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Fulu Holdings Limited

福祿控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2101)

2022 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the “**Board**”) of Fulu Holdings Limited (the “**Company**”) hereby announces the unaudited interim results of the Company and its subsidiaries and its consolidated affiliated entities for the six months ended June 30, 2022. This announcement, containing the full text of the 2022 interim report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to the information to accompany preliminary announcements of interim results.

The 2022 interim report of the Company and its printed version will be published and delivered to the shareholders of the Company by the end of September 2022 and available for viewing on the website of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and the website of the Company at www.fulu.com.

By order of the Board
Fulu Holdings Limited
Fu Xi
Chairman

Wuhan, Hubei Province, China

August 26, 2022

As of the date of this announcement, the Board 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.

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BOARD OF DIRECTORS

Executive Directors

Mr. Fu Xi (符熙) (*Chairman and CEO*)
Mr. Zhang Yuguo (張雨果)
Mr. Shui Yingyu (水英聿)
Mr. Zhao Bihao (趙筆浩)
Mr. Mao Feng (茅峰)

Independent Non-executive Directors

Mr. Li Wai Chung (李偉忠)
Ms. Wang Yuyun (王雨雲)
(alias Wang Yuyun (王雨蘊))
Mr. Wong Sincere (黃誠思)

AUDIT COMMITTEE

Mr. Li Wai Chung (李偉忠) (*Chairman*)
Ms. Wang Yuyun (王雨雲)
Mr. Wong Sincere (黃誠思)

REMUNERATION COMMITTEE

Ms. Wang Yuyun (王雨雲) (*Chairman*)
Mr. Fu Xi (符熙)
Mr. Wong Sincere (黃誠思)

NOMINATION COMMITTEE

Mr. Fu Xi (符熙) (*Chairman*)
Mr. Wong Sincere (黃誠思)
Mr. Li Wai Chung (李偉忠)

JOINT COMPANY SECRETARIES

Mr. Mao Feng (茅峰)
Ms. Ng Ka Man (吳嘉雯) (*ACG, HKACG*)

AUTHORIZED REPRESENTATIVES

Mr. Mao Feng (茅峰)
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STOCK CODE

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COMPANY'S WEBSITE

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FINANCIAL SUMMARY

| | Unaudited | | |
|--|--|---------|---------------|
| | For the six months ended June 30, | | |
| | 2022 | 2021 | Change |
| | <i>(RMB in thousands, except for percentage)</i> | | <i>(%)</i> |
| Revenue | 196,400 | 200,538 | (2.1) |
| Gross profit | 148,110 | 145,235 | 2.0 |
| Gross profit margin ⁽¹⁾ | 75.4% | 72.4% | 3.0 |
| Profit before taxation | 35,830 | 75,805 | (52.7) |
| Profit and total comprehensive income for the period | 33,461 | 72,462 | (53.8) |
| Attributable to: | | | |
| Owners of the parent | 35,453 | 72,462 | (51.1) |
| Non-controlling interests | (1,992) | – | N/A |
| Non-IFRS measure adjusted profit attributable to owners of the parent for the period | 47,158 | 79,067 | (40.4) |

Note:

- (1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

| | Unaudited | | |
|---|----------------------------|--|---------------|
| | As at June 30, 2022 | | |
| | <i>(RMB in thousands)</i> | Audited As at December 31, 2021 | Change |
| | | | <i>(%)</i> |
| Assets | | | |
| Current assets | 1,386,579 | 1,343,723 | 3.2 |
| Non-current assets | 49,661 | 33,585 | 47.9 |
| Total assets | 1,436,240 | 1,377,308 | 4.3 |
| Liabilities | | | |
| Current liabilities | 278,290 | 207,434 | 34.2 |
| Non-current liabilities | 10,893 | 5,945 | 83.2 |
| Total liabilities | 289,183 | 213,379 | 35.5 |
| Net assets | 1,147,057 | 1,163,929 | (1.4) |
| Equity | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 277 | 275 | 0.7 |
| Reserves | 1,148,772 | 1,163,654 | (1.3) |
| | 1,149,049 | 1,163,929 | (1.3) |
| Non-controlling interests | (1,992) | – | N/A |
| Total Equity | 1,147,057 | 1,163,929 | (1.4) |

Dear Shareholders,

In the first half of 2022, recurrence of the COVID-19 pandemic has been more severely than we had expected. With the Omicron variant spreading widely in Hong Kong, Shenzhen, Guangzhou, Shanghai, Changchun, Beijing and many other places, six mega-cities across the country have implemented “close-down management” or “citywide static management” for pandemic prevention, and dozens of other cities have imposed additional temporary restrictive measures, which exerted a severe impact on the Group’s business activities across the country, with business staff significantly reducing the frequency of travel under various strict controls such as health code pop-ups and lockdown quarantines, and therefore our business expansion has experienced tremendous difficulties. Meanwhile, consumers’ confidence declined and they tried to reduce their spending and balance funds as much as possible to cope with the possibility of income decline or even unemployment in the future, and their consumption has been gradually turning conservative.

With the tightening of national policy control and regulatory mechanisms, the Internet industry encountered major challenges since 2021, and segments such as online education, games and live-streaming videos were adversely affected. While the disappearance of demographic dividend has driven the market transforming from a growing market to a saturated market, the Internet industry has to focus on long-term sustainable development, emphasize on healthy investment, especially the optimization of marketing costs, operating costs and labor costs in consideration of the aforesaid challenging factors. The massive lay-offs in Internet head leading companies since the end of last year has sustained to the second quarter of this year. At present, the recruitment demand for the Internet industry has been shrinking.

Against such a harsh backdrop, some of the Group’s businesses were negatively impacted in the first half of 2022, such as a significant decline in revenue from the telecommunications segment as a result of reduction in marketing expenses from the upstream and downstream industries. But fortunately, revenue from the leisure and entertainment segment, which accounted for 55.8% of total revenue was not affected by the sudden outbreak of the pandemic, and maintained an increase of 14.3% year-on-year; Although GMV from the lifestyle segment increased significantly, due to the pandemic, some brands adjusted the tempo of their 2022 campaign grants and reduced their campaign budgets in the first half of the year, resulting in a 6.4% year-over-year decline in revenue. The corporate welfare segment, which expanded and grew rapidly this year, achieved GMV of RMB221,666,000, and generated revenue of RMB20,800,000 in the first half of the year, accounting for 10.6% of total revenue. With a 69.9% decline in revenue from the telecommunications segment and a 14.0% decline in revenue from the game segment, the Company’s total revenue of RMB196,400,000 remained stable with a slight decrease of 2.1% year-over-year, and total gross profit increased by 2.0% year-over-year and gross margin increased by 3.0% year-over-year, relying on revenue growth from the leisure and entertainment segment and the corporate welfare segment, as well as the resilience of the lifestyle services business.



CHAIRMAN'S STATEMENT

Due to (i) the implementation of the talent acquisition strategy, we have recruited and retained more outstanding talents in line with our business development needs, (ii) the increase in the Company's operating costs as a result of the rapid increase in the number of team members of the new corporate welfare business, the profit and total comprehensive income for the period amounted to RMB33,461,000, representing a year-on-year decrease of 53.8%, and the adjusted profit attributable to owners of the parent for the period amounted to RMB47,158,000, representing a year-on-year decrease of 40.4% in the first half of the year.

Fulu's commercialization is user-based and realized through traffic, the total GMV for other business amounted to RMB4,837,801,000, representing an increase of 33.2% compared to the GMV of RMB3,631,146,000 in the first half of 2021, excluding the telecommunications segment with low gross profit margin. Importantly, the continuing cash inflow guaranteed the safety of Fulu's operations in such an emergency, and we maintained net cash generated from operating activities of RMB107,960,000 in the first half of the year after operating cash flow turned positive in the second half of 2021. In summary, the decrease in results for the first half of 2022 was primarily due to the impact of new business expansion, increased R&D, and share-based payments, which we believe were critical to Fulu's long-term value creation.

TRADITIONAL BUSINESS WITH SOLID FOUNDATION

Fulu's traditional business covers both digital goods and value-added services. We timely adjusted product structures pursuant to the sensitivity of different businesses to the economic cycle. For example, we strengthened the sales of audio products under the leisure and entertainment segment, and was awarded the "Best Partner for Rights Agency" by Himalaya in January. In terms of ToB business, we assisted financial enterprises to optimize user experience and improve user stickiness by relying on the complete digital goods supply chain to cover a majority of points consumption scenarios. In April this year, we cooperated with CITIC Bank Credit Card to launch the "9-Point gift exchange" activity, and successively won the bid for rights service projects of China UnionPay, Ping An Bank and other institutions in May. Relying on the Group's extensive marketing experience, the Group has been able to effectively enhance its ability to acquire users through Fulu's coupons. This product applies to the five major platforms of WeChat, Alipay, Cloud Flash Pay, Meituan and JD, and was awarded the "New Banking Service Provider" by Alipay in the first quarter of this year. The red envelope of UnionPay Cloud Flash Pay, WeChat's coupons and Alipay's coupons are all financial-related core products under the lifestyle segment.



The steady growth in revenue from our traditional business has been driven by our experienced ToB business team. This team has been with Fulu for an average of more than five years, and they have extensive operational and marketing experience. Due to the complex business scenarios, multi-terminal markets, product variety, high business differentiation, and intricate marketing design of ToB business which rely on the characteristics of time and experience accumulation to ensure that the marketing advantage is difficult to be copied by other enterprises in the short term, thereby serving as a strong moat for Fulu. Besides, although the growth of the total number of users in the domestic leisure and entertainment industry has slowed down, content subscription has become a kind of consumer spending on leisure and entertainment. The payment habit has gradually developed with the payment rate continues to increase. For example, the video subscription renewal rate is steadily increasing, and the subscription rates for work-related products such as WPS are still growing rapidly. This steady growing consumption on annual basis has partly become the Group's most important source of income. Finally, with the iteration of technology and the refinement of demand, huge opportunities shall be brought by the increase in the online penetration rate of physical commodities. In July 2022, the online retail sales of physical goods achieved year-on-year growth of 10.1%, and the percentage of online social retail sales of physical goods (online retail sales /national total social retail sales of physical goods) was 24.1%. The online rate maintained a growth momentum. For the lifestyle segment, which was mainly based on the online sales of physical goods, the core products of the coupons category were mainly Nike's gift cards and JD E-cards. The popular Meituan coupons were classified as the booming food, drink, and entertainment, and daily living expenses segment, with plenty of room for improvement in penetration rate currently. Looking ahead to the second half of 2022, the massive regulatory impact may have dissipated. Although the pandemic still deters the recovery to a certain extent, as the economic stimulus policy works on the consumer side, the revenue growth of Fulu's traditional business is expected to re-accelerate.

