

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



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)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2024
AND
CONTINUED SUSPENSION OF TRADING**

KEY FINANCIALS

- Revenue for the six months ended 30 June 2024 (the “**Relevant Period**”) amounted to approximately RMB965.3 million, representing a decrease of approximately 40.6% from approximately RMB1,626.1 million for the six months ended 30 June 2023 (the “**Last Corresponding Period**”).
- Profit for the Relevant Period was approximately RMB34.5 million, which represented a turnaround as compared with a loss of approximately RMB688.7 million in the Last Corresponding Period.
- Non-IFRS Accounting Standards adjusted net profit amounted to approximately RMB51.8 million, representing a decrease of approximately 7.9% from approximately RMB56.3 million for the Last Corresponding Period.

The board (the “**Board**”) of directors (the “**Directors**”) of Huafang Group Inc. (the “**Company**”) presents the unaudited interim results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the Relevant Period together with the comparative figures for the Last Corresponding Period as follows. The interim results have not been audited by the external auditor but they have been reviewed by the audit committee of the Company.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

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

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

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

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

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

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 chief operating decision-maker (“CODM”) monitors the results, assets and liabilities attributable to each reportable segment are as follows:

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

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

Segment revenue and result

	Six months ended 30 June 2024			
	6.cn	Huajiao	HOLLA	Total
	RMB’000	RMB’000	Group	RMB’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue from external customers and reportable segment revenue	279,910	535,323	150,044	965,277
Reportable segment profit before taxation	12,811	15,973	42,313	71,097
Including:				
Host cost	190,390	417,182	13,357	620,929
Promotion and advertising expenses	10,332	17,382	31,750	59,464
Staff cost (excluded share-based payment expenses)	40,722	53,993	21,141	115,856
Depreciation	614	5,816	89	6,519
Amortisation	82	91	210	383
Capital expenditures	781	194	5	980
Interest income	(3,628)	(9,171)	(4,398)	(17,197)
Income tax credit	(1,765)	(82)	(282)	(2,129)

	Six months ended 30 June 2023			
	6.cn <i>RMB'000</i> (Unaudited)	Huajiao <i>RMB'000</i> (Unaudited)	HOLLA Group <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue from external customers and reportable segment revenue	456,627	1,042,451	127,061	1,626,139
Reportable segment profit/(loss) before taxation	56,425	29,355	(6,950)	78,830
Including:				
Host cost	296,029	726,609	24,474	1,047,112
Promotion and advertising expenses	28,337	139,734	32,353	200,424
Staff cost (excluded share-based payment expenses)	49,485	109,209	33,981	192,675
Depreciation	1,996	5,807	2,373	10,176
Amortisation	61	1,583	228	1,872
Capital expenditures	910	1,571	500	2,981
Interest income	(9,875)	(7,638)	(254)	(17,767)
Income tax expenses/(credit)	7,528	2,943	(282)	10,189

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

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

Geographical information

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

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

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

Information about major customers

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

4. OTHER INCOME, NET

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

Note:

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

5. PROFIT/(LOSS) BEFORE TAXATION

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

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

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

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

(c) Other items

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

6. INCOME TAX (CREDIT)/EXPENSES

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

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

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

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

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

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

7. DIVIDENDS

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

8. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

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

Weighted average number of ordinary shares:

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

(b) Diluted earnings/(loss) per share

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

Weighted average number of ordinary shares (diluted):

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

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

9. GOODWILL

RMB'000

Cost:

At 1 January 2024 (Audited) and 30 June 2024 (Unaudited) 2,542,997

Accumulated impairment losses:

At 1 January 2024 (Audited) and 30 June 2024 (Unaudited) 2,525,603

Net carrying amount:

At 30 June 2024 (Unaudited) 17,394

At 31 December 2023 (Audited) 17,394

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

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

(a) 6.cn CGU

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

(b) HOLLA Group CGU

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

(c) Maijike CGU

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

10. OTHER FINANCIAL ASSETS

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

- (i) The Group holds 25% of the interests of Tianjin Jiadui, which operates an online dating platform in the PRC during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Tianjin Jiadui. Since the major changes in market conditions and the uncertainty of profitability, Tianjin Jiadui is currently adjusting its business focus. In view of the uncertainty of Tianjin Jiadui’s business prospect, the directors of the Company consider the fair value of Tianjin Jiadui would be insignificant.
- (ii) The Group holds 25% of the interests of Wuhan Qijifangzhou, which is an information technology service provider in the PRC during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Wuhan Qijifangzhou.
- (iii) The Group holds 25% of the interests of Chengdu Xundui, which operates an online social networking platform in the PRC the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Chengdu Xundui. Chengdu Xundui was deregistered during the six months ended 30 June 2024.
- (iv) The Group holds 15.625% of the interests of Battuta, which operates an online social networking platform during the six months ended 30 June 2024 and 2023. The Group has not appointed any directors or participated in the operations of Battuta.

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

11. TRADE RECEIVABLES

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

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

Ageing analysis

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

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

12. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

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

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

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

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

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

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

13. TRADE PAYABLES

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

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

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

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

14. ACCRUED EXPENSES AND OTHER PAYABLES

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

Note:

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

15. PROVISION FOR LOSS ON THE INCIDENT

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

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

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

16. CAPITAL, RESERVES AND DISTRIBUTIONS

Share capital

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

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS REVIEW

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

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

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

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

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

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

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

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

BUSINESS STRATEGIES AND FUTURE OUTLOOK

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

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

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

Cost of Sales

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

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

Gross Profit and Gross Profit Margin

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

Selling and Marketing Expenses

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

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

General and Administrative Expenses

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

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

Research and Development Expenses

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

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

Other Income

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

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

Operating Profit

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

Finance Costs

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

Income Tax

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

Profit for the Period

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

Non-IFRS Accounting Standards Measure

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

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

Liquidity and Financial Resources

The Group continued to maintain a solid and healthy financial position. Other than the funds raised through the offering of 46 million ordinary shares (the “**Global Offering**”) in December 2022, the Group funded its own cash requirement from its operations. The Group intends to finance its expansion and business operations with internal resources and through sustainable growth.

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

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

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

Borrowings

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

Other Financial Assets

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

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

Capital Expenditures

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

Contingent Liabilities

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

Credit Risk

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

Liquidity Risk

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

Foreign Exchange Risk

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

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

Charges on the Group's Assets

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

USE OF PROCEEDS FROM GLOBAL OFFERING

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

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

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE PRACTICES

The Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of 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 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code to govern its corporate governance practices.

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

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

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

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

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

EVENT AFTER THE REPORTING PERIOD

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

REVIEW OF FINANCIAL INFORMATION

Audit Committee

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

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and on the website of the Company at www.huafang.com. The interim report of the Company for the Relevant Period containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company (if requested) and published on the above websites in due course.

APPRECIATION

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

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 audited annual results for the year ended 31 December 2022, and will remain suspended until the Company fulfils 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.

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, 26 August 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.