83,993
	404,080	390,232

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

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions during the years ended 31 December 2022 and 2021.

	2022	2021
	RMB'000	*RMB'000*
(c) Other items		
Depreciation (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)		
– owned property and equipment	**7,362**	5,646
– right-of-use assets	**13,991**	7,937
	21,353	13,583
Host cost	**3,530,783**	3,084,993
Amortisation of intangible assets (charged to "cost of sales", "selling and marketing expenses", "general and administrative expenses" and "research and development expenses", as appropriate)	**21,676**	21,846
Reversal of allowance for doubtful debts	**(180)**	(109)
Impairment loss on goodwill and intangible assets *(Note 10)*	**790**	–
Promotion and advertising expenses	**489,016**	495,642
Bandwidth expenses and server custody costs	**55,781**	51,868
Payment processing cost	**89,152**	73,909
Auditors' remuneration *(Note)*	**4,000**	–
Listing expenses	**25,593**	21,601

Note:

The auditors' remuneration represented the remuneration paid and payable to KPMG, the Group's former auditor, for their audit work on the consolidated financial statements of the Group for the year ended 31 December 2022 (the "**2022 KPMG Audit**"). KPMG did not complete the 2022 KPMG Audit and no audit report was issued.

After the appointment of Mazars CPA Limited ("**Mazars**"), the existing auditor of the Group, on 17 August 2023, the remuneration payable to Mazars in respect of the audit fee of the consolidated financial statements of the Group for the year ended 31 December 2022 is RMB4,500,000 (the "**2022 Mazars Audit**"). The 2022 Mazars Audit was negotiated, confirmed, commenced and substantially completed during the year ended 31 December 2023.

7 INCOME TAX EXPENSES

(a) Income tax expenses represents:

	2022	2021
	RMB'000	*RMB'000*
Current taxation		
The PRC Enterprise Income Tax ("**EIT**")	**20,216**	25,961
Deferred taxation		
Origination or reversal of temporary differences	**41,039**	41,265
	61,255	67,226

(b) Reconciliation between income tax expenses and profit before taxation as follows:

	2022	2021
	RMB'000	*RMB'000*
Profit before taxation	**293,002**	392,249
Income tax at applicable tax rate *(i and ii)*	**73,251**	98,062
Effect of preferential tax rates applicable to certain subsidiaries of the Group *(ii)*	**(48,340)**	(42,795)
Tax effect of additional tax deduction on research and development expenses *(ii)*	**(15,481)**	(12,146)
Tax effect of non-deductible expenses	**47,599**	16,597
Tax effect of utilisation of tax losses not previously recognised	**(2,950)**	–
Tax effect of unrecognised tax losses and temporary differences	**7,176**	7,508
Income tax expenses for the year	**61,255**	67,226

Notes:

(i) Income tax rate applies to the Group:

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

The Hong Kong Profits Tax rate during the years ended 31 December 2022 and 2021 is 16.5%. Hong Kong Profits Tax has not been provided as the group entities established in Hong Kong had no assessable profits for the years ended 31 December 2022 and 2021.

The tax rate in Delaware state in United States ("**US**") is 8.7%. The group entities established in US have not provided income tax as the Group had no assessable profits in US for the years ended 31 December 2022 and 2021.

Singapore income tax has not been provided as the Group had no assessable profits for the year ended 31 December 2022.

(ii) The Group's entities established in the PRC are subject to EIT at a statutory rate of 25%, except for Huafang Technology Co., Ltd. (北京花房科技有限公司 "**Huafang Technology**") and Beijing Mijing Hefeng Technology Co., Ltd. (北京密境和風科技有限公司 "**Mijing Hefeng**"), which were approved to be "New and High Technology Enterprise" since October 2021 with a valid period of 3 years. The "New and High Technology Enterprise" is subject to a preferential rate of 15% during the valid period. The State Taxation Administration of the PRC announced in March 2021 that enterprises engaging in research and development activities would be entitled to claim at maximum 200% of their research and development expenses as "Super Deduction". The directors of the Company consider the eligibility of the PRC subsidiaries and recognise the additional tax deduction for the years ended 31 December 2022 and 2021.

8 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB231,788,000 (2021: approximately RMB325,023,000) and the weighted average of 956,521,000 ordinary shares (2021: 954,000,000 shares) in issue during the year ended 31 December 2022.

The calculation of the weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share has been determined based on the assumption that the Capitalisation Issue (as defined in Note 17 below) to the shareholders had occurred on 1 January 2021.

Weighted average number of ordinary shares:

	2022	2021
	'000	*'000*
Issued ordinary shares at 1 January	**53,333**	53,333
Effect of new ordinary shares issued	**2,521**	–
Effect of Capitalisation Issue	**900,667**	900,667
Weighted average number of ordinary shares at 31 December	**956,521**	954,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately RMB231,788,000 (2021: approximately RMB325,023,000) and the weighted average number of issued ordinary shares of 966,552,000 (2021: 954,000,000 shares) after adjusting the effects of dilutive potential ordinary shares during the year ended 31 December 2022, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2022	2021
	'000	*'000*
Weighted average number of ordinary shares at 31 December	**956,521**	954,000
Effect of deemed issue of shares under the Company's share option scheme	**10,031**	–
Weighted average number of ordinary shares (diluted) at 31 December	**966,552**	954,000

9 DIVIDENDS

The directors of the Company did not propose the payment of any dividend for the year (2021: Nil).