NEW PROJECTS FOR DIVERSIFICATION

CORPORATE WELFARE WITH DIGITAL EMPOWERMENT

At the end of last year, the Group established Beijing Fulu Fuxi, which specializes in corporate welfare business. Beijing Fulu Fuxi, as a leading domestic welfare digital system provider and cloud service operator, focuses on the strategic direction of "platform + commodity + service" to build three core competitiveness of system, supply and operation, providing flexible welfare solutions covering all scenarios of HR and trade unions with professional operation services and supply chain integration services. Meanwhile, in order to meet the construction of corporate welfare digital system, it provides SaaS welfare mall, integrated comprehensive welfare and management portal, etc. As our new core business segment, Beijing Fulu Fuxi has established its business presence in more than a dozen urban service centers in Shanghai, Guangzhou, Shenzhen, Chengdu, Chongqing, Wuhan, Suzhou and other cities in the first half of the year, and has won bids to sign welfare platform projects with more than a dozen well-known enterprises, such as Rong Tong (融通) (Human Resources Development Co. Ltd.), China Merchants (Hoi Tung Trading Company Limited), Volkswagen Group Import (China) Co., Ltd., Samsung Data System (China) Co., Ltd., China Daily News Agency Labor Union, BAIC Motor (Eternaland Property E-Commerce Branch), Great Wall Motor (Taizhou Haval Sales Branch) and YYKJ (Service Group Co. Ltd.). Its related GMV has reached RMB221,666,000 in just half a year. The Group's strategy is to sacrifice certain short-term profits in exchange for long-term business competitive advantages.

TRAFFIC GROWTH FOR LIVE-STREAMING E-COMMERCE

Under the general trend that the overall internet traffic is migrating to live-streaming e-commerce, the Group gradually treated live-streaming e-commerce as an important development direction for us since 2021. We adopted a two-wheel drive strategy, quickly expanding the market by partnering with influencers in the early stages while building our live-streaming team and increasing return rate in the later stages by reducing our reliance on top streamers. At present, we have cooperated with more than 1,000 influencers, and our live-streaming team has recruited 19 full-time streamers and 9 full-time assistants. We provided professional training and promote the repeated purchase rate of users by cultivating excellent streamers. We have 12 dedicated studios with experienced directors, makeup artists and photographers. In 2022, Fulu reached cooperation with a number of lifestyle brands, including Haagen-Dazs, NetEase Yanxuan and WPS, and became the agency service provider for these brands on the Tiktok and Kuaishou platforms, becoming the first digital goods service provider in the industry to receive official certification from Tiktok. In the second half of 2022, the Group will combine its strong supply chain management capabilities to increase the supply of competitive products in lifestyle scenes such as food, drink and entertainment. Therefore, we believe that live-streaming e-commerce will have a significant impact on the Company's performance in the coming years.

GOING GLOBAL AND EMPHASIZING COOPERATION

Based on the current policy and economic environment, the Group takes a systematic, holistic and strategic view to find new ways for enterprises to move towards internationalization. In 2021, we chose game business for our initial attempt. The significant change of our strategy this year is to offer localised products to global cross-border consumers, leveraging the overseas live-streaming market, well-established products, operations and business models in China (such as CODA's outstanding achievements in Southeast Asia, the Middle East and other regions) and integrating Fulu's resources with various domestic partners and direct connections to upstream overseas products to enhance our competitive advantage in the overseas supply chain. We have developed our own supply chain integration platform to enhance our product matching and distribution capabilities, utilized our self-built global top-up service platform to replicate our vertical and horizontal strategy to overseas markets, and reduced customer acquisition costs and increased product gross profit through boutique SKUs. Up to now, the new main platform is already in stable operation.



RETAINING TALENTS AND ENCOURAGING ENDEAVORS

Fulu has established a comprehensive benefits program covering from health checkups to holiday benefits, such as the freedom to manage work-life balance by switching to a work pattern that suits employees to enable them to fully leverage on their work skills. For employees who choose to take nightshift, we provide meal allowance and car allowance. Besides, Fulu has established a career path that encourages employees to strive for excellence. The majority of Fulu's employees are technically skilled. To ensure that these employees are motivated to achieve excellence, Fulu has established a technical promotion career path in addition to the management career path, where employees are encouraged to make advances in technical skills to earn themselves the same resources and treatment as that in the management positions. By combining a variety of incentive measures, we guide our employees towards a path of technical expertise for them to create value for Fulu while realizing personal value.

Given the Company's leading position in the leisure and entertainment business, the strong competitiveness of its ToB business, the continuous expansion of new businesses, the replication of its business model overseas, and the continuous optimization of its labor relations, the Group remains confident in the development in the second half of 2022.

FINANCIAL SUMMARY

In the first half of 2022, the Company achieved revenue of RMB196,400,000, the profit for the period amounted to RMB33,461,000 and the adjusted profit for the period attributable to owners of the parent amounted to RMB47,158,000. From the perspective of GMV changes, GMV from the lifestyle segment increased significantly by 134.5% year-on-year, GMV from the leisure and entertainment segment increased slightly by 5.9% year-on-year and GMV from the games segment declined by 6.1% year-on-year. GMV from these two traditional businesses remained basically flat, while GMV from the telecommunications segment decreased by 58.7% year-on-year due to the impact of the reduction of the proportion of agency sales by upstream telecom carriers and the reduction of marketing expenses by downstream e-commerce platforms. Corporate welfare is a new business, which achieved GMV of RMB221,666,000. Total GMV for the first half of the year was RMB7,456,702,000, decreasing by 25.3% year-on-year. Among them, GMV from the telecommunications segment decreased by RMB3,729,448,000, while GMV from the leisure and entertainment segment and the lifestyle segment aggregately increased by RMB1,034,616,000. The GMV from corporate welfare segment was RMB221,666,000, and the GMV from the games segment decreased by RMB49,628,000. In the first half of 2022, the GMV from Fulu decreased by RMB2,522,794,000 compared to the same period of last year.



BUSINESS OVERVIEW

Revenue by segment:

Lifestyle segment

Revenue from the lifestyle segment decreased by 6.4% to RMB20,166,000, accounting for 10.3% of the total revenue. The contrast between the growth of revenue and GMV was mainly due to the whole category expansion (e.g., building a small program landing page for a famous fast food chain, to promote the campaign of RMB8.8 for chicken on Sunday) and the addition of financial scenes (e.g., providing a benefit package covering the top coffee and tea brands for a bank credit card customer) in the first half of 2022, which contributed to the overall sales expansion leading to GMV growth. However, lower commission rates on sales of certain products resulted in a 34.9% year-over-year decline in gross profit margin for the lifestyle services segment from 86.8% for the same period in 2021 to 60.4% this year.

Leisure and entertainment segment

Revenue from the leisure and entertainment segment increased by 14.3% to RMB109,634,000 on a year-on-year basis, accounting for 55.8% of the total revenue, primarily due to the increase in the video and audio leisure and entertainment digital goods transactions we facilitated. By expanding categories (e.g., uniting with major video websites, e-commerce platforms, electric vehicles, household appliances, products for daily use and other brands for virtual category IP cross-industry cooperation) and increasing transaction volume (a cloud drive agency operation business ranked third on Tiktok's life entertainment recharge category), we achieved an excellent result with a 17.5% increase in gross profit.

Telecommunications segment

Revenue from the telecommunications segment decreased by 69.9% to RMB13,778,000 on a year-on-year basis, accounting for 7.0% of the total revenue. The gross profit margin decreased to 43.3% compared to 57.9% in the same period of 2021, and the gross profit recorded a year-on-year decrease of 77.5%. In 2021, a higher revenue contribution from the telecommunications business was recorded, of which revenue from the telecommunications segment accounted for 22.8% of the total revenue in the first half of 2021. Revenue from this segment declined significantly in the first half of 2022, mainly due to the reduction of marketing expenses from both upstream and downstream industries. The telecom carriers in the upstream reduced the proportion of agents, leading the decreasing supply of call charge resources and the rate of successful recharge, while the downstream e-commerce platforms correspondingly reduced subsidies and increased our purchase cost. In response to this, we kept up with the trend of upstream marketing policies tilted toward new number card sales and reached service agreements with two major operators for live streaming e-commerce and achieved better results.



Games segment

Revenue from the games segment decreased by 14.0% to RMB32,022,000 on a year-on-year basis, accounting for 16.3% of the total revenue. The game business is mainly sales of game related products including live-streaming coins and game coins, which is more related to live-streaming reward, or e-sports game business, and is greatly influenced by national regulatory policy. The Group chose game ecology division to carry out its pilot project and attempted to duplicate Fulu's established business model to overseas market, which currently has less impact on the performance. The gross profit margin from games segment improved from 65.2% in the same period of 2021 to 73.1% in the current reporting period, and the gross profit basically remained flat at RMB23,423,000.

Corporate welfare segment

Revenue from the corporate welfare segment amounted to RMB20,800,000, accounting for 10.6% of the total revenue. The GMV amounted to RMB221,666,000. The gross profit was RMB17,515,000, and the gross profit margin was 84.2% of the corporate welfare business. We started the corporate welfare business at the end of 2021 with 38 employees. As of June 30, 2022, the team has grown to 288 employees, located in Beijing, Shanghai, Guangzhou and Shenzhen, etc.

