

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.



Fulu Holdings Limited

福祿控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2101)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

The board of directors of Fulu Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company for the year ended December 31, 2021. The consolidated financial statements for the year ended December 31, 2021 have been audited by the Company’s auditor and have been reviewed by the Audit Committee.

FINANCIAL HIGHLIGHTS

	For the year ended		
	December 31,		
	2021	2020	Increase/(Decrease)
	<i>(RMB in thousands)</i>		<i>%</i>
Revenue	399,283	328,210	21.7
Gross profit	295,244	260,358	13.4
Profit before tax	75,197	122,278	(38.5)
Profit for the year	68,222	120,898	(43.6)
Profit for the year attributable to the equity holders of the Company	68,222	120,898	(43.6)
Non-IFRS measure adjusted profit for the year ⁽¹⁾	170,380	153,209	11.2
Basic earnings per share <i>(RMB)</i>	0.17	0.37	(54.1)

Note:

- (1) We define “adjusted profit for the year” as profit for the year by adding back Listing expenses, foreign exchange gains and losses and share-based payment because such expenses are not operating and recurring in nature. Adjusted profit for the year is not a measure required by or presented in accordance with IFRSs. The use of adjusted profit for the year has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

BUSINESS OVERVIEW AND OUTLOOK

BUSINESS OVERVIEW

As of December 31, 2021, our GMV was RMB21.318 billion, up by 46.5% from RMB14.553 billion in 2020. Among them, GMV from the lifestyle segment was RMB1.555 billion, an increase of 137.7% over RMB654 million in 2020; GMV from the leisure and entertainment segment was RMB5.576 billion, an increase of 118.1% over RMB2.556 billion in 2020; GMV from the telecommunications segment was RMB12.857 billion, an increase of 35.3% over RMB9.503 billion in 2020; GMV from the games segment was RMB1.331 billion, down by 27.7% from RMB1.840 billion in 2020.

The revenue by segment is as follows:

Lifestyle segment turned out to be our highlight in 2021, with the revenue increased by 68.9% from RMB24 million in 2020 to RMB41 million in 2021. Such rapid increase was due to: firstly, the expansion of new product categories such as ELEME, Meituan, Nayuki's tea, KEEP and JD Card and Coupon, and secondly, the newly established Promotion Alliance Center, with its self-operated teams and partners in more than 300 cities across the country, provides efficient and accurate online and offline customer acquisition services for Alibaba, Meituan, Byte Dance, Baidu and other leading Internet companies, as well as financial institutions such as CITIC and Ping An. Its business covers community group buying, e-commerce, travel, short video, finance, games and other fields.

Revenue from the leisure and entertainment segment increased by 38.3% from RMB156 million in 2020 to RMB216 million in 2021. Our business partners in video business: iQiyi, Tencent Video, Youku, Mango TV, Bilibili, Migu; music business: QQ Music, Kugou Music, NetEase Cloud Music, Kuwo Music; tool business: Baidu Netdisk, Baidu Wenku, WPS, Weibo, QQ Member, QQ Yellow Diamond, Thunder, Zhihu, Meitu; reading business: QQ Reading, Shuqi Novel; sports business: Tencent NBA, iQiyi Sports; there are also newly expanded live streaming businesses in 2021: DouYu, Momo, Inke, Lai Feng, LOOK Live, Huya Live, Bixin Live, Qixiu Live, Tantan Live, and KK Live.

Revenue from the telecommunications segment increased by 72.4% from RMB47 million in 2020 to RMB81 million in 2021, which was primarily due to the expansion in downstream consumption scenarios and the increase in commission rate.

Revenue from the games segment decreased by 39.1% from RMB101 million in 2020 to RMB62 million in 2021. We proactively adjust our game product structure according to the national policies by reducing certain products with lower margins.

The revenue by nature is as follows:

The revenue from digital goods-related services increased by 30.5% from RMB254 million in 2020 to RMB332 million in 2021.

Revenue from value-added services decreased by 8.6% from RMB74 million in 2020 to RMB68 million in 2021. 86.0% of the revenue from value-added services comes from online store operation services. During the year, 18 new brands, such as COSTA, Netease Yanxuan, Migu and Thunder, and 34 stores were introduced (mainly in Tmall, Jingdong, Pinduoduo, Tiktok, Kuaishou, Alipay applet and other channels).

The Company implements the “vertical and horizontal” strategy, vertically expanding upstream categories and downstream channels, and horizontally digging up individual user’s value to extend service boundaries. For example, the cross repeat purchase rate of our cross category users reached 9%; we have launched the innovative program for joint members, which can not only enable users to obtain more privileges at a lower price, but also help brands to attract new users, and finally improve the “Average Revenue Per User” of users on our platform. Such triple-win model can benefit users, brands and platforms by forming a benign closed loop. In 2021, we got fruitful results in the e-commerce channel. We successfully entered several new e-commerce platforms, such as Hema, Little Red Book, Kuaishou, etc.

For live-streaming e-commerce, we were successfully selected as the first premium service provider in virtual category by Tiktok in 2021. The GMV of our self-operated shops ranked Top 3 in the whole virtual category of Tiktok, and the entertainment recharge category ranked Top 1 for consecutive months (while Tencent Video ranked first in the entertainment recharge category). We cooperated with over 400 influencers in Tiktok, and the live streaming of the influencers in Kuaishou became the first single live streaming of virtual category products with sales exceeding RMB1 million. In 2021, we had 11 flagship stores in live-streaming e-commerce and the fans of our live streaming accounts reached 197,300.

It is worth mentioning that our “Fulu Partnership Project”, as one of our priorities in 2022, is the whole-process assistance project of “providing you with products” (massive digital products on Fulu Open Platform), and “offering help in sale” (providing customers with overall industry solutions and marketing trainings in line with their business scenarios), so as to help customers realize their private traffic.

Compared with any previous year, the advantages of Fulu Open Platform have been fully demonstrated in 2021. Fulu Open Platform enabled us to further strengthen the barriers of Fulu while providing customers with more flexible solutions. Fulu Open Platform ensured more than over 2,910 users to operate smoothly. Among them, the number of suppliers increased by 65% to 447 from 271 in 2020. The number of purchasers increased by 49% to 2,363 in 2021 from 1,588 in 2020.

We have over 1,000 categories of digital products, which makes it easier for any user to capture the opportunities in digital product market. We cooperated with Zalldigital to improve our data marketing capabilities; we also introduced data analysis tools to provide users with a more transparent and comprehensive view of the whole trading process, so that they can better understand their operation in the market. Through the Fulu Open Platform, we explored the long tail value, reduced the procurement costs of small and medium-sized users by SaaS tools and helped them realize private traffic. By gathering the procurement demands of countless small and medium-sized users, we created a new big market full of liquidity, so that the majority of small and medium-sized users could access to a wider range of product resources and more favourable procurement prices. To this end, we have researched and developed various applications in respect of digital malls (such as welfare mall and points mall); reduced their software costs through standardized privileges online malls (such as Jucai mall); offered SaaS tools with quick configuration function (such as Bibizan, smashing golden eggs, red envelope rain, pay for gifts, online seat selection and other applications); and developed universal points applications (such as China Unicom point redemption and Alipay scenario red envelope). Through these self-developed tools and backed by Fulu’s strong products supply chain, we have resolved many pain points in upstream and downstream business and achieved win-win on the basis of user success. During the Double Eleven shopping festival in 2021, by creating a “National Voucher Hoarding Season”, our enterprise user team achieved a total GMV of more than 12 million on six platforms that day. Currently, Fulu’s enterprise user business has successfully become the top three in the industry. All these prove that the business model for solving customer pain points, excavating long tail value and innovating and integrating the market is effective.

OUTLOOK

We strive to help more customers to invest in the digital products market in an easier and more efficient manner and share the fruits of the digital economy.