10 GOODWILL

	RMB'000
Cost:	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	2,542,997
Accumulated impairment losses:	
At 1 January 2021, 31 December 2021 and 1 January 2022	1,843,219
Charge for the year	621
At 31 December 2022	1,843,840
Net carrying amount:	
At 31 December 2022	699,157
At 31 December 2021	699,778

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

	2022 *RMB'000*	2021 *RMB'000*
6.cn	**681,763**	681,763
HOLLA Group	**17,394**	17,394
Tianjin Maijike Network Technology Co., Ltd. ("**Maijike**")	**–**	621
Total	**699,157**	699,778

(a) Goodwill arisen in business combinations

(i) 6.cn

Pursuant to a series of share purchase agreements, Huafang Technology acquired Mijing Hefeng in two phases. In the first phase, Huafang Technology issued 5,987,000 shares in December 2018 to the then shareholders of Mijing Hefeng, namely Tianjin Huajiao No. 1 technology partnership (limited partnership) and Tianjin Huajiao No. 2 technology partnership (limited partnership), in exchange of 19.96% ownership of Mijing Hefeng. In the second phase, Huafang Technology issued 24,013,000 shares in April 2019 to the rest of the then shareholders of Mijing Hefeng, in exchange for the remaining 80.04% ownership of Mijing Hefeng. On 29 April 2019, Huafang Technology completed the acquisition of Mijing Hefeng ("**Huajiao-6.cn Merger**"). Upon the completion of the Huajiao-6.cn Merger, Mijing Hefeng became 100% owned by Huafang Technology.

The Huajiao-6.cn Merger had been accounted for as a reverse acquisition in accordance with IFRS 3 "Business Combinations" having taken into account the terms of the share purchase agreements, relative voting rights in the consolidated entity, composition of the governing body and senior management of the enlarged group after the acquisition as well as the relative size of Huafang Technology and Mijing Hefeng. Details of the Huajiao-6.cn Merger are set out in the paragraph headed "History, Reorganisation and Corporate Structure" to the Prospectus.

During the year ended 31 December 2020, the Covid-19 pandemic had significantly disrupted the normal economic life in the PRC and around the world. The pandemic had accelerated the proliferation of mobile-based live streaming and has had a disproportionately greater effect on PC-based live streaming due to the government mandated mobility restrictions which could impede access to streaming studios. Market competition had also intensified to compete for user time and viable hosts as new players continue to enter the entertainment live streaming industry. These challenges resulted in a decline in 6.cn's business performance during the year ended 31 December 2020. Based on the impairment test performed at 31 December 2020, the recoverable amount of CGU of 6.cn had been reduced to approximately RMB751,462,000 and the impairment loss of approximately RMB1,777,709,000 was recognised during the year ended 31 December 2020.

(ii) HOLLA Group and Maijike

Goodwill at 31 December 2021 amounted to approximately RMB18,015,000, of which approximately RMB17,394,000 and approximately RMB621,000 arose on the acquisition of HOLLA Group and Maijike, respectively.

Since the major changes in market conditions and the uncertainty of profitability of Maijike's business, the directors of the Company decided to suspend the business of Maijike, the goodwill of Maijike was fully impaired during the year ended 31 December 2022.

(b) Goodwill impairment testing

The Group has engaged independent professional valuers, China United Assets Appraisal Group ("**CUA**") and CHFT Advisory and Appraisal Ltd. ("**CHFT**") to perform appraisal of the value of the CGUs in the 6.cn and HOLLA Group business segments, respectively.

At 31 December 2022 and 2021, the recoverable amounts of CGUs have been determined on the basis of higher of the CGUs' fair value less costs of disposal ("**FVLCD**") and value-in-use ("**VIU**") calculations.

At 31 December 2022, based on the valuation report prepared by CHFT, the recoverable amounts of the respective CGUs of 6.cn and HOLLA Group were determined based on FVLCD by the management of the Group.

In determining the FVLCD of the CGU, the management of the Group has adopted market approach (level 3 fair value measurements). Several companies with business scopes and operations similar to the CGUs of 6.cn and HOLLA Group were adopted as comparable companies. The comparable companies were selected mainly with reference to the following selection criteria:

(i) the comparable companies selected were principally engaged in social software and livestreaming software operations in the PRC or overseas;

(ii) the comparable companies had sufficient listing and operating histories; and

(iii) the financial information and the share price of the comparable companies was available to the public.

Key assumptions used for FVLCD calculations for CGU of 6.cn and HOLLA Group are as follows:

	2022
Earnings ("**E**") divided by price ratio ("**P**") ("**P/E**" ratio)	**2.85~20.45**
Enterprise value ("**EV**") divided by sales ratio ("**S**") ("**EV/S**" ratio)	**0.14~2.17**
Discounts for lack of marketability ("**DLOM**")	**15%**

At 31 December 2022, based on the impairment test performed, the recoverable amount of CGU of 6.cn and HOLLA Group calculated based on FVLCD exceeded carrying value by approximately RMB43,953,000 and approximately RMB139,254,000 ("**headroom**"), respectively, and no impairment of goodwill was recognised.

The following table indicates how the amounts of headroom would have decreased if certain key assumptions used in the forecast had changed, assuming all other assumptions remained constant:

6.cn	**2022** **Headroom decreased by** ***RMB'000***
If P/E ratio decreases by 50 basis point	**618**
If DLOM increases by 50 basis point	**4,269**

HOLLA Group	**2022** **Headroom decreased by** ***RMB'000***
If EV/S decreases by 50 basis point	**783**
If DLOM increases by 50 basis point	**921**

At 31 December 2021, based on the valuation reports prepared by CUA, the recoverable amounts for the respective CGUs of 6.cn and HOLLA Group were determined based on VIU calculations using cash flow projections based on financial budgets covering a five-year period approved by the management of the Group.

Key assumptions used for VIU calculations are set forth below:

6.cn	2021
Annual revenue (decline)/growth rates for next five years *(i)*	(0.82)% – 0.00%
Terminal growth rate *(ii)*	0.00%
Discount rate *(iii)*	15.30%

HOLLA Group	2021
Annual revenue growth rates for next five years *(i)*	0.00% – 20.99%
Terminal growth rate *(ii)*	0.00%
Discount rate *(iii)*	14.92%

(i) The annual revenue growth rates adopted were based on 6.cn and HOLLA Group CGU's historical experience and the Group's expectations of future changes in the live streaming industry and adjusted for other factors that are specific to the CGUs of 6.cn and HOLLA Group.

(ii) Cash flows beyond the five-year period were extrapolated used a terminal growth rate based on the relevant industry growth forecasts and did not exceed the average terminal growth rate of the relevant industry.

(iii) The discount rates used were pre-tax and reflect specific risks relating to the CGU of 6.cn and HOLLA Group.