Revenue by nature:

Digital goods-related services

Revenue from digital goods-related services decreased by 8.7% to RMB155,696,000 on a year-on year basis in the first half of the year, accounting for 79.3% of the total revenue. The decline in revenue was mainly impacted by the telecommunications business, while revenue from digital goods-related services remains the main source of the Company for now.

Physical goods-related services

Revenue from physical goods-related services amounted to RMB11,023,000, accounting for 5.6% of the total revenue. Revenue from physical goods-related services is the main revenue of the corporate welfare business.

Value-added services

In the value-added services, revenue from online store operation services remained flat at RMB25,320,000, accounting for 12.9% of the total revenue. With the high cost of new traffic in the Internet industry, revenue from our online store operations achieved 0.7% year-on-year increase, proving that the Group's marketing capabilities are gaining recognition from more and more clients. Revenue from user acquisition, mini-game development and IT solutions decreased by 9.5% to RMB4,361,000 on a year-on-year basis, mainly due to the compression of marketing expenses of upstream customers. Exploring client value is more important than obtaining new clients in today's increasingly traffic-saturated market.

Fulu Open Platform:

In the first half of 2022, 10 new SaaS applications were added to the platform, bringing the total number of applications to 35, making up for the weakness of the platform in terms of promotion and commission sharing, and enriching the overall offering of SaaS applications of the platform. The new “Help You Choose” (幫你選) function helps to push the most cost-effective products according to customer needs and the latest market sales popularity. With the promotion of Fulu's partner scheme, 205 new suppliers and 2,431 stockists were added to the platform in the first half of this year, with new customers from Xinjiang, Guangxi, Heilongjiang and Inner Mongolia, and the business map has covered the whole country, with the average number of successful orders of 650,000 per day.

IMPACT OF THE COVID-19 PANDEMIC

Impact of the Pandemic

The pandemic has accelerated the digitization of China's economy, and has changed the way we work and learn. Online shopping avoids the risk of spreading the COVID-19 pandemic during in-store shopping, while such convenience may allow people to become accustomed to this type of purchase, especially for repeatedly purchased consumables. Disruptive change is everywhere, and the pandemic has accelerated the changes already underway. We witnessed the rise of group buying in Shanghai, which was actually a type of e-commerce based on private domain traffic. There were 800,000 community group buying initiators appeared in a few months in Shanghai, completing a level of digital transformation that would have taken years to achieve. At the same time, the technical disruptions caused by the pandemic have damaged or destroyed many businesses, and a number of small businesses may no longer exist. The COVID-19 pandemic outbreak in early 2020 boosted our business to a certain extent, with the sales of leisure and entertainment products and game products sold very well. However, this year, it was obvious that the impact of the pandemic has extended to the consumer market, lasting 2.5 years along with many uncertainties, seriously affecting the normal operations of many enterprises, increasing unemployment, decreasing personal income, and eventually affecting the e-commerce market. Although the Group's traditional digital business was not logistically constrained, the decline in personal consumption power had a definite impact on our sales.

OUTLOOK

Business Model Upgrade

We believe that it is critical for the Company to embrace new business models, such as strategic partnerships, private equity and public-private partnerships. The Group's strategy department decodes and transforms the corporate strategy into understandable and practicable processes for all employees, effectively bridging the gap between the strategy and its implementation to lead the corporate development, monitor the implementation and achieve tangible results. Taking into account the capital factor and the increasing stringent scrutiny and regulation, we are considering upgrading the business model by leveraging the big data owned by the Company, achieving a customer operation of high conversion and high returning purchase, replacing the traditional concept of “traffic as top priority” with “customer value”, and making up for the decline in the growth rate of traditional e-commerce customers with new traffic of live-streaming e-commerce.

As the penetration rate of live broadcast continues to deepen after the COVID-19 pandemic, the Group will continue to expand new platforms (Tiktok live-streaming) and enter new markets (corporate welfare), leverage our strong R&D capabilities to achieve cross-category and cross-sector linkages, and reshape the intelligent supply chain to efficiently match supply and demand through category planning and supply and demand algorithms. After the pandemic, we believe that consumers will have a preference for highly reliable brands, with price protection and genuine assurance addressing their major concerns. Consumers will tend to buy responsible brand products even spending more money. In this regard, we will adhere to the cross-category linkage strategy to provide customers with more suitable products to reward their trust. We will continue to give priority to the business scale, promote the scale development to cross the threshold value, and achieve the goal of stimulating revenue growth.

Cost Reduction and Efficiency Enhancement Strategy

As the Group upgrades our business model while enhancing obvious business growth, next, we will focus on cost reduction and efficiency enhancement strategy to increase sales revenue and strengthen expense control. We will rely on our self-developed customer data and information management and reduce costs through cross-category sales, thereby realizing a reduction in sales expenses. The expansion of R&D staff and the improvement of salary packages are the main reasons for the continuous growth of R&D expenses. As the Company generally completed its business structure adjustment, there will be a rapid reduction in subsequent staff expansion, with a gradual decrease in the growth of R&D expenses. The high management expenses were partly because more employees were added to the new corporate welfare program, and substantial employees were based in Beijing, whose average salaries were higher than those in Wuhan. Meanwhile, the restriction of logistics caused by the pandemic outbreak in the first half of the year exerted an impact on the revenue of the business. We expect the revenue of the corporate welfare business to rebound rapidly in the second half of the year due to the gradual easing of the pandemic and the increase in the year-end festivals. We believe that the increase in the number of quality projects will not only increase the richness and fault tolerance of the business, but also improve Fulu's profitability.

CONCLUSION

We have already entered new markets and achieved certain success while steadily promoting existing traditional business. We have the opportunity to restructure the “people, goods, places” of the corporate welfare industry by combining our leading advantages in digital goods-related areas, integrating the physical and digital worlds, and providing new possibilities and imagination for the constrained real economy. It is always our dream to turn the opportunities we see into reality. My team of people and I would like to thank you for your trust and support, and we wish you are healthy and happy this fall.

Fu Xi

Chairman

August 26, 2022



MANAGEMENT DISCUSSION AND ANALYSIS

SIX MONTHS ENDED JUNE 30, 2022 COMPARED TO SIX MONTHS ENDED JUNE 30, 2021

The following table sets forth the comparative figures for the first half of 2021 and 2022:

| | Unaudited | |
|---|-----------------------------------|----------|
| | For the six months ended June 30, | |
| | 2022 | 2021 |
| | <i>(RMB in thousands)</i> | |
| Revenue | 196,400 | 200,538 |
| Cost of sales | (48,290) | (55,303) |
| Gross profit | 148,110 | 145,235 |
| Other income and gains | 18,106 | 9,149 |
| Selling and distribution expenses | (62,622) | (35,100) |
| Administrative expenses | (40,666) | (22,640) |
| Research and development costs | (25,505) | (17,279) |
| Impairment losses on financial and contract assets, net | (913) | (313) |
| Other expenses | (158) | (2,932) |
| Operating profits | 36,352 | 76,120 |
| Finance costs | (522) | (315) |
| Profit before taxation | 35,830 | 75,805 |
| Income tax expense | (2,369) | (3,343) |
| Profit and total comprehensive income for the period | 33,461 | 72,462 |
| Attributable to: | | |
| Owners of the parent | 35,453 | 72,462 |
| Non-controlling interests | (1,992) | – |
| Non-IFRS measure adjusted profit attributable to owners of the parent for the period ⁽¹⁾ | 47,158 | 79,067 |

Note:

- (1) We define “adjusted profit attributable to owners of the parent for the period” as profit attributable to owners of the parent for the period, adding back listing expenses, foreign exchange gains and losses as well as share-based payment expenses. Adjusted profit attributable to owners of the parent for the period is not a measure required by or presented in accordance with IFRSs. The use of adjusted profit attributable to owners of the parent for the period 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 decreased by 2.1% from RMB200,538,000 in the first half of 2021 to RMB196,400,000 in the first half of 2022. The decrease in revenue was primarily due to a decrease in commission income from digital goods-related services driven by a decrease in the GMV of digital goods transactions.

Revenue by Nature

Our revenue primarily includes (a) commissions from digital goods-related services; (b) commissions from physical goods-related services; and (c) service fees from online store operation services and other value-added services. The following table sets forth revenue breakdown by types of services in the first half of 2022 and 2021:

| | Unaudited | | | |
|---------------------------------|--|--------------|----------------|--------------|
| | For the six months ended June 30, | | | |
| | 2022 | | 2021 | |
| | RMB | % | RMB | % |
| | <i>(RMB in thousands, except for percentage)</i> | | | |
| Digital goods-related services | 155,696 | 79.3 | 170,578 | 85.1 |
| Physical goods-related services | 11,023 | 5.6 | N/A | N/A |
| Value-added services | | | | |
| Online store operation services | 25,320 | 12.9 | 25,140 | 12.5 |
| Others ⁽¹⁾ | 4,361 | 2.2 | 4,820 | 2.4 |
| Total | 196,400 | 100.0 | 200,538 | 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 decreased by 8.7% from RMB170,578,000 in the six months ended June 30, 2021 to RMB155,696,000 in the six months ended June 30, 2022, in which, revenue from the leisure and entertainment segment maintained steady growth, revenue from the games segment and the lifestyle segment slightly declined, and revenue from the telecommunications segment declined significantly.

Physical goods-related services. Revenue from physical goods-related services arises from our new corporate welfare segment in the first half of 2022, achieved revenue of RMB11,023,000 in the six months ended June 30, 2022. As a new core business segment of Fulu, the corporate welfare segment has a sustainable competitive advantage through favorable prices and the scale of internet technology.

Value-added services. Our value-added services consist primarily of online store operation services and other value-added services. Revenue from online store operation services increased by 0.7% from RMB25,140,000 in the six months ended June 30, 2021 to RMB25,320,000 in the six months ended June 30, 2022, due to the stable revenue from the online store operation services. Revenue from our other services decreased by 9.5% from RMB4,820,000 in the six months ended June 30, 2021 to RMB4,361,000 in the six months ended June 30, 2022, primarily attributable to a decrease in the revenue from the game development business.