We will not only focus on the development of traditional business but also pay attention to opportunities in new projects and new industries, such as the enterprise welfare program. Employee welfare is an important part of the enterprise's salary and welfare system. Our Fulu Fuxi can easily help enterprises solve the four pain points of cost reduction and efficiency increase, differentiated service, welfare perception and independent choice in the implementation of welfare policies through solutions such as budget and scenario based SaaS welfare mall, intelligent care SaaS platform and integrated comprehensive welfare and management portal, so as to maximize the effectiveness of employee welfare and improve the brand image of employers.

With the continuous development of digital economy market in China, we have paid attention to the rise of metaverse and realized that it will greatly promote the prosperity of digital products market. Therefore, in 2022, we will continue to track the development of metaverse and its commercial operation opportunities, and lay out relevant tracks such as the "NFT application" in advance. We believe that with the gradual expansion of Fulu's influence in the digital economy market, we can create a better future for more people.

EFFECT OF THE COVID-19 PANDEMIC

The uncertainty of the environment has posed a huge challenge to businesses since the pandemic struck two years ago. We remain committed to serving our customers and meeting their long-term needs, and it is this sense of mission that guides our business at such a critical time.

In August 2021, the epidemic resurfaced in Wuhan and in order to protect the health and safety of our staff, we made emergency arrangements for our staff to work at home. During this period, more than 95% of Fulu's staff worked at home. This is made possible by the fact that our work could be completed on the cloud, and the digital products didn't need offline logistics distribution. Therefore, COVID-19 pandemic had less direct impacts on the operation of the Company.

As for operating capital, we believe that the revenue and expenditure of the Group in 2022 almost strike the balance in general or even with certain surplus according to the proposed conditions and terms of payment with upstream suppliers in 2022, and by reference to the annual budget and distribution commitment to shareholders. Currently, our Company has obtained credit from three banks, and the credit line exceeds the operating cash outflow in 2021. Therefore, we believe that we will have sufficient working capital in 2022 in response to the uncertainty of China's pandemic.

MANAGEMENT DISCUSSION AND ANALYSIS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets forth the consolidated statement of profit or loss and other comprehensive income comparative figures for the year ended December 31, 2021 and 2020:

	For the year ended December 31, 2021 2020 <i>(RMB in thousands)</i>	
Revenue	399,283	328,210
Cost of sales	<u>(104,039)</u>	<u>(67,852)</u>
Gross profit	295,244	260,358
Other income and gains	46,099	22,267
Selling and distribution expenses	(76,841)	(62,174)
Administrative expenses	(141,697)	(58,732)
Research and development costs	(41,357)	(25,577)
Impairment losses on financial and contract assets, net	(2,423)	(635)
Other expenses	<u>(3,168)</u>	<u>(7,588)</u>
Operating profits	75,857	127,919
Finance costs	<u>(660)</u>	<u>(5,641)</u>
Profit before tax	75,197	122,278
Income tax expense	<u>(6,975)</u>	<u>(1,380)</u>
Profit and total comprehensive income for the year	<u>68,222</u>	<u>120,898</u>
Attributable to:		
Owners of the parent	<u>68,222</u>	<u>120,898</u>
Non-IFRS measure adjusted profit for the year ⁽¹⁾	<u>170,380</u>	<u>153,209</u>

Note:

- (1) We define “adjusted profit for the year” as profit for the year by adding back Listing expenses, foreign exchange gains and losses and share-based payments because such expenses are not operating and recurring in nature. Adjusted profit for the year is not a measure required by or presented in accordance with IFRSs. The use of adjusted profit for the year has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRSs.

REVENUE

Our revenue increased by 21.7% from RMB328,210,000 in 2020 to RMB399,283,000 in 2021. This increase in revenue was primarily due to an increase in commission income from digital goods-related services driven by an increase in the GMV of digital goods transactions.

Revenue by Nature

Our revenue primarily includes (a) commissions from digital goods-related services; and (b) service fees from online store operation services and other value-added services. The following table sets forth revenue breakdown by types of services in 2021 and 2020:

	For the year ended December 31,			
	2021		2020	
	RMB	%	RMB	%
Digital goods-related services	331,700	83.0	254,234	77.5
Value-added services				
Online store operation services	58,151	14.6	67,635	20.6
Others ⁽¹⁾	9,432	2.4	6,341	1.9
Total	399,283	100.0	328,210	100.0

Note:

- (1) Include user acquisition and management services (e.g. mini-game development services) and IT solutions.

Digital goods-related services. Revenue from digital goods-related services increased by 30.5% from RMB254,234,000 in 2020 to RMB331,700,000 in 2021, primarily due a relatively significant increase in revenue from leisure and entertainment, telecommunications and lifestyle.

Value-added services. Our value-added services consist primarily of online store operation services and other value-added service. Revenue from online store operation services decreased by 14.0% from RMB67,635,000 in 2020 to RMB58,151,000 in 2021, primarily due to the decrease in revenue from games related value-added services in online store operation services. Revenue from our other services increased by 48.7% from RMB6,341,000 in 2020 to RMB9,432,000 in 2021, primarily attributable to an increase in the business driven by user acquisition.

Revenue by Segment

We generate revenue from four business segments: (i) leisure and entertainment; (ii) games; (iii) telecommunications; and (iv) lifestyle. The following table sets forth our revenues by segment in 2021 and 2020:

	For the year ended December 31,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>			
Leisure and entertainment	215,693	54.0	155,952	47.5
Games	61,546	15.4	100,979	30.8
Telecommunications	81,235	20.3	47,118	14.4
Lifestyle	40,809	10.3	24,161	7.3
Total	<u>399,283</u>	<u>100.0</u>	<u>328,210</u>	<u>100.0</u>

The following table sets forth the GMV attributable to different industries for the years indicated:

	For the year ended December 31,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>			
Leisure and entertainment	5,575,512	26.2	2,556,202	17.6
Games	1,330,625	6.2	1,839,754	12.6
Telecommunications	12,856,955	60.3	9,502,734	65.3
Lifestyle	1,555,075	7.3	654,229	4.5
Total	<u>21,318,167</u>	<u>100.0</u>	<u>14,552,919</u>	<u>100.0</u>

Leisure and entertainment. Revenue from the leisure and entertainment segment increased by 38.3% from RMB155,952,000 in 2020 to RMB215,693,000 in 2021, primarily driven by an increase in the leisure and entertainment digital goods transactions we facilitated. The GMV of leisure and entertainment digital goods transactions we facilitated increased by 118.1% from RMB2,556,202,000 in 2020 to RMB5,575,512,000 in 2021.

Games. Revenue from the games segment decreased by 39.1% from RMB100,979,000 in 2020 to RMB61,546,000 in 2021. The decrease in revenue from the games segment was primarily due to the operating strategy adjustment and the adjustment of businesses with low gross profit points, which resulted in the reduction of the transactions of some game categories. The GMV of games-related digital goods transactions we facilitated decreased by 27.7% from RMB1,839,754,000 in 2020 to RMB1,330,625,000 in 2021.

Telecommunications. Revenue from the telecommunications segment increased by 72.4% from RMB47,118,000 in 2020 to RMB81,235,000 in 2021, primarily driven by an increase in the commission rates and GMV of the telecommunications digital goods transactions we facilitated. The commission rates increased because (i) we facilitated more digital goods transactions for new digital goods vendors; and (ii) digital goods transactions conducted through a new e-commerce platform increased; we typically earn higher commissions from these transactions. The GMV of telecommunications digital goods transactions we facilitated increased by 35.3% from RMB9,502,734,000 in 2020 to RMB12,856,955,000 in 2021.

Lifestyle. Revenue from the lifestyle service segment increased by 68.9% from RMB24,161,000 in 2020 to RMB40,809,000 in 2021, primarily driven by an increase in the lifestyle service digital goods transactions we facilitated. The GMV of lifestyle service digital goods transactions we facilitated increased by 137.7% from RMB654,229,000 in 2020 to RMB1,555,075,000 in 2021.