The following table indicates how the amounts of headroom would have decreased if certain key assumptions used in the forecast had changed, assuming all other assumptions remained constant:

6.cn	2021 Headroom decreased by *RMB'000*
If annual revenue growth rates decreases by 50 basis point	37,733
If terminal growth rate decreases by 50 basis point	21,831
If discount rate increases by 50 basis point	25,138

HOLLA Group	2021 Headroom decreased by *RMB'000*
If annual revenue growth rates decreases by 50 basis point	13,111
If terminal growth rate decreases by 50 basis point	4,388
If discount rate increases by 50 basis point	4,022

11 OTHER FINANCIAL ASSETS

	2022 ***RMB'000***	2021 *RMB'000*
Current		
Financial products issued by banks	**422,238**	45,346
Non-current		
Financial assets measured at FVOCI		
– Investment in Tianjin Jiadui Technology Co., Ltd. (天津佳對科技有限公司, "**Tianjin Jiadui**") *(i)*	**19,600**	19,000
– Investment in Wuhan Qijifangzhou Information Technology Co., Ltd. (武漢奇蹟方舟信息技術有限公司, "**Wuhan Qijifangzhou**") *(ii)*	**15,500**	15,000
– Investment in Chengdu Xundui Culture Communication Co., Ltd. (成都尋對文化傳媒有限公司, "**Chengdu Xundui**") *(iii)*	**19,300**	18,960
– Investment in Battuta Technology Pte. Ltd. ("**Battuta**") *(iv)*	**14,300**	13,000
– Investment in Chengdu Aobeisha Cultural Communication Co., Ltd. (成都奧貝沙文化傳媒有限公司, "**Chengdu Aobeisha**") *(v)*	**18,000**	–
– Investment in Chengdu Lailiaoyiliao Cultural Communication Co., Ltd. (成都來聊一聊文化傳媒有限公司, "**Chengdu Lailiaoyiliao**") *(vi)*	**15,077**	–
– Investment in Hainan Lefuqiyu Technology Co., Ltd. (海南樂芙奇遇科技有限公司, "**Hainan Lefuqiyu**") *(vii)*	**4,000**	–
– Investment in Investee Company *(viii)*	**–**	–
– Investment in Chengdu Yuandiansiwei Cultural Communication Co., Ltd. (成都元點思維文化傳媒有限公司, "**Chengdu Yuandiansiwei**") *(ix)*	**10,000**	–
– Investment in Billionaire Pte Ltd. ("**Billionaire**") *(x)*	**18,000**	–
	133,777	65,960

(i) The Group holds 25% of the interests of Tianjin Jiadui, which operates an online dating platform in the PRC during the years ended 31 December 2022 and 2021. The Group has not appointed directors or participated in the operations of Tianjin Jiadui.

(ii) The Group holds 25% of the interests of Wuhan Qijifangzhou, which is an information technology service provider in the PRC during the years ended 31 December 2022 and 2021. The Group has not appointed directors or participated in the operations of Wuhan Qijifangzhou.

(iii) The Group holds 25% of the interests of Chengdu Xundui, which operates an online social networking platform in the PRC during the years ended 31 December 2022 and 2021. The Group has not appointed directors or participated in the operations of Chengdu Xundui.

(iv) The Group holds 25% of the interests of Battuta, which operates an online social networking platform in Singapore during the years ended 31 December 2022 and 2021. The Group has not appointed directors or participated in the operations of Battuta.

(v) The Group holds 25% of the interests of Chengdu Aobeisha, which operates an online social networking platform in the PRC during the year ended 31 December 2022. The Group has not appointed directors or participated in the operations of Chengdu Aobeisha.

(vi) The Group holds 30% of the interests of Chengdu Lailiaoyiliao, which operates an online social networking platform in the PRC during the year ended 31 December 2022. The Group has not appointed directors or participated in the operations of Chengdu Lailiaoyiliao.

(vii) The Group holds 25% of the interests of Hainan Lefuqiyu, which operates an online social networking platform in the PRC during the year ended 31 December 2022. The Group has not appointed directors or participated in the operations of Hainan Lefuqiyu.

(viii) The Group holds 25% of the interests of Investee Company, which operates an online social networking platform in the PRC during the year ended 31 December 2022. The Group has not appointed directors or participated in the operations of Investee Company. As Investee Company's business operation has been suspended with no significant assets retained due to the Incident disclosed in Note 3 to the consolidated financial statements, the assumption of continuous operation is not applicable and the management of the Group is of the opinion that the cost approach is the appropriate valuation method. The fair value estimated was insignificant to the Group and the directors of the Company decided to fully impair the investment cost of approximately RMB19,000,000 at 31 December 2022.

(ix) The Group holds 25% of the interests of Chengdu Yuandiansiwei, which operates an online social networking platform in the PRC during the year ended 31 December 2022. The Group has not appointed directors or participated in the operations of Chengdu Yuandiansiwei. The investment costs of approximately RMB10,000,000 was fully recovered after the year ended 31 December 2022.

(x) The Group holds 28% of the interests of Billionaire, which operates an online social networking platform in Singapore during the year ended 31 December 2022. The Group has not appointed directors or participated in the operations of Billionaire.

12 TRADE RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Trade receivables	**800**	640
Less: loss allowance	**(14)**	(19)
	786	621

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

(a) Ageing analysis

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

	2022	2021
	RMB'000	*RMB'000*
Within 3 months	**600**	624
3 to 6 months	**100**	–
6 to 12 months	**–**	–
Over 1 year	**100**	16
Less: loss allowance	**(14)**	(19)
	786	621

13 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2022	2021
	RMB'000	*RMB'000*
Prepayments for purchase of services	**49,265**	43,036
Deposits	**5,105**	8,961
Loans to Battuta and its subsidiary *(i)*	**24,332**	–
Loans to third parties *(ii)*	**10,693**	–
Amounts due from third parties	**18,060**	–
Receivable from third party payment platform *(iii)*	**169,337**	73,993
Deductible input VAT	**9,929**	5,184
Government grant receivables	**4,042**	7,072
Others	**527**	572
	291,290	138,818
Less: loss allowance	**(186)**	(361)
	291,104	138,457

(i) During the year ended 31 December 2022, the Group offered unsecured and interest-free loans to Battuta and its subsidiary in an aggregate principal amount of approximately RMB24,332,000 which is repayable in 12 months.