MANAGEMENT DISCUSSION AND ANALYSIS

Revenue by Segment

We generate revenue from five business segments: (i) leisure and entertainment; (ii) games; (iii) telecommunications; (iv) lifestyle; and (v) corporate welfare. The following table sets forth our revenue by segment in the first half of 2021 and 2022:

| | Unaudited | | | |
|---------------------------|--|--------------|----------------|--------------|
| | For the six months ended June 30, | | | |
| | 2022 | | 2021 | |
| | RMB | % | RMB | % |
| | <i>(RMB in thousands, except for percentage)</i> | | | |
| Leisure and entertainment | 109,634 | 55.8 | 95,940 | 47.9 |
| Games | 32,022 | 16.3 | 37,229 | 18.6 |
| Telecommunications | 13,778 | 7.0 | 45,814 | 22.8 |
| Lifestyle | 20,166 | 10.3 | 21,555 | 10.7 |
| Corporate welfare | 20,800 | 10.6 | N/A | N/A |
| Total | 196,400 | 100.0 | 200,538 | 100.0 |

The following table sets forth the GMV attributable to different segments for the periods indicated:

| | Unaudited | | | |
|---------------------------|--|--------------|------------------|--------------|
| | For the six months ended June 30, | | | |
| | 2022 | | 2021 | |
| | RMB | % | RMB | % |
| | <i>(RMB in thousands, except for percentage)</i> | | | |
| Leisure and entertainment | 2,274,196 | 30.5 | 2,147,478 | 21.5 |
| Games | 759,116 | 10.2 | 808,744 | 8.1 |
| Telecommunications | 2,618,901 | 35.1 | 6,348,350 | 63.6 |
| Lifestyle | 1,582,823 | 21.2 | 674,924 | 6.8 |
| Corporate welfare | 221,666 | 3.0 | N/A | N/A |
| Total | 7,456,702 | 100.0 | 9,979,496 | 100.0 |

Leisure and entertainment. Revenue from the leisure and entertainment segment increased by 14.3% from RMB95,940,000 in the six months ended June 30, 2021 to RMB109,634,000 in the six months ended June 30, 2022, primarily driven by an increase in the video and audio leisure and entertainment digital goods transactions we facilitated. The GMV of leisure and entertainment digital goods transactions we facilitated increased by 5.9% from RMB2,147,478,000 in the six months ended June 30, 2021 to RMB2,274,196,000 in the six months ended June 30, 2022.



Games. Revenue from the games segment decreased by 14.0% from RMB37,229,000 in the six months ended June 30, 2021 to RMB32,022,000 in the six months ended June 30, 2022. The decrease in revenue from the games segment was mainly due to the continuation of our 2021 operating strategy adjustment, scaling back transactions in certain game categories, but the overall GMV was stable. The GMV of games-related digital goods transactions we facilitated decreased by 6.1% from RMB808,744,000 in the six months ended June 30, 2021 to RMB759,116,000 in the six months ended June 30, 2022.

Telecommunications. Revenue from the telecommunications segment decreased by 69.9% from RMB45,814,000 in the six months ended June 30, 2021 to RMB13,778,000 in the six months ended June 30, 2022, mainly due to (i) a decline in transaction volumes as a result of a general reduction in marketing expenses on multiple e-commerce platforms; and (ii) adjustments to the agency policies of telecom carriers, which resulted in lower commission rates and GMV of telecommunications digital goods transactions we facilitated. The GMV of telecommunications digital goods transactions we facilitated decreased by 58.7% from RMB6,348,350,000 in the six months ended June 30, 2021 to RMB2,618,901,000 in the six months ended June 30, 2022.

Lifestyle. Revenue from the lifestyle segment decreased by 6.4% from RMB21,555,000 in the six months ended June 30, 2021 to RMB20,166,000 in the six months ended June 30, 2022, primarily due to lower commission rates on sales of certain goods in 2022 and reduced campaign budgets in the first half of the year as some brands adjusted their campaign grant delivery in 2022 given the pandemic, as a result, our commission rate for the lifestyle decreased slightly in the first half of the year. However, with the rapid development of the lifestyle goods, we facilitated a significant increase in digital goods transactions, which laid the foundation for the rebound in revenue in the second half of the year. The GMV of lifestyle digital goods transactions we facilitated increased by 134.5% from RMB674,924,000 in the six months ended June 30, 2021 to RMB1,582,823,000 in the six months ended June 30, 2022.

Corporate welfare. The corporate welfare segment, which is mainly our new corporate welfare business, achieved revenue of RMB20,800,000 in the six months ended June 30, 2022. The GMV of the corporate welfare digital goods and physical goods transactions that we facilitated amounted to RMB221,666,000 in the six months ended June 30, 2022.



MANAGEMENT DISCUSSION AND ANALYSIS

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

| | For the six months ended June 30, 2022 | |
|--|--|-------------------------------|
| | GMV | % of the Group's total GMV |
| | <i>(RMB in thousands, except for percentage)</i> | |
| Wuhan Fulu | 3,859,222 | 51.8% |
| Tibet Fulu | 2,502,014 | 33.6% |
| Wuhan Yiqiyou | 442,571 | 5.9% |
| Beijing Yiji Qifu Technology Co., Ltd. | 142,500 | 1.9% |
| Wuhan Lishuo | 124,615 | 1.7% |
| Wuhan Souka | 82,282 | 1.1% |
| Beijing Fulu Fuxi | 79,166 | 1.1% |
| Xinjiang Fulu | 50,519 | 0.7% |
| Wuhan Yilu | 44,440 | 0.6% |
| Wuhan Tianshi | 44,257 | 0.6% |
| Kashgar Yiqiwan | 40,702 | 0.5% |
| Hainan Fulu | 25,844 | 0.3% |
| Zhongzhi Wuxian (Beijing) Technology Co., Ltd. | 10,233 | 0.1% |
| Hubei Kejin | 8,337 | 0.1% |
| Tibet Huluwa | 0 | 0.0% |

COST OF SALES

Our cost of sales decreased by 12.7% from RMB55,303,000 in the six months ended June 30, 2021 to RMB48,290,000 in the six months ended June 30, 2022, primarily due to the decrease in the commission service fees for online stores driven by the decrease in digital goods transactions of communications business we facilitated.



Cost of Sales by Nature

The following table sets forth the components of cost of sales for the six months ended June 30, 2022 and 2021:

| | Unaudited | | | |
|-----------------------|--|--------------|------------|----------|
| | For the six months ended June 30, | | | |
| | 2022 | | 2021 | |
| | RMB | % | <i>RMB</i> | <i>%</i> |
| | <i>(RMB in thousands, except for percentage)</i> | | | |
| Commissions | 16,247 | 33.6 | 28,212 | 51.0 |
| Labor-related costs | 29,248 | 60.6 | 23,998 | 43.4 |
| Others ⁽¹⁾ | 2,795 | 5.8 | 3,093 | 5.6 |
| Total | 48,290 | 100.0 | 55,303 | 100.0 |

Note:

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

Commissions decreased by 42.4% from RMB28,212,000 in the six months ended June 30, 2021 to RMB16,247,000 in the six months ended June 30, 2022, primarily due to the decrease in the commission service fee required to be paid as a result of the decrease in the digital goods transactions of the telecommunications business we facilitated.

Labour-related costs increased by 21.9% from RMB23,998,000 in the six months ended June 30, 2021 to RMB29,248,000 in the six months ended June 30, 2022, primarily due to the increase in the number of employees as a result of talent pooling.

Other costs decreased by 9.6% from RMB3,093,000 in the six months ended June 30, 2021 to RMB2,795,000 in the six months ended June 30, 2022, primarily due to the decrease in service fees of the online stores operated.



MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Sale by Segment

The following table sets forth segment cost of sales for the six months ended June 30, 2022 and 2021:

| | Unaudited | | | |
|---------------------------|--|--------------|-------------|----------|
| | For the six months ended June 30, | | | |
| | 2022 | | 2021 | |
| | RMB | % | RMB | % |
| | <i>(RMB in thousands, except for percentage)</i> | | | |
| Leisure and entertainment | 20,606 | 42.7 | 20,184 | 36.5 |
| Games | 8,599 | 17.8 | 12,959 | 23.4 |
| Telecommunications | 7,806 | 16.2 | 19,308 | 34.9 |
| Lifestyle | 7,994 | 16.5 | 2,852 | 5.2 |
| Corporate welfare | 3,285 | 6.8 | N/A | N/A |
| Total | 48,290 | 100.0 | 55,303 | 100.0 |

Leisure and entertainment. Cost of sales from the leisure and entertainment segment increased by 2.1% from RMB20,184,000 in the six months ended June 30, 2021 to RMB20,606,000 in the six months ended June 30, 2022, remained generally flat over the corresponding period of last year.

Games. Cost of sales from the games segment decreased by 33.6% from RMB12,959,000 in the six months ended June 30, 2021 to RMB8,599,000 in the six months ended June 30, 2022, primarily due to the decrease in the game-related digital goods transactions we facilitated through e-commerce platforms, resulting in the corresponding decrease in commissions charged from us by e-commerce platforms.

Telecommunications. Cost of sales from the telecommunications segment decreased by 59.6% from RMB19,308,000 in the six months ended June 30, 2021 to RMB7,806,000 in the six months ended June 30, 2022, primarily due to a corresponding decrease in commissions charged from us by e-commerce platforms as we facilitated less telecommunications-related digital goods transactions through e-commerce platforms.

Lifestyle. Cost of sales from the lifestyle segment increased by 180.3% from RMB2,852,000 in the six months ended June 30, 2021 to RMB7,994,000 in the six months ended June 30, 2022, primarily due to (i) an increase in commissions charged from us 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 operation team.

Corporate welfare. Cost of sales from the corporate welfare segment amounted to RMB3,285,000 in the six months ended June 30, 2022, primarily due to the labor costs for the operation team of the corporate welfare.



GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth our gross profit and gross profit margin by each segment for the six months ended June 30, 2022 and 2021:

| | Unaudited | | | |
|---------------------------|--|-------------|-------------|----------|
| | For the six months ended June 30, | | | |
| | 2022 | | 2021 | |
| | RMB | % | RMB | % |
| | <i>(RMB in thousands, except for percentage)</i> | | | |
| Leisure and entertainment | 89,028 | 81.2 | 75,756 | 79.0 |
| Games | 23,423 | 73.1 | 24,270 | 65.2 |
| Telecommunications | 5,972 | 43.3 | 26,506 | 57.9 |
| Lifestyle | 12,172 | 60.4 | 18,703 | 86.8 |
| Corporate welfare | 17,515 | 84.2 | N/A | N/A |
| Total | 148,110 | 75.4 | 145,235 | 72.4 |

Our overall gross profits increased by 2.0% from RMB145,235,000 in the six months ended June 30, 2021 to RMB148,110,000 in the six months ended June 30, 2022, and our gross profit margin increased from 72.4% in the six months ended June 30, 2021 to 75.4% in the same period in 2022, primarily due to the decrease in the percentage of telecommunications segment with relatively lower gross profit margin.

The gross profit from the leisure and entertainment segment increased by 17.5% from RMB75,756,000 in the six months ended June 30, 2021 to RMB89,028,000 in the six months ended June 30, 2022, mainly due to an expansion in product categories and an increase in volume of transactions.

The gross profit from the games segment decreased by 3.5% from RMB24,270,000 in the six months ended June 30, 2021 to RMB23,423,000 in the six months ended June 30, 2022, mainly due to proactive operating strategies adjustments based on the adjustments of government regulatory policies.

The gross profit from the telecommunications segment decreased by 77.5% from RMB26,506,000 in the six months ended June 30, 2021 to RMB5,972,000 in the six months ended June 30, 2022, mainly due to a significant decrease in the GMV and revenue of telecommunications-related digital goods facilitated.

The gross profit from the lifestyle segment decreased by 34.9% from RMB18,703,000 in the six months ended June 30, 2021 to RMB12,172,000 in the six months ended June 30, 2022, mainly due to the increase in the number of employees in the operation team and the adjustment of personnel structure.

The gross profit from the corporate welfare segment amounted to RMB17,515,000 in the six months ended June 30, 2022, mainly attributable to the gross profit from digital goods and physical goods transactions due to the entering into the corporate welfare market.

OTHER INCOME AND GAINS

Our other income and gains increased by 97.9% from RMB9,149,000 in the six months ended June 30, 2021 to RMB18,106,000 in the six months ended June 30, 2022, 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 78.4% from RMB35,100,000 in the six months ended June 30, 2021 to RMB62,622,000 in the six months ended June 30, 2022, mainly due to the increase in salary and welfare expenses. Our salary and welfare expenses increased by 316.5% from RMB5,454,000 in the six months ended June 30, 2021 to RMB22,714,000 in the six months ended June 30, 2022, reflecting a change in the employee structure and an increase in staff salary and welfare; and the share-based payment expenses increased by RMB5,444,000. Marketing expenses increased by 5.0% from RMB26,123,000 in the six months ended June 30, 2021 to RMB27,440,000 in the six months ended June 30, 2022, attributable to our increased promotional expenses on live streaming.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by 79.6% from RMB22,640,000 in the six months ended June 30, 2021 to RMB40,666,000 in the six months ended June 30, 2022, primarily due to (i) an increase in staff salary and welfare of RMB11,372,000; (ii) an increase in share-based payment expenses of RMB1,605,000; and (iii) an increase in depreciation of right-of-use assets generated from office lease of RMB1,489,000.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs increased by 47.6% from RMB17,279,000 in the six months ended June 30, 2021 to RMB25,505,000 in the six months ended June 30, 2022, primarily due to the Group's continuously increased strategic investment in SaaS applications and its increased investment in the performance improvement of self-developed intellectual property platform and the corresponding capacity construction for PaaS service. As of June 30, 2022, the number of employees in research and development functions had increased by 55 compared with that at the end of 2021, and remuneration packages have been improved; the R&D team has been expanded, and the main planned requirements in the above strategic objectives had been basically achieved.

IMPAIRMENT LOSSES ON FINANCIAL AND CONTRACT ASSETS

Impairment losses on financial and contract assets increased by 191.7% from RMB313,000 in the six months ended June 30, 2021 to RMB913,000 in the six months ended June 30, 2022, primarily due to a provision of impairment loss for a downstream sales channel for the six months ended June 30, 2022.



OTHER EXPENSES

Other expenses decreased by 94.6% from RMB2,932,000 in the six months ended June 30, 2021 to RMB158,000 in the six months ended June 30, 2022, which was due to the fact that other expenses in the six months ended June 30, 2021 mainly represented foreign exchange losses, and there were no such foreign exchange losses in the six months ended June 30, 2022.

FINANCE COSTS

Finance costs increased by 65.7% from RMB315,000 in the six months ended June 30, 2021 to RMB522,000 in the six months ended June 30, 2022, reflecting an increase in interest expenses after a growth in borrowings.

OPERATING PROFITS

Our operating profit was RMB36,352,000 in the six months ended June 30, 2022, compared to operating profit of RMB76,120,000 in the six months ended June 30, 2021.

PROFIT BEFORE TAX

After the deduction of finance costs, our profit before income tax was RMB35,830,000 in the six months ended June 30, 2022, compared to a profit of RMB75,805,000 in the six months ended June 30, 2021.

INCOME TAX EXPENSES

As our profit before tax decreased, the income tax expense decreased by 29.1% from RMB3,343,000 in the six months ended June 30, 2021 to RMB2,369,000 in the six months ended June 30, 2022.

PROFIT FOR THE PERIOD

As a result of the foregoing, our profit decreased by 53.8% from RMB72,462,000 in the six months ended June 30, 2021 to RMB33,461,000 in the six months ended June 30, 2022.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As of the date of this report, the Company has no other significant subsequent events.

RECONCILIATION OF NON-IFRS MEASURES TO THE NEAREST IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRSs, we use a non-IFRS measure, adjusted profit for the period, 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 attributable to owners of the parent for the period 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 attributable to owners of the parent for the period as profit attributable to owners of the parent for the period, adding back listing expenses, foreign exchange gains and losses and share-based payment expenses. The following table reconciles our adjusted profit attributable to owners of the parent for the period presented to the most directly comparable financial measure calculated and presented in accordance with IFRSs:

| | Unaudited | |
|---|--|--------|
| | For the six months ended June 30, | |
| | 2022 | 2021 |
| | <i>(RMB in thousands)</i> | |
| Profit attributable to owners of the parent for the period | 35,453 | 72,462 |
| Adjustments: | | |
| Listing expenses | 1,550 | 3,629 |
| Share-based payment | 10,604 | – |
| Foreign exchange gains and losses | (449) | 2,976 |
| Non-IFRS measure adjusted profit attributable to owners of the parent for the period | 47,158 | 79,067 |

OTHER FINANCIAL INFORMATION

Liquidity and Capital Resources

Our principal sources of liquidity were cash from operations, and bank and other borrowings. As of June 30, 2022, we had cash and cash equivalents of RMB267,974,000, 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.



The following table sets forth a summary of our net cash flow for the six months ended June 30, 2022 and 2021:

| | Unaudited | |
|--|--|-----------|
| | For the six months ended June 30, | |
| | 2022 | 2021 |
| | <i>(RMB in thousands)</i> | |
| Operating cash flow before change in working capital | 50,017 | 78,052 |
| Changes in working capital | 63,720 | (302,466) |
| Income tax paid | (5,777) | (5,380) |
| Net cash generated from/(used in) operating activities | 107,960 | (229,794) |
| Net cash used in investing activities | (15,311) | (684) |
| Net cash used in financing activities | (34,245) | (94,352) |
| Net increase/(decrease) in cash and cash equivalents | 58,404 | (324,830) |
| Effect of foreign exchange gains and losses | 125 | (1,480) |
| Cash and cash equivalent at the end of period | 267,974 | 131,582 |

Net Cash Generated from Operating Activities

Net cash generated from operating activities in the six months ended June 30, 2022 was RMB107,960,000, primarily attributable to profit before taxation of RMB35,830,000, as adjusted by:

- (i) non-cash and non-operating items, which primarily comprised RMB10,604,000 of share-based payment expenses, RMB2,905,000 of depreciation of right-of-use assets, RMB845,000 of depreciation of fixed assets and RMB1,460,000 of amortisation of intangible assets;
- (ii) changes in working capital, which primarily comprised:
 - (a) a decrease of RMB137,620,000 in prepayments, other receivables and other assets, primarily due to a gradual reduction in prepayments for long video goods through enhanced oversight of prepayments, as well as an increase in the turnover of prepayments and the control over their size, resulting in a reduction in capital occupation;
 - (b) an increase of RMB84,917,000 in trade receivables and contract assets, primarily driven by business growth from lifestyle segment and the new corporate welfare business;
 - (c) an increase of RMB25,395,000 in trade payables, primarily due to (i) the business growth from lifestyle segment and the new corporate welfare segment business; and (ii) the extension of business credit period; and

- (d) a decrease of RMB6,945,000 in other payables and accruals, primarily due to a decrease in receipts in advance in the six months ended June 30, 2022 because digital goods sales channels made more advances at the end of 2021 which were utilized in the first half of 2022.

Net Cash Used in Investing Activities

Net cash used in investing activities in the six months ended June 30, 2022 was RMB15,311,000, comprising (i) purchase of financial products of RMB30,000,000; (ii) addition to intangible assets of RMB6,842,000; and partially net off by (iii) proceeds from disposal of financial products of RMB20,600,000; and (iv) interest received of RMB1,677,000.