The following table sets forth the GMV attributable to our key operating entities:

	For the year ended December 31, 2021	
	GMV	% of the Group's total GMV
	<i>(RMB in thousands, except for percentage)</i>	
Wuhan Fulu	14,805,453	69.4%
Tibet Fulu	3,903,279	18.3%
Wuhan Yiqiyou	887,231	4.1%
Hubei Kejin	638,640	3.0%
Wuhan Souka	359,845	1.7%
Wuhan Lishuo	338,009	1.6%
Xinjiang Fulu	243,027	1.1%
Wuhan Tianshi	42,254	0.2%
Hainan Fulu	23,226	0.1%
Tibet Huluwa	0	0%

COST OF SALES

Our cost of sales increased by 53.3% from RMB67,852,000 in 2020 to RMB104,039,000 in 2021, primarily because of (i) the increase in the commission service fees for online stores resulted from the increase in the number of online stores we operate for digital goods vendors and the growth of transaction GMV of the online stores; and (ii) the increase in labor costs resulted from the increase in the number of employees and the improvement of our staff structure.

Cost of Sales by Nature

The following table sets forth the components of cost of sales in 2021 and 2020:

	For the year ended December 31,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>			
Commissions	45,719	43.9	37,265	54.9
Labor-related costs	52,176	50.2	25,991	38.3
Others ⁽¹⁾	6,144	5.9	4,596	6.8
Total	<u>104,039</u>	<u>100.0</u>	<u>67,852</u>	<u>100.0</u>

Note:

(1) Primarily include fixed-fees paid to digital goods sales channels and costs of server and software.

Commissions increased by 22.7% from RMB37,265,000 in 2020 to RMB45,719,000 in 2021, primarily because of the increase in commissions service fees for online stores resulted from the increase in the number of online stores we operate for digital goods vendors and the growth of transaction GMV of the online stores.

Labour-related costs increased by 100.7% from RMB25,991,000 in 2020 to RMB52,176,000 in 2021, primarily because of the increase in the number of employees and the improvement of our staff structure.

Other costs increased by 33.7% from RMB4,596,000 in 2020 to RMB6,144,000 in 2021, primarily because of the increase in store operation service fees and operating software costs such as servers due to the increase in the number of online stores operated.

Cost of Sale by Segment

The following table sets forth segment cost of sales in 2021 and 2020:

	For the year ended December 31,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>			
Leisure and entertainment	40,545	39.0	27,089	39.9
Games	23,523	22.6	17,970	26.5
Telecommunications	33,323	32.0	21,095	31.1
Lifestyle	6,648	6.4	1,698	2.5
Total	<u>104,039</u>	<u>100.0</u>	<u>67,852</u>	<u>100.0</u>

Leisure and entertainment: Cost of sales from the leisure and entertainment segment increased by 49.7% from RMB27,089,000 in 2020 to RMB40,545,000 in 2021, primarily due to: (i) an increase in service commissions and platform fees charged by sales channels as a result of the higher GMV in leisure and entertainment segment; and (ii) an increase in the number of employees in our leisure and entertainment team.

Games: Cost of sales from the games segment increased by 30.9% from RMB17,970,000 in 2020 to RMB23,523,000 in 2021, primarily due to the effect of the increase in labor costs resulting from restructuring of our game operation team and the increase in staff reserve.

Telecommunications: Cost of sales from the telecommunications segment increased by 58.0% from RMB21,095,000 in 2020 to RMB33,323,000 in 2021, reflecting an increase in the volume of telecommunications digital goods transactions we facilitated through e-commerce platforms; we generally pay commissions to e-commerce platforms for these services.

Lifestyle: Cost of sales from the lifestyle service segment increased by 291.5% from RMB1,698,000 in 2020 to RMB6,648,000 in 2021, primarily due to (i) an increase in commissions charged by e-commerce platforms as we facilitated more lifestyle-related digital goods transactions; and (ii) an increase in the number of employees in our lifestyle service operations team.

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth our gross profit and gross profit margin by each segment for the year ended December 31, 2021 and 2020:

	For the year ended December 31,			
	2021		2020	
	<i>RMB</i>	<i>%</i>	<i>RMB</i>	<i>%</i>
	<i>(RMB in thousands, except for percentage)</i>			
Leisure and entertainment	175,148	81.2	128,863	82.6
Games	38,023	61.8	83,009	82.2
Telecommunications	47,912	59.0	26,023	55.2
Lifestyle	34,161	83.7	22,463	93.0
Total	<u>295,244</u>	<u>73.9</u>	<u>260,358</u>	<u>79.3</u>

Our overall gross profits increased by 13.4% from RMB260,358,000 in 2020 to RMB295,244,000 in 2021, primarily driven by an increase in revenue from digital goods-related services, reflecting the growth of our business, but our gross profit margin decreased from 79.3% in 2020 to 73.9% in 2021, primarily due to the increase in the number of employees in the operating team.

The gross profit from the leisure and entertainment segment increased by 35.9% from RMB128,863,000 in 2020 to RMB175,148,000 in 2021, mainly due to an expansion in product categories and an increase in volume of transactions.

The gross profit from the games segment decreased by 54.2% from RMB83,009,000 in 2020 to RMB38,023,000 in 2021, mainly due to (i) the increase in the number of employees in our operating team; and (ii) proactive operating strategies adjustments based on the adjustments of government regulatory policies.

The gross profit from the telecommunications segment increased by 84.1% from RMB26,023,000 in 2020 to RMB47,912,000 in 2021, mainly due to an increase in the volume of transactions and sales channels.

The gross profit from the lifestyle segment increased by 52.1% from RMB22,463,000 in 2020 to RMB34,161,000 in 2021, mainly due to an increase in categories of trading products and volume of sales.

OTHER INCOME AND GAINS

Our other income and gains increased by 107.0% from RMB22,267,000 in 2020 to RMB46,099,000 in 2021, primarily attributable to an increase in tax incentives and government subsidy income. The Group is entitled to tax incentives on input VAT in accordance with the relevant PRC regulations.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses increased by 23.6% from RMB62,174,000 in 2020 to RMB76,841,000 in 2021, mainly due to the increase in marketing expenses. Marketing expenses increased by 4.8% from RMB52,850,000 in 2020 to RMB55,374,000 in 2021, as we paid more advertising fees to certain e-commerce platforms (including the largest e-commerce platform in China) to enhance our promotion of the digital goods sold on these platforms. Our salary and welfare expenses increased by 63.5% from RMB6,695,000 in 2020 to RMB10,950,000 in 2021, reflecting a change in the employee structure and adjustment to the wage rate.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 141.3% from RMB58,732,000 in 2020 to RMB141,697,000 in 2021, primarily due to an increase in share-based payment expenses recognised of RMB81,388,000 during the year as a result of the award of 13,528,250 Shares of the Company by our Controlling Shareholders to the core staff of the Group based on the accounting standards applicable to the Company, and an increase in share-based payment expenses recognised of RMB2,097,000 as a result of the restricted share units granted by the Company to certain employees and members of senior management under the 2021 Share Award Scheme during the year.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by 61.7% from RMB25,577,000 in 2020 to RMB41,357,000 in 2021, mainly due to the increased investment in the performance improvement of self-developed intellectual property platform and the corresponding PaaS service capacity construction in accordance with the strategic requirements of the Group to develop SaaS applications. By the end of 2021, the number of employees in R&D functions had increased by 129 compared with the end of 2020, and the main planned requirements in the above strategic objectives had been basically achieved.

NET PROVISION FOR IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Impairment losses on financial and contract assets increased by 281.6% from RMB635,000 in 2020 to RMB2,423,000 in 2021, primarily due to a provision of impairment loss for a downstream sales channel for the year ended December 31, 2021.

OTHER EXPENSES

Other expenses decreased by 58.2% from RMB7,588,000 in 2020 to RMB3,168,000 in 2021, which was primarily due to the exchange loss of RMB3,018,000 resulting from the exchange rate difference of overseas funds raised from the Global Offering, a decrease of RMB4,011,000 compared with the exchange loss in 2020.

FINANCE COSTS

Finance costs decreased by 88.3% from RMB5,641,000 in 2020 to RMB660,000 in 2021, mainly due to a decrease in interest payments after a reduction in borrowings.

OPERATING PROFITS

Our operating profit was RMB75,857,000 in 2021, compared to an operating profit of RMB127,919,000 in 2020.