(ii) During the year ended 31 December 2022, the Group offered an unsecured and interest-free loan to Beijing Sandou Technology Co., Ltd. in principal amount of approximately RMB9,300,000 and an unsecured and interest-free loan to Turned E Pte. Ltd. in principal amount of approximately RMB1,393,000 which is repayable in 12 months.

(iii) At 31 December 2022, receivable from third party payment platform of approximately RMB105,600,000 was frozen by the relevant government authorities in the PRC due to the Incident as disclosed in Note 3 to the consolidated financial statements. The Group had tendered Detained Funds of approximately RMB154,895,000 to the relevant government authorities in the PRC on 3 July 2023 and all Frozen Accounts had been released and available for daily business operations on 25 July 2023.

Save as disclosed above, deposits and other receivables are expected to be recovered or recognised as expenses within one year.

14 TRADE PAYABLES

	2022	2021
	RMB'000	*RMB'000*
Host	**107,975**	96,525
Advertisers	**37,208**	29,470
Bandwidth providers	**9,377**	9,449
Others	**10,070**	7,706
Total	**164,630**	143,150

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

	2022	2021
	RMB'000	*RMB'000*
1 to 3 months	**161,300**	141,644
4 to 6 months	**966**	650
7 to 12 months	**805**	249
Over 1 year	**1,559**	607
	164,630	143,150

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

15 CONTRACT LIABILITIES

	2022	2021
	RMB'000	*RMB'000*
Live streaming *(i)*	**91,687**	85,781

(i) Contract liabilities primarily arose from the considerations received from customers within IFRS 15 before the Group satisfying performance obligations. It would be recognised as revenue upon rendering services. Almost all of the contract liabilities balances at 31 December 2022 and 2021 was recognised as revenue within one year.

The changes in contract liabilities during the years ended 31 December 2022 and 2021 were mainly due to the changes in prepayment of top-up from users on the platform in connection with the live streaming services.

16 PROVISION FOR LOSS ON THE INCIDENT

	2022	2021
	RMB'000	*RMB'000*
At beginning of the reporting period	**–**	–
Addition	**154,895**	–
At end of the reporting period	**154,895**	–

The provision for loss on the Incident represented the management of the Group's best estimate of the outcome of the Incident as set out in Note 3 to the consolidated financial statements.

17 SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 1 June 2021 in order to comply with relevant foreign investment restrictions in the PRC, with an initial authorised share capital of USD50,000 divided into 500,000,000 shares of USD0.0001 each. On 1 June 2021 and 29 July 2021, the Company issued 53,333,333 shares to the original shareholders.

The Articles of Association of the Company were conditionally adopted on 21 November 2022 and the authorised capital of the Company at the date of adoption of the Articles is USD200,000 divided into 2,000,000,000 shares of USD0.0001 each.

	Number of ordinary shares	**Amount**
	'000	*RMB'000*
Issued and fully paid:		
At 1 January 2021, 31 December 2021 and 1 January 2022	53,333	33
Issue of shares pursuant to Capitalisation Issue *(Note (i))*	900,667	629
Issue of shares pursuant to the Global Offering *(Note (ii))*	46,000	32
At 31 December 2022	**1,000,000**	**694**

(i) Pursuant to the resolutions in writing of the Company's shareholders passed on 22 November 2022, subject to the share premium account of the Company being credited as a result of the issue of the Company's shares under the Listing, the directors of the Company were authorised to allot and issue a total of 900,666,667 shares of USD0.0001 each to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of approximately USD90,067 (equivalent to approximately RMB629,000) standing to be credit of the share premium account of the Company (the "**Capitalisation Issue**") and the shares to be allotted and issued pursuant to this resolution shall carry the same rights as all shares in issue (save for the rights to participate in the Capitalisation Issue). The Capitalisation Issue was fully completed on 30 November 2022.

(ii) On 12 December 2022, the Company issued 46,000,000 ordinary shares with a par value of USD0.0001 each, at a price of Hong Kong dollar 2.8 per share by way of global offer ("**Global Offering**") upon the Listing. The proceeds of approximately USD4,600 (equivalent to approximately RMB32,000) representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately RMB110,889,000 (net of share issuance expenses of approximately RMB4,503,000), were credited to the share premium account.

MATERIAL DIFFERENCES BETWEEN UNAUDITED ANNUAL RESULTS AND AUDITED ANNUAL RESULTS

Since the financial information contained in the announcement of the Company dated 30 March 2023 in relation to the unaudited annual results for the year ended 31 December 2022 was neither audited nor agreed with the then auditor of the Company as at the date of its publication and subsequent adjustments have been made to such information, shareholders and potential investors of the Company are advised to pay attention to certain differences between the unaudited annual results and audited annual results. Set forth below are the principal details and reasons for the material differences in such financial information in accordance with with Rule 13.49(3)(ii)(b) of the Listing Rules:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2022

	Notes	**Audited annual results** *RMB'000*	**Unaudited annual results** *RMB'000*	**Difference** *RMB'000*
Provision for loss on the Incident	*1*	**(154,895)**	–	(154,895)
Profit before taxation		**293,002**	447,897	(154,895)
Profit for the year		**231,747**	386,642	(154,895)
Profit attributable to:				
Owners of the Company		**231,788**	386,683	(154,895)
Earnings per share				
– Basic (RMB)		**0.24**	0.40	(0.16)
– Diluted (RMB)		**0.24**	0.40	(0.16)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2022

	Notes	**Audited annual results** *RMB'000*	**Unaudited annual results** *RMB'000*	**Difference** *RMB'000*
Profit for the year		**231,747**	386,642	(154,895)
Other comprehensive (loss)/income				
Items that will not be reclassified to profit or loss:				
– Exchange differences on translation of the Company's financial statements to presentation currency	*2*	**(270)**	–	(270)
– Changes in the fair value of financial assets at fair value through other comprehensive income ("**FVOCI**")	*3*	**(16,558)**	2,067	(18,625)
Item that may be reclassified subsequently to profit or loss:				
– Exchange differences on translation into presentation currency	*4*	**(1,972)**	(955)	(1,017)
Total other comprehensive (loss)/ income for the year, net of tax		**(18,800)**	1,112	(19,912)
Total comprehensive income		**212,947**	387,754	(174,807)
Total comprehensive income for the year attributable to:				
Owners of the Company		**212,988**	387,795	(174,807)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2022