Net Cash Used in Financing Activities

Net cash used in financing activities in the six months ended June 30, 2022 was RMB34,245,000, primarily due to (i) new bank and other borrowings of RMB109,990,000; (ii) repayment of bank and other borrowings of RMB59,990,000; (iii) dividends paid of RMB60,937,000; (iv) a deposit of RMB20,000,000 for interest-bearing bank loans and (v) lease liabilities of RMB2,786,000.

Capital Expenditures

Our capital expenditures principally consist of expenditures for the purchases of property, plant and equipment and intangible assets. Our capital expenditures increased by RMB4,953,000 from RMB2,635,000 in the six months ended June 30, 2021 to RMB7,588,000 in the six months ended June 30, 2022. This is due to the increase in expenses arising from intangible assets in the six months ended June 30, 2022.

Indebtedness, Off-balance Sheet Commitment and Contingent Liabilities

As of June 30, 2022, our total indebtedness amounted to RMB289,183,000, as compared with RMB213,379,000 as of December 31, 2021, of which, our interest-bearing indebtedness consists of lease liabilities of RMB17,319,000 and interest-bearing bank and other borrowings of RMB60,000,000 as of June 30, 2022. As of June 30, 2022, all our bank and other borrowings were denominated in Renminbi. For the six months ended June 30, 2022, our bank loans and other borrowings were interest-bearing at rates ranging from 4.0% to 5.4% per annum (for the year ended December 31, 2021: ranging from 4.0% to 5.0%).

As of June 30, 2022, we did not have any off-balance sheet arrangements and material contingent liabilities.

Significant Investments Held

For the six months ended June 30, 2022, we did not have any significant investments.

Material Acquisitions, Disposals and Future Plans for Subsidiaries

For the six months ended June 30, 2022, we did not have any material acquisitions or disposals of subsidiaries.



Gearing Ratio

As of June 30, 2022, we did not have any net debt (represented by interest-bearing borrowings minus cash and cash equivalents), as the Group's cash and cash equivalents were 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 June 30, 2022, the Group's interest-bearing bank loans amounted to RMB60,000,000, of which interest-bearing bank loans amounted to RMB20,000,000 were secured by a margin of RMB20,000,000 and interest-bearing bank credit facilities amounted to RMB40,000,000.

Interim Dividend

The Board did not recommend the payment of interim dividend for the six months ended June 30, 2022.

Foreign Exchange Risk Management

We mainly carry out our operations in the PRC with most transactions settled in Renminbi. As of June 30, 2022, our cash and cash equivalent balance was primarily 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.

Employee and Remuneration Policy

As of June 30, 2022, we had 1,036 full-time employees, all of whom were based in the PRC.

Our success depends on our ability to attract, retain and motivate excellent 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, 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.



CORPORATE GOVERNANCE

We are committed to maintaining a high standard of corporate governance to safeguard the interests of the Company and its Shareholders. The Company has adopted the Corporate Governance Code as its own code of corporate governance. During the Reporting Period, the Company has complied with all the applicable code provisions under the Corporate Governance Code, except as disclosed below.

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, where appropriate, consider splitting the roles of chairman and chief executive officer of the Company by taking into account the circumstances of the Group as a whole.

The Board will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

The Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less stringent than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

AUDIT COMMITTEE

The Board has established the Audit Committee, comprising of three independent non-executive Directors, namely, Mr. Li Wai Chung (Chairman), Ms. Wang Yuyun and Mr. Wong Sincere. The primary duties of the Audit Committee are to review and supervise our financial reporting process and the internal control system of the Group, manage risk, perform internal audit, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.



The Audit Committee and the management have reviewed the accounting standards and policies adopted by the Group as well as the interim report of the Group for the six months ended June 30, 2022. The financial results for the six months ended June 30, 2022 have not been audited by the auditors of the Company but have been reviewed by the Audit Committee.

CHANGES TO DIRECTORS' INFORMATION

The Directors confirm that there is no other information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

JOINT COMPANY SECRETARY, AUTHORIZED REPRESENTATIVE AND PROCESS AGENT

During the Reporting Period, Mr. Mao Feng and Ms. Ng Ka Man were the joint company secretaries and authorized representatives of the Company. Ms. Ng Ka Man was the process agent of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

USE OF NET PROCEEDS FROM LISTING

The net proceeds from the Listing are approximately HK\$803.42 million, net of underwriting fees, commissions and related total expenses paid and payable in connection thereto.



OTHER INFORMATION

Since the Listing, the Company has gradually utilized the listing proceeds for the purposes consistent with those set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The following table sets forth the use of the net proceeds and fund balances as at June 30, 2022.

| No. | Use | The net proceeds (HK\$ million) | Utilized amount from the Listing Date to June 30, 2022 (HK\$ million) | Unutilized amount as of June 30, 2022 (HK\$ million) | Expected timeline of application of remaining net proceeds |
|-----|--|--|--|---|--|
| 1. | To facilitate digital goods transactions for more digital goods vendors and increase the varieties of digital goods transactions we facilitate; | 241.03 (representing approximately 30% of total net proceeds) | 241.03 | – | N/A |
| 2. | To increase the number of our digital goods sales channel partners; | 160.68 (representing approximately 20% of total net proceeds) | 160.68 | – | N/A |
| 3. | To develop our value-added services, such as membership management and interactive advertising services, virtual employee benefit services for corporate customers, game leveling and companion services and professional game account leasing services; | 160.68 (representing approximately 20% of total net proceeds) | 160.68 | – | N/A |
| 4. | For potential acquisitions of businesses and assets complementary to our business, including companies in games-related industries; and | 160.68 (representing approximately 20% of total net proceeds) | – | 160.68 | on or before December 31, 2023 |
| 5. | To fund working capital and other general corporate purposes | 80.35 (representing approximately 10% of total net proceeds) | 80.35 | – | N/A |
| | | 803.42 | 642.74 | 160.68 | |



As a wholly foreign-owned enterprise, we will need to make capital contributions and loans to our PRC subsidiaries or through loans to our Consolidated Affiliated Entities such that the proceeds of the Listing can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals, filings or registrations or deny our application within a prescribed period, such period generally shall be less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our proceeds of the Listing, in each case on a timely basis, or at all. As PRC regulation of loans and direct investment by wholly foreign-owned enterprise to PRC entities may delay or prevent us from using the proceeds of the Listing to make loans or additional capital contributions to our PRC Holdcos or Consolidated Affiliated Entities, this could materially and adversely affect our liquidity and our ability to raise funds and expand our business.



DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As of June 30, 2022, interests or short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have taken under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in Shares

| Name of Director | Capacity | Nature of interest | Number of Shares | Approximate percentage of the issued share capital of the Company (%) |
|-----------------------|--|--------------------|--------------------|---|
| Mr. Fu Xi (符熙) | Interest in controlled corporations ⁽¹⁾ | Long position | 141,094,800 | 34.71 |
| | Trust beneficiary and founder ⁽²⁾ | Long position | 19,077,050 | 4.69 |
| | Total interest of Mr. Fu Xi | | 160,171,850 | 39.41 |
| Mr. Zhang Yuguo (張雨果) | Interest of controlled corporations ⁽³⁾ | Long position | 45,999,600 | 11.32 |
| | Beneficial interest | Long position | 1,238,466 | 0.30 |
| | Total interest of Mr. Zhang Yuguo | | 47,238,066 | 11.62 |
| Mr. Shui Yingyu (水英聿) | Interest of controlled corporations ⁽⁴⁾ | Long position | 19,763,000 | 4.86 |
| | Beneficial interest | Long position | 140,956 | 0.03 |
| | Total interest of Mr. Shui Yingyu | | 19,903,956 | 4.90 |
| Mr. Zhao Bihao (趙筆浩) | Interest of controlled corporations ⁽⁵⁾ | Long position | 16,828,800 | 4.14 |
| | Beneficial interest | Long position | 272,533 | 0.07 |
| | Total interest of Mr. Zhao Bihao | | 17,101,333 | 4.21 |
| Mr. Mao Feng (茅峰) | Interest of controlled corporations ⁽⁶⁾ | Long position | 4,476,600 | 1.10 |

Notes:

- (1) Mr. Fu Xi holds the entire share capital of FuXi Limited, which in turn directly holds 141,094,800 Shares. Mr. Fu Xi is the sole shareholder of FuXi Limited. Under the SFO, Mr. Fu Xi is deemed to be interested in the Shares held by FuXi Limited.



- (2) Fuze Holdings Limited holds 99.99% and 94.10% of the shares in Fuxu Holdings and Fuzhi Holdings, respectively, which in turn hold 1,077,050 and 18,000,000 Shares, respectively. Under the SFO, Fuze Holdings Limited is deemed to be interested in the 19,077,050 Shares held by Fuxu Holdings and Fuzhi Holdings, while the entire interest in the 19,077,050 Shares is held by Fuze Holdings Limited through a trust established by Mr. Fu Xi (as principal) in favour of Mr. Fu Xi and his family. Under the SFO, Mr. Fu Xi is deemed to be interested in the Shares held by Fuze Holdings Limited.
- (3) Mr. Zhang Yuguo holds the entire share capital of Zhangyuguo Holdings, which in turn directly holds 45,999,600 Shares. Under the SFO, Mr. Zhang Yuguo is deemed to be interested in the Shares held by Zhangyuguo Holdings.
- (4) Mr. Shui Yingyu holds the entire share capital of Shuiyingyu Holdings, which in turn directly holds 19,763,000 Shares. Under the SFO, Mr. Shui Yingyu is deemed to be interested in the Shares held by Shuiyingyu Holdings.
- (5) Mr. Zhao Bihao holds the entire share capital of Zhaobihao Holdings, which in turn directly holds 16,828,800 Shares. Under the SFO, Mr. Zhao Bihao is deemed to be interested in the Shares held by Zhaobihao Holdings.
- (6) Mr. Mao Feng holds the entire share capital of Maofeng Holdings Limited, which in turn directly holds 4,476,600 Shares. Under the SFO, Mr. Mao Feng is deemed to be interested in the Shares held by Maofeng Holdings Limited.