PROFIT BEFORE TAX

After the deduction of finance costs, our profit before tax was RMB75,197,000 in 2021, compared to a profit of RMB122,278,000 in 2020.

INCOME TAX EXPENSES

The income tax expense increased from RMB1,380,000 in 2020 to RMB6,975,000 in 2021, mainly due to the increase of deferred tax expenses resulted from reversal of temporary differences.

PROFIT FOR THE YEAR

As a result of the foregoing, our profit decreased by 43.6% from RMB120,898,000 in 2020 to RMB68,222,000 in 2021.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

After the end of the Reporting Period, the Board recommended a final dividend of HK\$0.176 per Share for the year ended December 31, 2021, which will be submitted to Shareholders for approval at the forthcoming AGM of the Company.

RECONCILIATION OF NON-IFRS MEASURES TO THE NEAREST IFRSs MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we use a non-IFRS measure, adjusted profit for the year, which is not required by, or presented in accordance with, IFRSs. We believe that such non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating projects that our management does not consider to be indicative of our operating performance. We believe that this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as they help our management. However, our presentation of adjusted profit for the year may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measure has limitations as an analytical tool, and investors should not consider it in isolation, or as substitute for analysis of, our results of operations or financial position as reported under IFRSs.

We defined adjusted profit for the year as profit for the year by adding back Listing expenses, foreign exchange gains and losses and share-based payment because such expenses are not operating or recurring in nature. The following table reconciles our adjusted profit for the period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

	For the year ended	
	December 31,	
	2021	2020
	<i>(RMB in thousands)</i>	
Profit for the year	68,222	120,898
Adjustments:		
Listing expenses	3,629	25,282
Share-based payment	95,511	—
Foreign exchange gains and losses	3,018	7,029
Non-IFRS measure adjusted profit for the year	<u>170,380</u>	<u>153,209</u>

OTHER FINANCIAL INFORMATION

Capital Structure

The Company continued to maintain a healthy and sound financial position. Our total assets decreased from RMB1,393,825,000 as of December 31, 2020 to RMB1,377,308,000 as of December 31, 2021, while our total liabilities decreased from RMB287,742,000 as of December 31, 2020 to RMB213,379,000 as of December 31, 2021.

As at December 31, 2021, the Group has not pledged its assets.

The Company has granted 3,315,928 new Shares of the Company to RSU Nominee pursuant to the general mandate of 2021 Share Award Scheme, the allotment and issuance of which was completed on September 10, 2021. For details, please refer to the Company's announcement dated September 1 and September 10, 2021.

As of December 31, 2021, the Company had 403,315,928 issued shares.

Liquidity and Capital Resources

Our principal sources of liquidity were cash from operations, and bank loans and other borrowings. As of December 31, 2021, we had cash and cash equivalents of RMB209,445,000, which were mainly denominated in Renminbi. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash generated from our operations, bank loans, net proceeds from the Global Offering and other funds raised from capital markets from time to time, when necessary. In order to achieve better risk control, we have put in place relevant policies on cash and finance management and implemented strictly. We will regularly review our liquidity and financing needs.

The following table sets forth a summary of our net cash flow for the years ended December 31, 2021 and 2020:

	For the year ended	
	December 31,	
	2021	2020
	<i>(RMB in thousands)</i>	
Cash and cash equivalents at beginning of the year	457,892	8,983
Cash used in operations	(118,333)	(181,542)
Income tax paid	(5,532)	(4,322)
Net cash flows used in operating activities	(123,865)	(185,864)
Net cash flows used in investing activities	(19,592)	(2,977)
Net cash flows (used in)/from financing activities	(101,319)	647,005
Net (decrease)/increase in cash and cash equivalents	(244,776)	458,164
Effect of foreign exchange losses	(3,671)	(9,255)
Cash and cash equivalents at the end of year	<u>209,445</u>	<u>457,892</u>

Net Cash Used in Operating Activities

Net cash used in operating activities for the year ended December 31, 2021 was RMB123,865,000, primarily attributable to profit before taxation of RMB75,197,000, as adjusted by:

- (i) non-cash and non-operating items, which primarily comprised effect of share-based payment of RMB95,511,000, and foreign exchange losses of RMB3,671,000; and

- (ii) changes in working capital, which primarily comprised:
- (1) an increase of RMB194,486,000 in prepayments, other receivables and other assets, primarily reflecting (a) an increase in prepayments to digital goods vendors, primarily driven by the growth of our business; and (b) an increase in other receivables, primarily representing amounts due from certain digital goods sales channels;
 - (2) an increase of RMB150,853,000 in trade receivables and contract assets, primarily due to an increase in service fees due from third-party games-related digital goods and services platform operators;
 - (3) an increase of RMB7,725,000 in trade payables, primarily reflecting the overall growth of our business and the extension of business credit period;
 - (4) an increase of RMB50,886,000 in other payables and accruals, primarily due to (a) an increase in other receivables for the year ended December 31, 2021 because digital goods sales channels made more advances at the end of 2021; and (b) an increase in remuneration payable; and
 - (5) a decrease of RMB13,321,000 in restricted cash, primarily due to the retained funds in the bank was timely cleared by the Group and the withdrawal of such funds to bank accounts.

Net Cash Used in Investing Activities

Net cash used in investing activities for the year ended December 31, 2021 was RMB19,592,000, comprising (i) purchase of financial products of RMB600,562,000; (ii) addition to intangible assets of RMB10,284,000; and partially net off by (iii) proceeds from disposal of financial products of RMB587,463,000; and (iv) interest received of RMB6,487,000.

Net Cash Used in Financing Activities

Net cash used in financing activities for the year ended December 31, 2021 was RMB101,319,000 primarily due to (i) new bank and other borrowings of RMB1,040,212,000; (ii) repayment of bank and other borrowings of RMB1,169,012,000; (iii) payment of interest related expenses of RMB1,823,000; (iv) dividends paid of RMB105,887,000; and (v) the decrease in pledged bank deposits due to the redemption of large-denomination certificates of deposit of RMB145,000,000.

Capital Expenditures

Our capital expenditures principally consist of expenditures for the office renovation and intangible assets. Our capital expenditures increased by 733.5% from RMB1,562,000 for the year ended December 31, 2020 to RMB13,019,000 for the year ended December 31, 2021. This was attributable to office renovation expenses and expenses arising from purchase of office furniture, computers and intangible assets for the year ended December 31, 2021.

Indebtedness, Off-balance Sheet Commitment and Contingent Liabilities

As of December 31, 2021, our total indebtedness amounted to RMB213,379,000, as compared with RMB287,742,000 as of December 31, 2020, of which our interest-bearing indebtedness included lease liabilities of RMB8,702,000 and interest-bearing bank and other borrowings of RMB10,000,000 as of December 31, 2021. As of December 31, 2021, our bank and other borrowings were all denominated in RMB. For the year ended December 31, 2021, our bank loans and other borrowings were interest-bearing at rates ranging from 4.0% to 5.0% per annum (for the year ended December 31, 2020: ranging from 4.45% to 6.5%).

As of December 31, 2021, we did not have any off-balance sheet arrangements and material contingent liabilities.

Significant Investments Held

For the year ended December 31, 2021, we did not have any significant investments.

Material Acquisitions, Disposals and Future Plans of Subsidiaries and Affiliated Companies

For the year ended December 31, 2021, we did not have any material acquisitions or disposals of subsidiaries or affiliated companies.

Gearing Ratio

As of December 31, 2021, we did not have any net debt, as the Group's cash and cash equivalents were much more than its interest-bearing borrowings. As such, the gearing ratio (calculated as net debt divided by total equity plus net debt of the Group) did not apply to us.

Pledge of Assets

As at December 31, 2021, the Group's interest-bearing bank loans amounted to RMB10,000,000, which is a bank credit loan without mortgage and guarantee.

Foreign Exchange Risk Management

We mainly carry out our operations in the PRC with most transactions settled in Renminbi. As of December 31, 2021, our cash and cash equivalent balance was denominated in Renminbi. Our Management considers that the principal business is not exposed to significant foreign exchange risk as there are no significant financial assets or liabilities denominated in the currencies other than the respective functional currencies of our entities, but some of our funding raised in Hong Kong is subject to foreign exchange risk.