	Notes	Audited annual results RMB'000	Unaudited annual results RMB'000	Difference RMB'000
ASSETS				
Non-current assets				
Other financial assets	*3*	**133,777**	153,689	(19,912)
LIABILITIES				
Current liabilities				
Provision for loss on the Incident	*1*	**154,895**	–	154,895
Net current assets		**1,833,085**	1,987,980	(154,895)
Total assets less current liabilities		**2,869,617**	3,044,424	(174,807)
Net assets		**2,818,350**	2,993,157	(174,807)
Capital and reserves				
Reserves		**2,817,697**	2,992,504	(174,807)
Equity attributable to owners of the Company		**2,818,391**	2,993,198	(174,807)
Total equity		**2,818,350**	2,993,157	(174,807)

Notes:

1. The differences were due to provision for loss on the Incident related to an investee company.

2. The differences were mainly due to reclassification of exchange differences on translation into presentation currency to exchange differences on translation of the Company's financial statements to presentation currency.

3. The differences were mainly due to changes in the fair value of the financial assets at FVOCI in relation to the investment in an Investee Company involved in the Incident.

4. The differences were mainly due to reclassification of exchange differences on translation of the Company's financial statements to presentation currency to changes in the fair value of financial assets at FVOCI.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract from the independent auditor's report on the Group's consolidated financial statements for the year ended 31 December 2022:

"QUALIFIED OPINION

*In our opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" section of our report, the consolidated financial statements give a true and fair view of the financial position of the Group at 31 December 2022, and of its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.*

BASIS FOR QUALIFIED OPINION

Limitation scope on the impacts for an incident related to an investee company

Due to the uncertainties in relation to the possible outcomes and its related impacts of the investigation performed by the relevant government authorities in the People's Republic of China on the incident relating to the investee company as disclosed in Note 3 to the consolidated financial statements, we were unable to obtain sufficient appropriate audit evidence and there were no alternative audit procedures that we could perform to satisfy ourselves to determine the impact to the consolidated financial statements at 31 December 2022 and for the year ended 31 December 2022.

Any impact as described above might have a consequential effect on the Group's financial performance for the year ended 31 December 2022 and the financial position of the Group at 31 December 2022, and the related disclosures thereof in the consolidated financial statements."

MARKET AND BUSINESS REVIEW

In 2022, despite the intensification of competition in the industry and the strengthening of industrial regulations, the Group continued to achieve dynamic growth and remarkable performances. The Group's total revenue for the year ended 31 December 2022 amounted to approximately RMB5.1 billion, representing a year-on-year increase of 10.8% and the net profit for the year ended 31 December 2022 amounted to approximately RMB230.0 million, representing a year-on-year decrease of 28.7%. The average MAUs (monthly active users) of the Group in 2022 were approximately 61.08 million and the average MPUs (monthly paying users) of the Group in 2022 were approximately 1.55 million. The monthly ARPPU (average revenue per paying user) of the Group in 2022 was over RMB270. *Huajiao*, one of the Group's flagship platforms, ranked first among all online entertainment live streaming mobile applications in China in April 2022 in terms of market penetration, according to Analysys (易觀千帆).

In 2022, the Group kept focusing on the sphere of online social entertainment, with a business portfolio from live streaming to a suite of multi-faceted social networking products and services. The followings highlight the Group's performance in 2022:

I. Entertainment live streaming business achieved a sound growth, and the social networking business became the second growth curve

Huajiao and 6.cn, the two major flagship products of the Group, mainly involved entertainment live streaming business. These entertainment live streaming platforms realized revenue of approximately RMB3.5 billion in 2022, representing a year-on-year increase of 2.9%. The audio-based social business has been growing rapidly, and realized revenue of approximately RMB1.4 billion in 2022 with a year-on-year growth of 30.6%. The Group's team for overseas social networking business is an original team targeting the overseas markets with extensive products and localized operation experience, and the Group's overseas social networking business achieved outstanding performance in 2022 and realized revenue of approximately RMB180.0 million with a year-on-year growth of 55.9%, which was primarily due to the Group's efforts in expanding its overseas presence and increasing its overseas influence, both of which led to significant increases in the number of overseas users and ARPPU. In 2022, the average MAUs of overseas social networking were over 6 million, representing a year-on-year increase of approximately 27%. The monthly ARPPU of overseas social networking in 2022 also achieved solid growth with a year-on-year increase of approximately 30%. Thus, the Group's overseas social networking business recorded a higher revenue.

II. Set up a strategic and innovative brand "Huafang Lab", and accelerated to explore and deploy front track

In 2022, the Group had set up a strategic brand project, namely "Huafang Lab", with an aim to encourage innovation and attract a brilliant entrepreneurial team. "Huafang Lab" focuses on developing innovative projects such as AIGC, metaverse, virtual image, virtual space creation, application of augmented reality ("**AR**") and virtual reality ("**VR**") technologies, new forms of socializing and other segments in the social networking field.

Leveraging its long-term technical accumulation and extensive experience of products operation, the Group has gradually established a matrix covering live streaming and a suite of multi-faceted social networking products and services, and accordingly, cultivated an online culture with inclusivity, diversity and friendliness. In 2022, the Group continually made arrangements in various applications such as digital collections, virtual scenarios and virtual avatar, and created "FUNVERSE", a new space of digital entertainment that is more intelligent and offers more immersed experience for users. Shanggu Xuan'er (上古玄兒), the Group's first virtual avatar, debuted as the host of the celebration ceremony for the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**"). On *Huajiao*, the Group's flagship platform, both of the streamers and users are able to interact and socialize by creating their own virtual image, thereby providing a more diversified identification system and more vivid interactive scenes.

III. Environmental, Social, and Governance ("ESG")

While the COVID-19 pandemic crisis has started to subside in 2022, businesses all over the world have continued to be greatly affected by the pandemic. The Group has learnt that sustainability is the key to withstand difficult macroeconomic situations. As a responsible corporate citizen, the Group will continue to make sustainability an operational priority and believes that sustainability governance and performance is the foundation to a successful operation, including minimizing the Group's pollution emissions, promoting equal rights, and offering more opportunities for all employees.

At the same time, stakeholders are also increasingly urging corporations to take sustainability factors into consideration when doing businesses. To better understand the demands and expectations of the Group's shareholders, the Group invites employees, service providers, and customers to participate in a survey to maintain effective communication, allowing the Group to better accommodate their needs. Through embedding sustainability in the Group's business concept, the Group creates greater value for both its stakeholders and society. Without the contribution of the Group's employees, customers, business partners, and communities, it would not have been possible for the Group to have achieved so much.

The Group attaches great importance to the management of sustainability topics, especially regarding employee rights, employee health, and community investment. To address this, the Group regularly communicates with its employees to identify their concerns. The Group also organizes charity events to give back to community. The Group, for instance, donated RMB100,000 to Hubei Youth Development Foundation for "Dream House (希望夢想小屋)", a project launched by the Enshi Tujia & Miao Autonomous Prefecture Committee of the Communist Youth League of China (共青團恩施州委) to improve the learning and living environment of local children from low income families. "Care for Kids in Mata (情暖童心，心繫馬塔)" is one of the public welfare activities continuously carried out by the Group. In 2022, the Group organized all employees to donate the living and learning materials that kids in Mata, Shaanxi were in short supply of. All the donated materials have been sent to the kids together with the care and greetings from the Group's staff.

BUSINESS STRATEGIES AND FUTURE OUTLOOK

As opportunities always coexist with challenges, the Group is optimistic about the future. The industry has been structurally shifting into a healthier mode and will focus on creating value for customers. The Company believes that the prosperous development of digital economy and the revolutionary progress of artificial intelligence-generated content ("**AIGC**") will drive innovations in the industry globally. The Group will continue to uphold the mission of "connecting people with technology and spreading happiness through companionship", embrace changes and create value for the users by (1) further expanding products and services to reach more users and optimize the Group's ecosystem; (2) further improving the content ecosystem and strengthening the core competitiveness; (3) further improving user experience and loyalty and achieve more diversified profit models; (4) further enhancing the Group's exploration of innovative applications of cutting-edge technologies; (5) further expanding the Group's business through selective investment and acquisitions; and (6) further incorporating ESG into the Group's core strategy.

Further developing the principal business and expanding products and services: the Group will continually develop its entertainment live streaming and socializing businesses, optimize its flagship products such as Huajiao and 6.cn, consolidate the business moat, and increase its market share. Meanwhile, the Group will continually explore the market demand in industry segments and expand the product and service matrix to reach more users and optimize the platform ecology.

Improving the content ecosystem and strengthening the core competitiveness: the Group will constantly conduct in-depth cooperation with multi-channel network, introduce content makers with high profile and marvelous talent, enhance the promotion of quality content, design more diverse relationship links within the community, consolidate a "lasting, pluralistic and inclusive" community culture, and improve the positive influence on the society.

Continually improving user experience and loyalty: the Group will adhere to the concept of "users foremost", constantly observe and capture the demand of users, demonstrate its value in social networking, companionship and identification to users, improve the satisfaction and loyalty of users, to bring more diversified possibilities for the Group's commercialization.

Enhancing the Group's exploration of innovative applications of cutting-edge technologies: the Group will enhance its innovative exploration in AIGC, AR, VR and other relevant technologies, and integrate artificial intelligence technology with its existing business to give full play to the Company's technological innovation advantage. At the same time, the Group will continue to pay attention to the development and innovation of cutting-edge technologies in domestic and overseas markets, and explore the combination of such development and innovation with the business of the Group, to offer the Group's users a new experience with more imagination of social entertainment.

Further expanding the Group's business through selective investment and acquisition: the Group will improve and optimize the investment and management system, continue to attract like-minded teams through seeking the quality projects in the market with a long-term and prudent investment strategy to create synergistic and complementary effects with the Group's existing business, so as to strengthen the Group's performance and market share.

ESG: the Group will continue to drive its sustainability performance and further incorporate sustainability into the Group's core strategy. The Group hopes to continue facilitating material connections between people, and to explore the meaning of companionship through offering even more in-depth online services. The Group looks forward to maintaining online platforms for people with talent to express themselves and fulfil their dreams, allowing them to further contribute value to society. In order to maintain business sustainability, the Group will continue to uphold high ethical standards, and formulate environmental, economic, and social strategies to achieve stable and sustainable returns for the Group's shareholders.

FINANCIAL REVIEW

Revenue

The Group generates revenue primarily from (1) live streaming and audio social networking services, (2) overseas social networking services operated under HOLLA Group and (3) other services. During the year ended 31 December 2022, the Group generated the vast majority of its revenue from operations in China.

The Group's total revenue increased by 10.8% to approximately RMB5.1 billion for the year ended 31 December 2022 as compared to approximately RMB4.6 billion for the year ended 31 December 2021.

The revenue generated from live streaming and audio social networking increased by 9.7% to approximately RMB4.9 billion for the year ended 31 December 2022 as compared to approximately RMB4.5 billion for the year ended 31 December 2021. This was mainly due to the successful commercialization of audio social networking services and the Group's refined operations.

The revenue generated from social networking increased by 55.9% to approximately RMB184.3 million for the year ended 31 December 2022 as compared to approximately RMB118.2 million for the year ended 31 December 2021 primarily due to the Group's expansion of its overseas markets.

During the year ended 31 December 2022, the Group generated revenue from other services, consisting of (1) advertisement services, which was offered to enterprise customers during live streaming sessions, and (2) website technical services offered to enterprise customers. The Group recognizes revenue when it has satisfied the performance of the Group's obligations under the service contracts. The Group's revenue from other services was approximately RMB1.1 million for the year ended 31 December 2022, compared with approximately RMB4.4 million for the year ended 31 December 2021.