Future Plans for Material Investments and Capital Assets

As of December 31, 2021, we did not have other plans for material investments and capital assets.

RELATIONSHIP WITH STAKEHOLDERS

Employee and Remuneration Policy

As of December 31, 2021, we had 702 full-time employees, all of whom were based in the PRC.

Our success depends on our ability to attract, retain and motivate qualified personnel. As part of our human resources strategy, we offer employees competitive remuneration packages, which generally include basic wages, variable wages, bonuses and other benefits.

We participate in employee benefit plans mandated by the PRC government, including basic pension insurance, work-related injury insurance, maternity insurance, basic medical insurance, and unemployment insurance and housing provident fund scheme. We must contribute to employee benefit plans based on specified percentages of the total remuneration of our employees up to a maximum amount specified by local governmental authorities.

Customers

Our customers primarily include digital goods vendors, from whom we earn commissions on facilitating sales of their products through our platform. Our customers also include digital goods vendors and digital goods sales channels that use our ancillary value-added services for which we charge fees on a case-by-case basis.

Suppliers

Our suppliers primarily include (i) digital goods sales channels, who charge us commissions; and (ii) data storage and server hosting providers. We select suppliers based on a number of factors, including their user base, market share and reputation.

FINANCIAL INFORMATION

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

	<i>Notes</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
REVENUE	4	399,283	328,210
Cost of sales		<u>(104,039)</u>	<u>(67,852)</u>
Gross profit		295,244	260,358
Other income and gains	4	46,099	22,267
Selling and distribution expenses		(76,841)	(62,174)
Administrative expenses		(141,697)	(58,732)
Research and development costs		(41,357)	(25,577)
Impairment losses on financial and contract assets, net	5	(2,423)	(635)
Other expenses		(3,168)	(7,588)
Finance costs		<u>(660)</u>	<u>(5,641)</u>
PROFIT BEFORE TAX	5	75,197	122,278
Income tax expense	6	<u>(6,975)</u>	<u>(1,380)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>68,222</u>	<u>120,898</u>
Attributable to:			
Owners of the parent		<u>68,222</u>	<u>120,898</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
Profit for the year (RMB)	8	<u>0.17</u>	<u>0.37</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		2,776	1,550
Right-of-use assets		8,733	3,951
Goodwill		674	674
Other intangible assets		16,311	6,603
Investment in an associate		40	40
Deferred tax assets		5,051	8,021
Pledged deposits		—	145,000
		<hr/>	<hr/>
Total non-current assets		33,585	165,839
		<hr/>	<hr/>
CURRENT ASSETS			
Trade receivables	9	276,959	132,048
Contract assets		42,287	36,345
Prepayments, other receivables and other assets	10	762,506	569,536
Due from related parties		32,890	12,231
Financial assets at fair value through profit or loss		17,006	3,983
Restricted cash		2,630	15,951
Cash and cash equivalents		209,445	457,892
		<hr/>	<hr/>
Total current assets		1,343,723	1,227,986
		<hr/>	<hr/>
CURRENT LIABILITIES			
Trade payables	11	45,922	38,197
Other payables and accruals		142,034	98,475
Interest-bearing bank and other borrowings		10,000	138,800
Lease liabilities		2,757	2,211
Tax payable		6,721	8,248
		<hr/>	<hr/>
Total current liabilities		207,434	285,931
		<hr/>	<hr/>
NET CURRENT ASSETS		1,136,289	942,055
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,169,874	1,107,894
		<hr/>	<hr/>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	<u>5,945</u>	<u>1,811</u>
Total non-current liabilities	<u>5,945</u>	<u>1,811</u>
Net assets	<u>1,163,929</u>	<u>1,106,083</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	275	273
Reserves	<u>1,163,654</u>	<u>1,105,810</u>
Total equity	<u>1,163,929</u>	<u>1,106,083</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent						Total RMB'000
	Share capital RMB'000	Share Premium* RMB'000	Merger reserve and others* RMB'000	Share- based payment reserve* RMB'000	Statutory surplus reserve* RMB'000	Retained profits* RMB'000	
At 1 January 2020	70	—	19,416	43,722	16,332	174,224	253,764
Profit for the year and total comprehensive income	—	—	—	—	—	120,898	120,898
Capitalisation issue	135	(135)	—	—	—	—	—
Issue of shares from initial public offering	68	776,101	—	—	—	—	776,169
Share issue expenses	—	(44,748)	—	—	—	—	(44,748)
Appropriations to statutory surplus reserve	—	—	—	—	3,592	(3,592)	—
At 31 December 2020	<u>273</u>	<u>731,218</u>	<u>19,416</u>	<u>43,722</u>	<u>19,924</u>	<u>291,530</u>	<u>1,106,083</u>

Year ended 31 December 2021

	Attributable to owners of the parent						Total RMB'000
	Share capital RMB'000	Share Premium* RMB'000	Merger reserve and others* RMB'000	Share- based payment reserve* RMB'000	Statutory surplus reserve* RMB'000	Retained profits* RMB'000	
At 1 January 2021	273	731,218	19,416	43,722	19,924	291,530	1,106,083
Profit for the year and total comprehensive income	—	—	—	—	—	68,222	68,222
Equity-settled share-based payments	2	(2)	—	95,511	—	—	95,511
Final 2020 dividend declared	—	(105,887)	—	—	—	—	(105,887)
Appropriations to statutory surplus reserve	—	—	—	—	3,635	(3,635)	—
At 31 December 2021	<u>275</u>	<u>625,329</u>	<u>19,416</u>	<u>139,233</u>	<u>23,559</u>	<u>356,117</u>	<u>1,163,929</u>

* These reserve accounts comprise the consolidated reserves of RMB1,163,654,000 (2020: RMB1,105,810,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

	<i>Notes</i>	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		75,197	122,278
Adjustments for:			
Depreciation of property, plant and equipment	5	1,484	1,218
Amortisation of intangible assets	5	1,269	719
Depreciation of right-of-use assets	5	2,892	2,097
Interest income	4	(4,971)	(4,113)
Finance costs		660	5,641
Equity-settled share-based payment expenses	5	95,511	—
(Gain)/loss on disposal of property, plant and equipment		(15)	18
Financial assets at fair value through profit or loss		77	17
Gain on disposal of right-of-use assets		(42)	—
Foreign exchange loss		3,671	9,255
		175,733	137,130
Increase in trade receivables		(144,911)	(78,629)
(Increase)/decrease in contract assets		(5,942)	18,382
Increase in prepayments, other receivables and other assets		(194,486)	(231,216)
(Increase)/decrease in amounts due from related parties		(20,659)	79
Decrease/(increase) in restricted cash		13,321	(15,901)
Increase in trade payables		7,725	14,721
Increase/(decrease) in other payables and accruals		50,886	(26,108)
Cash used in operations		(118,333)	(181,542)
Income tax paid		(5,532)	(4,322)
Net cash flows used in operating activities		(123,865)	(185,864)

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial products	(600,562)	(570,000)
Proceeds from disposal of financial products	587,462	566,000
Investment in an associate	—	(40)
Purchases of property, plant and equipment	(2,735)	(50)
Addition to intangible assets	(10,284)	(1,512)
Interest received	6,487	2,580
Proceeds from disposal of property, plant and equipment	40	45
	<hr/>	<hr/>
Net cash flows used in investing activities	<u>(19,592)</u>	<u>(2,977)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Capital contribution from the then shareholders	—	70
Proceeds from issue of shares under initial public offering	—	776,169
Payment of listing expenses	(6,857)	(36,051)
Decrease/(increase) in pledged deposits	145,000	(144,450)
New bank and other borrowings	1,040,212	521,643
Principal portion of lease payments	(2,952)	(2,184)
Repayment of bank and other borrowings	(1,169,012)	(444,323)
Loans from related parties	—	83,490
Repayment of loans from related parties	—	(86,931)
Dividends paid	(105,887)	(15,000)
Interest paid	(1,823)	(5,428)
	<hr/>	<hr/>

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Net cash flows (used in)/from financing activities	<u>(101,319)</u>	<u>647,005</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(244,776)	458,164
Effect of foreign exchange rate changes, net	(3,671)	(9,255)
Cash and cash equivalents at beginning of the year	<u>457,892</u>	<u>8,983</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	<u><u>209,445</u></u>	<u><u>457,892</u></u>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	212,075	618,843
Less: Restricted cash	<u>(2,630)</u>	<u>(160,951)</u>
	<u><u>209,445</u></u>	<u><u>457,892</u></u>

NOTES

1 CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 31 October 2019. The registered office address of the Company is Harneys Fiduciary (Cayman) Limited, 4th Floor, Harbour Place, 103 South Church Street, P.O. Box 10240, Grand Cayman, Cayman Islands.

During the year, the subsidiaries now comprising the Group were principally engaged in the provision of services to facilitate digital goods transactions and online store operating services.

In the opinion of the directors, the ultimate controlling shareholder of the Group is Mr. Fu Xi.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) (which include all International Financial Reporting Standards, International Accounting Standards (“**IASs**”) and Interpretations) issued by the International Accounting Standards Board (“**IASB**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for financial assets which have been measured at fair value. These financial statements are presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9, IAS 39,
IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform — Phase 2

Amendment to IFRS 16

*COVID-19-Related Rent Concessions beyond
30 June 2021 (early adopted)*

The nature and the impact of the revised IFRSs are described below:

- (a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group, as the Group did not have any interest rate hedging relationship.

- (b) Amendment to IFRS 16 issued in May 2020 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and performance of the Group.

The Group has early adopted these amendments on 1 January 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

- (a) Leisure and entertainment, which primarily includes commissions earned from facilitating the sale of digital goods offered by leisure and entertainment content providers, operating services for online stores and other services provided to leisure and entertainment content providers;
- (b) Games, which primarily includes commissions earned from facilitating the sale of digital goods offered by game producers, operating services for online stores and other services provided to game producers;
- (c) Telecommunications, which primarily includes commissions earned from providing digital goods-related agency services and other services to telecom providers; and
- (d) Lifestyle service, which primarily includes commissions earned from facilitating the sale of digital goods offered by lifestyle service providers and other services provided to lifestyle service providers.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment operating profit, which is a measure of gross profit. No analysis of the Group's assets and liabilities by operating segment is disclosed as it is not regularly provided to the chief operating decision-maker for review.

Year ended 31 December 2021	Leisure and entertainment <i>RMB'000</i>	Games <i>RMB'000</i>	Telecommuni- cations <i>RMB'000</i>	Lifestyle service <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
External customers (<i>note 4</i>)	<u>215,693</u>	<u>61,546</u>	<u>81,235</u>	<u>40,809</u>	<u>399,283</u>
Segment cost	<u>(40,545)</u>	<u>(23,523)</u>	<u>(33,323)</u>	<u>(6,648)</u>	<u>(104,039)</u>
Gross profit	<u>175,148</u>	<u>38,023</u>	<u>47,912</u>	<u>34,161</u>	<u>295,244</u>
<i>Reconciliation:</i>					
Unallocated income and gains					46,099
Corporate and unallocated expense					(265,486)
Finance costs					<u>(660)</u>
Profit before tax					<u>75,197</u>
Year ended 31 December 2020	Leisure and entertainment <i>RMB'000</i>	Games <i>RMB'000</i>	Telecommuni- cations <i>RMB'000</i>	Lifestyle service <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
External customers (<i>note 4</i>)	<u>155,952</u>	<u>100,979</u>	<u>47,118</u>	<u>24,161</u>	<u>328,210</u>
Segment cost	<u>(27,089)</u>	<u>(17,970)</u>	<u>(21,095)</u>	<u>(1,698)</u>	<u>(67,852)</u>
Gross profit	<u>128,863</u>	<u>83,009</u>	<u>26,023</u>	<u>22,463</u>	<u>260,358</u>
<i>Reconciliation:</i>					
Unallocated income and gains					22,267
Corporate and unallocated expense					(154,706)
Finance costs					<u>(5,641)</u>
Profit before tax					<u>122,278</u>

Geographical information

(a) Revenue from external customers

All significant external customers of the Group are located in Mainland China. Accordingly, no geographical information of external customers is presented.

(b) Non-current assets

All significant non-current assets of the Group are located in Mainland China. Accordingly, no geographical information of segment assets is presented.

Information about major customers

Revenue derived from services to customers, which individually accounted for 10% or more of the Group's revenue, is set out below:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Customer A from the leisure and entertainment segment and the games segment	73,822	59,916
Customer B from the leisure and entertainment segment	<u>72,592</u>	<u>52,784</u>

4 REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
<i>Revenue from contracts with customers</i>		
Digital goods-related services	331,700	254,234
Online store operating services	58,151	67,635
Others	<u>9,432</u>	<u>6,341</u>
	<u>399,283</u>	<u>328,210</u>

Revenue from contracts with customers

(i) Disaggregated revenue information

Year ended 31 December 2021

Segments	Leisure and entertainment RMB'000	Games RMB'000	Telecommuni- cations RMB'000	Lifestyle RMB'000	Total RMB'000
Types of services					
Provision of digital goods-related services	185,162	31,397	81,235	33,906	331,700
Provision of online store operating services	30,518	26,970	—	663	58,151
Others	13	3,179	—	6,240	9,432
Total revenue from contracts with customers	<u>215,693</u>	<u>61,546</u>	<u>81,235</u>	<u>40,809</u>	<u>399,283</u>
Timing of revenue recognition:					
Services transferred at a point in time	<u>215,693</u>	<u>61,546</u>	<u>81,235</u>	<u>40,809</u>	<u>399,283</u>

Year ended 31 December 2020

Segments	Leisure and entertainment RMB'000	Games RMB'000	Telecommuni- cations RMB'000	Lifestyle RMB'000	Total RMB'000
Types of services					
Provision of digital goods-related services	134,607	48,644	47,108	23,875	254,234
Provision of online store operating services	19,877	47,726	—	32	67,635
Others	1,468	4,609	10	254	6,341
Total revenue from contracts with customers	<u>155,952</u>	<u>100,979</u>	<u>47,118</u>	<u>24,161</u>	<u>328,210</u>
Timing of revenue recognition:					
Services transferred at a point in time	<u>155,952</u>	<u>100,979</u>	<u>47,118</u>	<u>24,161</u>	<u>328,210</u>

The Group's revenue was derived solely from its operation in Mainland China.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Provision of digital goods-related services

The performance obligation is satisfied upon delivery of specific digital goods from upstream digital goods providers to downstream digital goods users. Payment is generally due within 1 to 6 months from delivery. In addition, payment in advance is sometimes required based on credit evaluation.

Provision of online store operating services

The performance obligation is satisfied upon the completion of each digital goods transaction through the online stores of the digital goods vendors or upon delivery of the related services. Payment is generally due within 1 to 6 months from the rendering of the services.

The directors are of the opinion that there was no remaining performance obligation at the end of the reporting period.

Other income and gains

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Tax incentives on input value-added tax	(i)	23,446	8,640
Other government grants	(ii)	16,183	7,780
Interest income		4,971	4,113
Others		1,499	1,734
		46,099	22,267

- (i) The Group enjoyed the tax incentives on input value-added tax according to the related regulations in the PRC.
- (ii) Other government grants had been received from the PRC local government authorities as reimbursement of the Group's operating and research and development activities. There are no unfulfilled conditions related to these government grants.

5 PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expense* (including directors' and chief executive's remuneration):		
Wages and salaries	103,221	72,374
Equity-settled share-based payment expenses	95,511	—
Pension scheme contributions	7,635	544
Social security contributions and accommodation benefits	9,019	3,303
	215,386	76,221
Promotion and marketing expenses	55,374	52,850
Commission to third party platforms	45,719	37,265
Listing expenses	3,629	25,282
Foreign exchange loss	3,018	7,029
Platform usage fees and others	6,144	4,596
Auditor's remuneration	2,600	2,500
Depreciation of right-of-use assets	2,892	2,097
Depreciation of property, plant and equipment	1,484	1,218
Amortisation of intangible assets	1,269	719
Impairment losses on financial and contract assets, net	2,423	635

* Employee benefit expenses of RMB38,382,000 (2020: RMB23,782,000) were included in the research and development costs for the reporting period.