Cost of Sales

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

The Group's cost of sales increased by 12.5% to approximately RMB3.8 billion for the year ended 31 December 2022, as compared to approximately RMB3.4 billion for the year ended 31 December 2021. This was mainly due to the increase of host costs. Host costs, as a major component of cost of revenues, increased by 14.5% to approximately RMB3.5 billion for the year ended 31 December 2022 as compared to approximately RMB3.1 billion for the year ended 31 December 2021, which is mainly due to the facts that (i) the Group introduced high-quality hosts to its live streaming platforms and (ii) the Group further expanded its overseas business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by 6.2% to approximately RMB1.3 billion for the year ended 31 December 2022 as compared to approximately RMB1.2 billion for the year ended 31 December 2021, and the Group's gross profit margin for the year ended 31 December 2022 was 25.5%, compared to 26.6% for the year ended 31 December 2021.

Selling and Marketing Expenses

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

The Group's selling and marketing expenses decreased by 1.4% to approximately RMB537.2 million for the year ended 31 December 2022 as compared to approximately RMB544.8 million for the year ended 31 December 2021.

General and Administrative Expenses

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

The Group's general and administrative expenses increased by 4.5% to approximately RMB152.5 million for the year ended 31 December 2022 as compared to approximately RMB146.0 million for the year ended 31 December 2021.

Research and Development Expenses

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

The Group's research and development expenses increased by 13.2% to approximately RMB235.3 million for the year ended 31 December 2022 as compared to approximately RMB207.9 million for the year ended 31 December 2021, which was in line with the Group's general business expansion and growth.

Other Income

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

Other income increased by 13.4% to approximately RMB78.1 million for the year ended 31 December 2022 as compared to approximately RMB68.9 million for the year ended 31 December 2021 primarily due to (i) the increased income from investments in financial products of banks purchased by the Group before listing on the Stock Exchange, and (ii) the foreign exchange gain driven by the appreciation of U.S. dollar against Renminbi.

Operating Profit

As a result of the foregoing, operating profit increased by 14.6% to approximately RMB450.2 million for the year ended 31 December 2022 as compared to approximately RMB392.7 million for the year ended 31 December 2021.

Finance Costs

Finance costs increased by 375.8% to approximately RMB2.3 million for the year ended 31 December 2022 as compared to approximately RMB0.5 million for the year ended 31 December 2021, primarily because the Group's business expansion and growth demand for larger office space, which led to an increase in lease liabilities.

Provision for loss on the Incident

The provision for loss on the Incident of approximately RMB154,895,000 represented the management of the Group's best estimate of the outcome of the Incident as set out in Note 3 to the consolidated financial statements.

Income Tax

Income tax expenses decreased by 8.9% to approximately RMB61.3 million for the year ended 31 December 2022 as compared to approximately RMB67.2 million for the year ended 31 December 2021.

Profit for the Year

As a result of the foregoing, profit for the year decreased by 28.7% to approximately RMB231.7 million for the year ended 31 December 2022 as compared to approximately RMB325.0 million for the year ended 31 December 2021.

Non-IFRS Measure

In order to supplement the Group's financial information presented in accordance with the International Financial Reporting Standards (the "**IFRS**"), the Group uses adjusted net profit (non-IFRS measure) as an additional financial measure, which is not required by, or presented in accordance with IFRSs. The Group's adjusted net profit (non-IFRS measure) represents the Group's profit for the year, adjusted to add back share-based compensation expenses, listing expenses, provision for loss on the Incident, and impairment loss on goodwill and intangible assets. Share-based compensation expenses are expenses arising from granting restricted shares and options. Listing expenses are expenses incurred in connection with the Global Offering (as defined in the prospectus of the Company dated 30 November 2022 (the "**Prospectus**")) recognized in consolidated statement of profit or loss during the two years ended 31 December 2021 and 2022. Provision for loss on the Incident is the Group's management's best estimate of the risk associated with the Incident relating to the investee company. The Group believes that adjusted net profit (non-IFRS measure) provides investors and other persons with useful information to understand and evaluate the Group's consolidated results of operation in the same manner as it helps the Group's management. However, adjusted net profit (non-IFRS measure) presented by us may not be comparable to the similar financial measure presented by other companies. There are limitations to the non-IFRS measure used as an analytical tool, and you should not consider it in isolation or regard it as a substitute for the Group's results of operation or financial position analysis that is presented in accordance with IFRSs.

	For the year ended 31 December	
	2021	**2022**
	RMB in thousands	
Profit for the year	325,023	**231,747**
Add:		
Share-based compensation expenses[(1)]	83,993	**45,178**
Listing expenses	21,601	**25,593**
Provision for loss on the Incident	–	**154,895**
Impairment loss on goodwill and intangible assets	–	**790**
Adjusted net profit (non-IFRS measure)	430,617	**458,203**

(1) Share-based compensation expenses mainly represent share-based compensation expenses incurred in connection with the grant of restricted share unit under the pre-IPO stock incentive plan. Share-based compensation expenses are not expected to result in future cash payments.

Liquidity and Financial Resources

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

The Group's total assets increased from approximately RMB2.8 billion as of 31 December 2021 to approximately RMB3.4 billion as of 31 December 2022, while the Group's total liabilities increased from approximately RMB396.5 million as of 31 December 2021 to approximately RMB565.3 million as of 31 December 2022. As of 31 December 2022, the current ratio (the current assets to current liabilities ratio) of the Group was 4.6 and the gearing ratio (total debt to total equity ratio) was 0.20, as compared with 5.4 and 0.16, respectively as of 31 December 2021.

As of 31 December 2022, the Group's cash and cash equivalents were approximately RMB1.6 billion, compared with approximately RMB1.6 billion as of 31 December 2021. Approximately RMB1.5 billion is denominated in Renminbi and approximately RMB0.1 billion is denominated in other currencies (primarily Hong Kong dollars). The Group currently does not hedge transactions in foreign currencies.

Borrowings

For the year ended 31 December 2022, the Group did not have any short-term or long-term bank borrowings.

Other Financial Assets

Other financial assets primarily consisted of financial products issued by banks and financial assets measured at fair value through other comprehensive income, including the Group's equity investment in certain technology companies during the year ended 31 December 2022. The Group has implemented a policy concerning purchases and management of financial assets, which sets out, among others, approval procedures, approval authority matrices, and accounting treatments for financial assets.