6 INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The majority of the Company's subsidiaries are domiciled in the PRC. Pursuant to the PRC Corporate Income Tax Law (the “**PRC Tax Law**”) effective on 1 January 2008, the PRC corporate income tax rate of the Group's subsidiaries operating in the PRC during the reporting period was 25% of their taxable profits.

Wuhan Fulu was accredited as a high and new technology enterprise (“**HNTE**”) in the year ended 31 December 2021. The HNTE certificate needs to be renewed every three years so as to enable Wuhan Fulu to enjoy the preferential CIT rate of 15%. For the year ended 31 December 2021, Wuhan Fulu was entitled to a Corporate Income Tax (“**CIT**”) rate of 15% due to HNTE.

Wuhan Yiqiyou was accredited as an HNTE in the year ended 31 December 2020. For the year ended 31 December 2021, Wuhan Yiqiyou was entitled to a Corporate Income Tax rate of 15% as an HNTE.

Xinjiang Fulu was established in Horgos Development Zone of Xinjiang on 27 December 2016, which was exempted from income tax from the first year of operation for a five-year period according to the regulations set out by the local authority. Since Xinjiang Fulu started operation in 2017, the tax exemption period commenced from the year of 2017.

Kashgar Yiqiwan was established in Xinjiang and Kashgar Yiqiwan was entitled to a preferential tax rate of 15% for the year ended 31 December 2021 according to the strategy of large-scale western development in the PRC (Caishui [2020] No. 23).

Tibet Fulu was established in Tibet and Tibet Fulu was entitled to a preferential tax rate of 15% for the year ended 31 December 2021 according to the strategy of large-scale western development in the PRC (Caishui [2020] No. 23). According to the additional regional tax preference in Tibet, Tibet Fulu was entitled to a preferential CIT rate of 9% instead of 15%.

The major components of the income tax expense are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current — PRC		
Charge for the year	4,005	5,358
Deferred tax	2,970	(3,978)
	<hr/>	<hr/>
Total tax charge for the year	<u>6,975</u>	<u>1,380</u>

A reconciliation of the tax expenses applicable to profit before tax at the statutory rate for the PRC to the tax expenses at the Group's effective tax rate is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax	<u>75,197</u>	<u>122,278</u>
Tax at the PRC statutory income tax rate	18,799	30,570
Lower tax rates for specific entities	(19,404)	(25,651)
Tax effect of:		
Expenses not deductible for tax	13,538	175
Tax losses not recognised	—	5
Tax losses utilised from previous periods	(603)	(217)
Adjustments in respect of temporary differences not recognised in previous years	—	(732)
Tax incentives on eligible expenditures	(4,510)	(2,492)
Adjustments in respect of changes in tax rates on opening deferred tax	(118)	—
Adjustments in respect of current tax of previous periods	(727)	(278)
	<hr/>	<hr/>
Tax charge at the Group's effective tax rate	<u>6,975</u>	<u>1,380</u>

7 DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Final dividend declared and paid — HKD0.32 (2020: N/A) per ordinary share	<u><u>105,887</u></u>	<u><u>—</u></u>

On 12 May 2021, the final dividend of HKD0.32 (2020: N/A) per ordinary share of the Company for the year ended 31 December 2020 was approved and declared payable by the shareholders at the annual general meeting of the Company, and had been fully paid as of the date of this announcement.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

8 EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 400,345,318 (2020: 329,166,667) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed unlocking of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculation	<u>68,222</u>	<u>120,898</u>

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	400,345,318	329,166,667
Effect of dilution — weighted average number of ordinary shares:		
— Restricted share unit scheme	<u>829,585</u>	<u>—</u>

	<u>401,174,903</u>	<u>329,166,667</u>
--	---------------------------	--------------------

Basic earnings per share (RMB)	<u>0.17</u>	<u>0.37</u>
--------------------------------	--------------------	-------------

Diluted earnings per share (RMB)	<u>0.17</u>	<u>0.37</u>
----------------------------------	--------------------	-------------

9 TRADE RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Trade receivables	279,930	134,510
Impairment allowance	<u>(2,971)</u>	<u>(2,462)</u>
	<u>276,959</u>	<u>132,048</u>

The Group's credit period is generally one to six months. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the transaction date and net of loss allowance, is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	213,208	101,235
4 to 6 months	25,857	22,034
7 to 12 months	33,777	7,271
Over 1 year	4,117	1,508
	<u>276,959</u>	<u>132,048</u>

10 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Prepayments to digital goods providers:		
Non-refundable	503,404	413,183
Refundable	64,835	60,907
Deposits to digital goods providers	73,585	52,261
Other receivables	72,052	38,780
Prepaid value-added tax	46,811	23,263
Prepayments for various services	4,763	1,391
	<u>(2,944)</u>	<u>(20,249)</u>
Impairment allowance	<u>(2,944)</u>	<u>(20,249)</u>
	<u>762,506</u>	<u>569,536</u>

Refundable prepayments, deposits and other receivables mainly represent refundable prepayments and deposits to digital goods providers, receivables from online platform operators (such as Tmall and JD) and other receivables from third parties. Where applicable, an impairment analysis is performed at the end of each reporting period by considering the probability of default of the industry. Except for specific balances for which a 100% ECL rate is determined, as at 31 December 2021 and 2020, the probability of default rate applied ranged from 0.001% to 1.38% and 0.001% to 1.40%, respectively. The loss given default was estimated to be 66.92% and 65.65% for each reporting period. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

11 TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the transaction date, is as follows:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Within 3 months	43,578	30,827
4 to 6 months	80	4,040
7 to 12 months	1,418	2,115
Over 12 months	846	1,215
	<u>45,922</u>	<u>38,197</u>

Trade payables are non-interest-bearing and are normally settled on credit terms within 3 months.

OTHER INFORMATION

FINAL DIVIDENDS

After due consideration of Shareholders' as well as the Company's long-term interests, the Board recommended the final dividend of HK\$0.176 per Share for the year ended December 31, 2021, which will be paid in Hong Kong dollars, subject to the approval of Shareholders at the Company's forthcoming AGM. The final dividend, if approved by the Shareholders at the forthcoming AGM, will be paid on or before Wednesday, June 8, 2022 to Shareholders whose name appear on the register of members of the Company on Friday, May 27, 2022.

USE OF PROCEEDS FROM LISTING

The Company listed its Shares on the Stock Exchange on September 18, 2020. Net proceeds from the Listing (after deduction of the underwriting fees, commission and relevant total expenses paid and payable by us in connection thereto) were approximately HK\$803.42 million, which has been applied for the following purposes consistent with those set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. From the Listing Date to December 31, 2021, the Group has utilized:

- approximately HK241.03 million to facilitate digital goods transactions for more digital goods vendors and increase the varieties of digital goods transactions we facilitate, which has been fully utilized;
- approximately HK160.68 million to increase the number of our digital goods sales channel partners, which has been fully utilized;
- approximately HK160.68 million to develop the Group's value-added services, such as membership management and interactive advertising services, virtual employee benefits services for enterprise customers, game leveling and companion services and professional game account leasing services, which has been fully utilized;
- approximately HK80.35 million to fund the Group's working capital and other general corporate purposes, which has been fully utilized; and
- the Group has not utilized the proceeds from the Listing for the potential acquisitions of businesses and assets complementary to our business, including companies in games-related industries, which amounted to HK\$160.68 million.

COMPLIANCE WITH CG CODE

The Company is committed to maintaining a high standard of corporate governance practices with a view to enhance the management efficiency of the Company as well as preserving the interests of its Shareholders as a whole. During the year ended December 31, 2021, saved for the deviation from code provision C.2.1 as explained below, the Company has complied with the code provisions set out in the CG Code contained in Appendix 14 to the Listing Rules.

The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Fu Xi currently performs these two roles and is responsible for the Group's strategies, corporate culture and oversees our senior management team. The Board considers that Mr. Fu Xi acting as both the chairman and the chief executive officer will ensure consistent leadership within the Group and enable more effective and efficient overall strategic planning for the Group, and it is appropriate and beneficial to our business development and prospects that Mr. Fu Xi continues to act as both the chairman and the chief executive officer at the current stage of development of the Company. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. Therefore the Board does not propose to separate these two roles. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the year ended December 31, 2021, which will be sent to the Shareholders in due course.

COMPLIANCE WITH MODEL CODE

The Company has adopted the Model Code as its code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, all Directors confirmed that they have complied with the required standard set out in the Model Code for the year ended December 31, 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

For the year ended December 31, 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

AUDIT COMMITTEE

The Audit Committee, together with the Auditor, has reviewed the Company's audited consolidated financial statements for the year ended December 31, 2021. The Audit Committee has also reviewed the accounting principles and practices adopted by the Company and discussed auditing, risk management, internal control and financial reporting matters.

AUDITOR'S PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the announcement of the Group's results for the year ended December 31, 2021 have been agreed by the Auditor to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an audit, review or other assurance engagement, and consequently no assurance has been expressed by the Auditor on this announcement.

AGM AND CLOSURE OF THE REGISTER OF MEMBERS

The Company intends to hold the AGM on Thursday, May 19, 2022. The register of members of the Company will be closed from Monday, May 16, 2022 to Thursday, May 19, 2022, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no Share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, May 13, 2022.

Subject to the approval by the Shareholders at the AGM, the proposed final dividend will be paid to the Shareholders whose names appear on the register of members of the Company on Friday, May 27, 2022. The register of members of the Company will also be closed from Wednesday, May 25, 2022 to Friday, May 27, 2022, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend. To qualify for the final dividend (subject to the approval of Shareholders), unregistered holders of Shares of the Company shall lodge relevant share transfer documents with the Company's Hong Kong share registrar for registration, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Tuesday, May 24, 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fulu.com), and the annual report containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.fulu.com) and will be dispatched to the Shareholders in accordance with the Listing Rules in due course.

By order of the Board
Fulu Holdings Limited
Fu Xi
Chairman

Wuhan, Hubei Province, China
March 28, 2022

As of the date of this announcement, the Board of the Company comprises Mr. Fu Xi, Mr. Zhang Yuguo, Mr. Shui Yingyu, Mr. Zhao Bihao and Mr. Mao Feng as executive directors; and Mr. Li Wai Chung, Ms. Wang Yuyun and Mr. Wong Sincere as independent non-executive directors.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“AGM”	the forthcoming annual general meeting of the Company to be held on May 19, 2022
“Articles” or “Articles of Association”	the articles of association of the Company adopted on August 29, 2018 with effect from the Listing Date, as amended from time to time
“Audit Committee”	the audit committee of the Company
“Auditor”	Ernst & Young LLP, the external auditor of the Company
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company” or “the Company” or “Fulu”	Fulu Holdings Limited, an exempted company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (Stock Code: 2101)
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely the PRC Holdcos and their respective subsidiaries
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to each of Mr. Fu Xi, Mr. Zhang Yuguo, Mr. Shui Yingyu, Mr. Zhao Bihao, FuXi Limited, Fuxu Holdings, Fuzhi Holdings, Zhangyuguo Holdings, Shuiyingyu Holdings and Zhaobihao Holdings or all of them as a group of Controlling Shareholders

“CG Code”	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Directors”	director(s) of the Company
“Fulu Fuxi”	Beijing Fulu Fuxi Technology Co., Ltd. (北京福祿福喜科技有限公司), a limited liability company established in the PRC on December 31, 2021, a Consolidated Affiliated Entity and a 60%-owned subsidiary of Wuhan Fulu
“Fulu Open Platform”	our proprietary technology platform that offers applications to digital goods vendors and digital goods sales channels to enable them to better manage the digital goods and services transaction process
“FuXi Limited”	FuXi Limited, a limited liability company incorporated in the BVI on June 27, 2019 and wholly owned by Mr. Fu Xi. It is one of our Controlling Shareholders
“Fuxu Holdings”	Fuxu Holdings Limited, a limited liability company incorporated in the BVI on September 12, 2019 and wholly owned by FuXi Limited. It is one of our Controlling Shareholders
“Global Offering”	the Hong Kong public offering and the International offering of the Company’s Shares
“GMV”	gross merchandize value, which equals to the sales price per item (inclusive of VAT) multiplied by the number of items sold. The GMV of digital goods transactions we facilitated as disclosed in this report excludes the GMV of digital goods transactions that occur in online stores we operate for digital goods vendors
“Group” or “the Group”, “we”, “us”, or “our”	the Company, our subsidiaries and the Consolidated Affiliated Entities from time to time, or where the context so requires, in respect of the period before the Company became the holding company of our present subsidiaries, the subsidiaries as if they were the subsidiaries of the Company at the relevant time (or the Company and any one or more of its subsidiaries, as the context may require)

“HK\$” or “Hong Kong dollars”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hubei Kejin”	Hubei Kejin Network Technology Co., Ltd. (湖北氩金網絡科技有限公司), a limited liability company established in the PRC on May 22, 2017, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“IFRSs”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Kashgar Yiqiwan”	Kashgar Yiqiwan Network Technology Co., Ltd. (喀什一起玩網絡科技有限公司), a limited liability company established in the PRC on March 27, 2017, and one of the PRC Holdcos
“Listing”	listing of the Shares on the Main Board of the Stock Exchange
“Listing Date”	September 18, 2020, being the date on which the Shares were listed on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange, which is independent from and operates in parallel with the GEM of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules

“PRC” or “China”	the People’s Republic of China. For the purposes of this announcement only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“PRC Holdcos”	Kashgar Yiqiwan and Wuhan Fulu
“Reporting Period”	the year ended December 31, 2021
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“Shares”	ordinary share(s) with a nominal value of US\$0.0001 each in the capital of the Company
“Shareholder(s)”	holder(s) of our Shares
“Shuiyingyu Holdings”	Shuiyingyu Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in section 15 of the Companies Ordinance
“Tibet Fulu”	Tibet Fulu Network Technology Co., Ltd. (西藏福祿網絡科技有限公司), a limited liability company established in the PRC on December 8, 2016, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Tibet Huluwa”	Tibet Huluwa Network Technology Co., Ltd. (西藏葫蘆娃網絡科技有限公司), a limited liability company established in the PRC on May 15, 2019, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“US\$”	U.S. dollars, the lawful currency of the United States of America
“VAT”	value-added tax

“Wuhan Fulu”	Wuhan Fulu Network Technology Co., Ltd. (武漢福祿網絡科技有限公司), a limited liability company established in the PRC on March 24, 2009, and one of our PRC Holdcos
“Wuhan Lishuo”	Wuhan Lishuo Technology Co., Ltd. (武漢立碩科技有限公司), a limited liability company established in the PRC on January 6, 2017, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Wuhan Souka”	Wuhan Souka Technology Co., Ltd. (武漢搜卡科技有限公司), a limited liability company established in the PRC on June 8, 2017, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Wuhan Tianshi”	Wuhan Tianshi Technology Co., Ltd. (武漢天識科技有限公司), a limited liability company established in the PRC on July 24, 2014, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Wuhan Yiqiyou”	Wuhan Yiqiyou Network Technology Co., Ltd. (武漢一起遊網絡科技有限公司), a limited liability company established in the PRC on June 4, 2012, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Xinjiang Fulu”	Xinjiang Fulu Network Technology Co., Ltd. (新疆福祿網絡科技有限公司), a limited liability company established in the PRC on December 27, 2016, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Wuhan Fulu
“Zhangyuguo Holdings”	Zhangyuguo Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“Zhaobihao Holdings”	Zhaobihao Holdings Limited, a limited liability company incorporated in the BVI on June 25, 2019. It is one of our Controlling Shareholders
“%”	percent