As of 31 December 2022, the Group had current and non-current financial assets at fair value through other comprehensive income of approximately RMB556.0 million (31 December 2021: approximately RMB111.3 million), mainly comprised (a) financial products issued by banks of approximately RMB422.2 million (31 December 2021: approximately RMB45.3 million); and (b) unlisted equity investments of approximately RMB133.8 million (31 December 2021: approximately RMB66.0 million).

Capital Expenditures

The Group's capital expenditures were approximately RMB12.5 million for the year ended 31 December 2022, compared with approximately RMB17.5 million for the year ended 31 December 2021. The Group funded its capital expenditure requirements during the year ended 31 December 2022 mainly from cash generated from the Group's operating activities.

Contingent Liabilities

As of 31 December 2022, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Credit Risk

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

Liquidity Risk

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

Foreign Exchange Risk

For the year ended 31 December 2022, most transactions of the Group were settled in Renminbi and U.S. dollar. Thus, the Group's business is not exposed to any significant foreign exchange risk as the Group has no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of the entities within the Group.

The Group has not engaged in hedging activities designed or intended to manage foreign exchange rate risk during the year ended 31 December 2022. However, the Group will continue to monitor foreign exchange risk from time to time based on its business development requirements to best preserve the Group's cash value, and may enter into forward foreign exchange contracts or engage in other hedging activities when necessary.

Contractual Arrangements

Please refer to the section headed "Contractual Arrangements" in the Prospectus. For the year ended 31 December 2022, the Board has reviewed the overall performance of the contractual arrangements and confirmed that the Group has complied with the contractual arrangements in all material respects.

Charges on the Group's Assets

As of 31 December 2022, the Group had no charges on the Group's assets.

EMPLOYEES

The Group had approximately 864 employees as at 31 December 2022, as compared to 708 employees as at 31 December 2021. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits, liabilities for breaches and grounds for termination.

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold, or redeemed any of the Company's listed securities during the year ended 31 December 2022.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended 31 December 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended 31 December 2022 and up to the date of this announcement.

USE OF PROCEEDS FROM GLOBAL OFFERING

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

For the period from the listing date (being 12 December 2022, the "**Listing Date**") up to 31 December 2022, the Company has not utilized any of the net proceeds raised from the Global Offering. The Company intends to use the net proceeds in the same manner and proportion as set out in the Prospectus under the section headed "Future Plans and Use of Proceeds".

As disclosed on page 455 of the Prospectus, based on the current business plan, the Company intended to implement the use of proceeds from the Global Offering in the next three financial years. The Board currently expects full utilization of the net proceeds raised from the Global Offering by 31 December 2025, subject to changes in light of the Group's evolving business needs and changing market conditions.

FINAL DIVIDEND

The Board has resolved not to recommend payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as contained in Appendix C1 (formerly "Appendix 14") to the Listing Rules as its own code to govern its corporate governance practices.

Code provision C.2.7 of the CG Code stipulates that the chairman of the Board should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors, and code provision C.5.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. Due to the fact that the Company was listed on 12 December 2022, neither Board meetings nor Board committee meetings were held throughout the period from the Listing Date to 31 December 2022.

Save as disclosed above, in the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code throughout the period from the Listing Date to 31 December 2022.

The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 (formerly "Appendix 10") to the Listing Rules as its code of conduct regarding dealings in the securities of the Company by each of the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code throughout the period from the Listing Date to 31 December 2022. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group throughout the period from the Listing Date to 31 December 2022.

CHANGE OF AUDITOR

The Group's former auditor, KPMG, has resigned as the auditor of the Company and the Group with effect from 3 August 2023. Please refer to the Company's announcement dated 3 August 2023 in relation to the resignation of KPMG.

On 17 August 2023, the Company has appointed Mazars CPA Limited as the new auditor of the Company.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The audit committee of the Company (comprising Ms. QIAN Aimin, Mr. CHEN Shengmin and Mr. LI Bing) ("**Audit Committee**") has reviewed the audited consolidated financial information of the Group for the year ended 31 December 2022, including accounting principles and practices adopted by the Group, and discussed risk management and internal controls and financial reporting matters with the Group's management.

The annual results for the year ended 31 December 2022 have been prepared in accordance with IFRSs.

Scope of Work of the Independent Auditor

The Group's annual results for the year ended 31 December 2022, including the accounting principles and practices adopted, have been reviewed by the Audit Committee in conjunction with the Company's external auditor. The figures in respect of the Group's consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of financial position and the related notes thereto for the year ended 31 December 2022 as set out in this audited annual results announcement have been agreed by the Company's external auditor, Mazars CPA Limited, Certified Public Accountants, Hong Kong ("**Mazars**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2022. The work performed by Mazars in this respect did 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 Mazars on this audited annual results announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS AND ANNUAL REPORT

This audited annual results announcement is published on the websites of the Hong Kong Stock Exchange at www.hkexnews.hk and the Company at www.huafang.com. The annual report of the Company for the year ended 31 December 2022 containing all the information in accordance with the requirements under the Listing Rules will be dispatched to the shareholders of the Company and published on the respective websites of the Hong Kong Stock Exchange and the Company in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 3 April 2023 pending the publication of the 2022 Audited Annual Results, and will remain suspended pending fulfilment of the resumption guidance and any supplement or modification thereto. The Company will publish further announcement(s) to inform the shareholders of the Company of its progress in complying with the resumption guidance as and when appropriate, as well as quarterly updates on its development pursuant to Rule 13.24A of the Listing Rules.

APPRECIATION

On behalf of the Board, I would like to thank all colleagues of the Company for their diligence, dedication, loyalty and integrity. I would also like to thank all shareholders, customers, bankers and other business partners of the Company for their trust and support.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
Huafang Group Inc.
花房集团公司
Mr. ZHOU Hongyi
Chairman

Hong Kong, 29 February 2024

As at the date of this announcement, the Board comprises Ms. YU Dan as executive Director; Mr. ZHOU Hongyi, Mr. CHEN Shengmin and Mr. ZHAO Dan as non-executive Directors; and Mr. CHEN Weiguang, Mr. LI Bing and Ms. QIAN Aimin as independent non-executive Directors.