(ii) Interests in Associated Corporations

| Name of Director | Capacity | Associated corporations | Nature of interest | Amount of registered capital (RMB) | Percentage of shareholding in the associated corporation (%) |
|--------------------------|--|-------------------------|--------------------|---------------------------------------|---|
| Mr. Fu Xi (符熙) | Beneficial interest | Wuhan Fulu | Long position | 9,850,000 | 50.03 |
| | Interest of controlled corporations ⁽¹⁾ | Wuhan Fulu | Long position | 4,759,091 | 24.17 |
| | Total interest of Mr. Fu Xi in Wuhan Fulu | | | 14,609,091 | 74.20 |
| Mr. Zhang Yuguo (張雨果) | Beneficial interest | Wuhan Fulu | Long position | 2,968,324 | 15.08 |
| | Beneficial interest ⁽²⁾ | Kashgar Yiqiwan | Long position | 9,900,000 | 99.00 |
| Mr. Shui Yingyu (水英聿) | Beneficial interest | Wuhan Fulu | Long position | 1,384,998 | 7.03 |
| Mr. Zhao Bihao (趙筆浩) | Beneficial interest | Wuhan Fulu | Long position | 726,522 | 3.69 |

Notes:

- (1) Mr. Fu Xi is the general partner of Tibet Fuxu and Tibet Fulong, which in turn hold 12.72% and 11.45% of the equity interests in Wuhan Fulu, respectively. Under the SFO, Mr. Fu Xi is deemed to be interested in the 24.17% together held by Tibet Fuxu and Tibet Fulong in Wuhan Fulu.
- (2) Mr. Zhang Yuguo holds 99% equity interest in Kashgar Yiqiwan as a registered shareholder of Kashgar Yiqiwan as designated by WFOE.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of June 30, 2022, to the best knowledge of the Directors, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company under section 336 of the SFO:

| Name of Shareholder | Capacity | Nature of interest | Number of underlying Shares ⁽⁴⁾ | Approximate percentage of the issued share capital of the Company (%) |
|--------------------------------------|-------------------------------------|--------------------|--|---|
| FuXi Limited ⁽¹⁾ | Beneficial interest | Long position | 141,094,800 | 34.71 |
| Zhangyuguo Holdings ⁽²⁾ | Beneficial interest | Long position | 45,999,600 | 11.32 |
| Luzhi Holdings ⁽³⁾ | Beneficial interest | Long position | 37,011,300 | 9.11 |
| Mr. Xu Jian (徐健) ⁽³⁾ | Beneficial interest | Long position | 1,826,872 | 0.45 |
| | Interest of controlled corporations | Long position | 37,011,300 | 9.11 |
| Total interest of Mr. Xu Jian | | | 38,838,172 | 9.56 |

Notes:

- (1) Mr. Fu Xi holds the entire share capital of FuXi Limited, which in turn directly holds 141,094,800 Shares. Mr. Fu Xi is the sole shareholder of FuXi Limited. Under the SFO, Mr. Fu Xi is deemed to be interested in the Shares held by FuXi Limited.
- (2) Mr. Zhang Yuguo holds the entire share capital of Zhangyuguo Holdings. Under the SFO, Mr. Zhang Yuguo is deemed to be interested in the Shares held by Zhangyuguo Holdings.
- (3) Luzhi Holdings is owned as to 14.55%, 3.06%, 2.99%, 5.67%, 2.24%, 36.20%, 10.91%, 3.51%, 2.75%, 4.02%, 9.85% and 4.25% by Mr. Yang Yuquan, Mr. Liu Lufeng, Ms. Shen Yaling, Mr. Wang Qiang, Ms. Guo Chenxi, Mr. Xu Jian, Mr. Ren Wei, Mr. Mei Qiaojun, Mr. Li Jun, Mr. Ding Chao, Mr. Chen Tianjun and Mr. Tian Xuan, respectively. Under the SFO, Mr. Xu Jian holds 36.2% of the total issued share capital of Luzhi Holdings, and is therefore deemed to be interested in the Shares held by Luzhi Holdings. In addition, Mr. Xu Jian also holds 1,826,872 Shares as a beneficial owner.
- (4) According to Section 336 of the SFO, the Shareholders of the Company are required to file disclosure of interest forms when certain criteria are fulfilled. When the shareholdings of the Shareholders in the Company change, it is not necessary for the Shareholders to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the Shareholders in the Company may be different from the shareholdings in the disclosure of interest forms filed with the Stock Exchange.



Save as disclosed above, as of June 30, 2022, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

SHARE INCENTIVE SCHEME

The Company adopted a restricted share unit scheme (the “Scheme”) on August 19, 2021. The purpose and the principal terms of the Scheme are as below.

1. Purpose

The purpose of the Scheme is to recognize and reward eligible persons for their contribution to the Group, to attract best available personnel, and to provide additional incentives to them so as to align the interests of these eligible persons with those of the Group and to further promote the success of the Group’s business.

2. Participants in the Scheme

Persons eligible to receive RSUs under the Scheme include employees, Directors (including executive Directors, non-executive Directors and independent non-executive Directors), officers, consultants, advisors, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners or service providers of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) whom the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group and is eligible to receive an award.

On and subject to the terms of the Scheme, the Board or its delegate(s), in its absolute discretion, shall be entitled at any time during the term of the Scheme to make a grant to any participant.

3. Administration

The Scheme shall be subject to the administration of the Board. The Board shall have the sole and absolute right to:

- (i) interpret and construe the provisions of the Scheme;
- (ii) determine the persons who will be granted awards under the Scheme, the terms and conditions on which awards are granted and when the RSUs granted pursuant to the Scheme may vest;
- (iii) make such appropriate and equitable adjustments to the terms of the awards granted under the Scheme as it deems necessary; and
- (iv) make such other decisions or determinations as it shall deem appropriate in the administration of the Scheme.



The Board may by resolution delegate any or all of its powers in the administration of the Scheme to the administration committee or any other committee as authorized by the Board for such purpose. The Board or its delegate(s) may also appoint one or more independent third party contractors to assist in the administration of the Scheme as they think fit.

The Board may establish one or more separate programs under the Scheme for the purpose of issuing particular forms of awards to one or more classes of grantees.

4. Term

Subject to early termination by the Board or its delegate(s), the Scheme shall be valid and effective for ten (10) years commencing on the adoption date.

5. Maximum Number of Shares Granted Pursuant to RSUs

Unless otherwise duly approved by the Shareholders, the total number of Shares underlying the Scheme shall not exceed 20,000,000 Shares (excluding RSUs that have lapsed, been cancelled or forfeited in accordance with the Scheme Rules) subject to an annual limit of 3% of the total number of issued Shares of the Company at the relevant time.

6. Appointment of the RSU Trustee

The Company may, at its sole discretion, establish a Trust in connection with the Scheme and appoint a Trustee prior to the grant of any award by the Board or its delegate(s), which may vest (a) in the form of the award Shares; or (b) in the form of cash equivalent to the actual selling price of the award Shares in cash in accordance with the Scheme.

The Company shall provide sufficient funds to the Trustee by whatever means as the Board may in its absolute discretion determine to enable the Trustee to satisfy its obligations in connection with the administration and vesting of RSUs granted pursuant to the Scheme.

If a Trust has been established for the purposes of the Scheme and if so required by the Company, the Company shall, as soon as reasonably practicable, (i) issue and allot the Shares to the Trustee under general or specific mandates sought from the Shareholders during the general meeting and/or (ii) transfer to the Trustee the necessary funds and instruct the Trustee to acquire the Shares through on-market transactions at the prevailing market price, so as to satisfy the awards.



7. Outstanding RSUs granted Pursuant to the Scheme

As of June 30, 2022, the Company has granted 6,467,044 RSUs, and no RSU was granted to the Directors under the Scheme.

Details of the changes in the RSUs granted under the Scheme during the Reporting Period were as follows:

| Name | Number of Restricted Shares outstanding as of December 31, 2021 (units) | Restricted Shares granted during the Reporting Period (units) | Date of grant during the Reporting Period | Vesting period | Restricted Shares vested during the Reporting Period (units) | Restricted Shares lapsed during the Reporting Period (units) | Number of Restricted Shares outstanding as of June 30, 2022 (units) |
|-------------------|--|--|---|----------------|---|---|--|
| Senior management | 348,185 | 361,669 | May 27, 2022 | 0-4 years | 271,212 | 0 | 438,642 |
| Other employees | 1,755,104 | 2,789,447 | May 27, 2022 | 0-4 years | 1,483,389 | 10,712 | 3,050,450 |
| Total | 2,103,289 | 3,151,116 | | | 1,754,601 | 10,712 | 3,489,092 |

MATERIAL LITIGATION

During the Reporting Period, the Company was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Company.



INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

| | Notes | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|-------|--------------------------------|--------------------------------|
| REVENUE | 4 | 196,400 | 200,538 |
| Cost of sales | | (48,290) | (55,303) |
| Gross profit | | 148,110 | 145,235 |
| Other income and gains | | 18,106 | 9,149 |
| Selling and distribution expenses | | (62,622) | (35,100) |
| Administrative expenses | | (40,666) | (22,640) |
| Research and development costs | | (25,505) | (17,279) |
| Impairment losses on financial and contract assets, net | | (913) | (313) |
| Other expenses | | (158) | (2,932) |
| Finance costs | | (522) | (315) |
| PROFIT BEFORE TAX | 5 | 35,830 | 75,805 |
| Income tax expense | 6 | (2,369) | (3,343) |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 33,461 | 72,462 |
| Attributable to: | | | |
| Owners of the parent | | 35,453 | 72,462 |
| Non-controlling interests | | (1,992) | – |
| | | 33,461 | 72,462 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | | | |
| For profit for the period (RMB) | 8 | 0.09 | 0.18 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2022



| | Notes | 30 June 2022 (Unaudited) RMB'000 | 31 December 2021 (Audited) RMB'000 |
|---|-------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 2,708 | 2,776 |
| Right-of-use assets | | 17,231 | 8,733 |
| Goodwill | | 674 | 674 |
| Other intangible assets | | 21,693 | 16,311 |
| Investment in an associate | | 40 | 40 |
| Deferred tax assets | | 7,315 | 5,051 |
| Total non-current assets | | 49,661 | 33,585 |
| CURRENT ASSETS | | | |
| Trade receivables | 9 | 366,452 | 276,959 |
| Contract assets | | 37,711 | 42,287 |
| Prepayments, other receivables and other assets | 10 | 624,886 | 762,506 |
| Due from related parties | 13 | 34,391 | 32,890 |
| Financial assets at fair value through profit or loss | 14 | 26,603 | 17,006 |
| Restricted cash | | 28,562 | 2,630 |
| Cash and cash equivalents | | 267,974 | 209,445 |
| Total current assets | | 1,386,579 | 1,343,723 |
| CURRENT LIABILITIES | | | |
| Trade payables | 11 | 71,317 | 45,922 |
| Other payables and accruals | | 134,970 | 142,034 |
| Interest-bearing bank and other borrowings | | 60,000 | 10,000 |
| Lease liabilities | | 6,426 | 2,757 |
| Tax payable | | 5,577 | 6,721 |
| Total current liabilities | | 278,290 | 207,434 |
| NET CURRENT ASSETS | | 1,108,289 | 1,136,289 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,157,950 | 1,169,874 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 10,893 | 5,945 |
| Total non-current liabilities | | 10,893 | 5,945 |
| NET ASSETS | | 1,147,057 | 1,163,929 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 12 | 277 | 275 |
| Reserves | | 1,148,772 | 1,163,654 |
| | | 1,149,049 | 1,163,929 |
| Non-controlling interests | | (1,992) | – |
| TOTAL EQUITY | | 1,147,057 | 1,163,929 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

| Notes | Attributable to owners of the parent | | | | | | | | |
|-------------------------------------|--------------------------------------|---------------|---------------------------|-----------------------------|---------------------------|------------------|-----------|---------------------------|--------------|
| | Share capital | Share premium | Merger reserve and others | Share-based payment reserve | Statutory surplus reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2022 (audited) | 275 | 625,329 | 19,416 | 139,233 | 23,559 | 356,117 | 1,163,929 | - | 1,163,929 |
| Profit for the period | - | - | - | - | - | 35,453 | 35,453 | (1,992) | 33,461 |
| Equity-settled share-based payments | 2 | (2) | - | 10,604 | - | - | 10,604 | - | 10,604 |
| Final 2021 dividend declared | - | (60,937) | - | - | - | - | (60,937) | - | (60,937) |
| At 30 June 2022 (unaudited) | 277 | 564,390 | 19,416 | 149,837 | 23,559 | 391,570 | 1,149,049 | (1,992) | 1,147,057 |

| | Attributable to owners of the parent | | | | | | | | |
|------------------------------|--------------------------------------|---------------|---------------------------|-----------------------------|---------------------------|------------------|-----------|---------------------------|--------------|
| | Share capital | Share premium | Merger reserve and others | Share-based payment reserve | Statutory surplus reserve | Retained profits | Total | Non-controlling interests | Total equity |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2021 (audited) | 273 | 731,218 | 19,416 | 43,722 | 19,924 | 291,530 | 1,106,083 | - | 1,106,083 |
| Profit for the period | - | - | - | - | - | 72,462 | 72,462 | - | 72,462 |
| Final 2020 dividend declared | - | (105,887) | - | - | - | - | (105,887) | - | (105,887) |
| At 30 June 2021 (unaudited) | 273 | 625,331 | 19,416 | 43,722 | 19,924 | 363,992 | 1,072,658 | - | 1,072,658 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022



| | Notes | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|-------|--------------------------------|--------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 35,830 | 75,805 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 5 | 845 | 693 |
| Amortisation of intangible assets | 5 | 1,460 | 383 |
| Depreciation of right-of-use assets | 5 | 2,905 | 1,416 |
| Interest income | | (1,677) | (1,944) |
| Equity-settled share-based payment expenses | | 10,604 | – |
| Finance costs | | 522 | 315 |
| Loss on disposal of property, plant and equipment | | – | 3 |
| Financial assets at fair value through profit or loss | | (197) | (99) |
| Foreign exchange (gain)/loss | | (275) | 1,480 |
| | | 50,017 | 78,052 |
| Increase in trade receivables | | (89,493) | (70,149) |
| Decrease/(Increase) in contract assets | | 4,576 | (4,365) |
| Decrease/(Increase) in prepayments, other receivables and other assets | | 137,620 | (156,855) |
| Increase in due from related parties | | (1,501) | – |
| Increase in restricted cash | | (5,932) | (104,646) |
| Increase in trade payables | | 25,395 | 38,696 |
| Decrease in other payables and accruals | | (6,945) | (5,147) |
| | | 113,737 | (224,414) |
| Cash generated from/(used in) operations | | 113,737 | (224,414) |
| Income tax paid | | (5,777) | (5,380) |
| | | 107,960 | (229,794) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of property, plant and equipment | | (746) | (2,635) |
| Addition to intangible assets | | (6,842) | – |
| Interest received | | 1,677 | 1,944 |
| Proceeds from disposal of property, plant and equipment | | – | 7 |
| Proceeds from disposal of financial products | | 20,600 | – |
| Purchase of financial products | | (30,000) | – |
| | | (15,311) | (684) |
| Net cash flows used in investing activities | | (15,311) | (684) |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2022

| | 2022 (Unaudited) RMB'000 | 2021 (Unaudited) RMB'000 |
|---|--------------------------------|--------------------------------|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| (Increase)/Decrease in pledged deposits | (20,000) | 85,000 |
| New bank and other borrowings | 109,990 | 433,742 |
| Principal portion of lease payments | (2,786) | (1,278) |
| Repayment of bank and other borrowings | (59,990) | (505,614) |
| Dividends paid | (60,937) | (105,887) |
| Interest paid | (522) | (315) |
| Net cash flows used in financing activities | (34,245) | (94,352) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 58,404 | (324,830) |
| Effect of foreign exchange rate changes, net | 125 | (1,480) |
| Cash and cash equivalents at beginning of the period | 209,445 | 457,892 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD | 267,974 | 131,582 |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 296,536 | 312,179 |
| Less: Pledged bank balances and restricted cash | (28,562) | (180,597) |
| | 267,974 | 131,582 |



1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

| | |
|--|---|
| Amendments to IFRS 3 | <i>Reference to the Conceptual Framework</i> |
| Amendments to IAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use</i> |
| Amendments to IAS 37 | <i>Onerous Contracts — Cost of Fulfilling a Contract</i> |
| Annual Improvements to IFRSs 2018–2020 | <i>Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41</i> |

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

- (a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.



2 CHANGES IN ACCOUNTING POLICIES (CONTINUED)

- (b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2021, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to IFRSs 2018–2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are applicable to the Group are as follows:
- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.
 - IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.



3 OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has five 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;
- (d) Lifestyle, which primarily includes commissions earned from facilitating the sale of digital goods offered by lifestyle services providers and other services provided to lifestyle services providers; and
- (e) Corporate welfare, which primarily includes commissions earned from providing employee benefits solutions to corporate clients.

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 calculated based on 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.

| Six months ended 30 June 2022 | Leisure and entertainment RMB'000 (Unaudited) | Games RMB'000 (Unaudited) | Telecommuni- cations RMB'000 (Unaudited) | Lifestyle RMB'000 (Unaudited) | Corporate welfare RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|-----------------------------------|--|---------------------------------|---|-------------------------------------|--|---------------------------------|
| Segment revenue | | | | | | |
| External customers (note 4) | 109,634 | 32,022 | 13,778 | 20,166 | 20,800 | 196,400 |
| Segment cost | (20,606) | (8,599) | (7,806) | (7,994) | (3,285) | (48,290) |
| Gross profit | 89,028 | 23,423 | 5,972 | 12,172 | 17,515 | 148,110 |
| <i>Reconciliation:</i> | | | | | | |
| Unallocated income and gains | | | | | | 18,106 |
| Corporate and unallocated expense | | | | | | (129,864) |
| Finance costs | | | | | | (522) |
| Profit before tax | | | | | | 35,830 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

3 OPERATING SEGMENT INFORMATION (CONTINUED)

| Six months ended 30 June 2021 | Leisure and entertainment RMB'000 (Unaudited) | Games RMB'000 (Unaudited) | Telecommuni- cations RMB'000 (Unaudited) | Lifestyle RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|-----------------------------------|--|---------------------------------|---|-------------------------------------|---------------------------------|
| Segment revenue | | | | | |
| External customers (note 4) | 95,940 | 37,229 | 45,814 | 21,555 | 200,538 |
| Segment cost | (20,184) | (12,959) | (19,308) | (2,852) | (55,303) |
| Gross profit | 75,756 | 24,270 | 26,506 | 18,703 | 145,235 |
| <i>Reconciliation:</i> | | | | | |
| Unallocated income and gains | | | | | 9,149 |
| Corporate and unallocated expense | | | | | (78,264) |
| Finance costs | | | | | (315) |
| Profit before tax | | | | | 75,805 |

(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.



4 REVENUE

An analysis of revenue is as follows:

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| <i>Revenue from contracts with customers</i> | | |
| Digital goods-related services – acted as an agent | 155,696 | 170,578 |
| Physical goods-related services – acted as an agent | 11,023 | – |
| Online stores operating services – acted as an agent | 25,320 | 25,140 |
| Others – acted as a principal | 4,361 | 4,820 |
| | 196,400 | 200,538 |

Disaggregated revenue information for revenue from contracts with customers

Six months ended 30 June 2022

| Segments | Leisure and entertainment RMB'000 (Unaudited) | Games RMB'000 (Unaudited) | Telecomm- unications RMB'000 (Unaudited) | Lifestyle RMB'000 (Unaudited) | Corporate welfare RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|--|--|---------------------------------|---|-------------------------------------|--|---------------------------------|
| Type of services | | | | | | |
| Provision of digital goods-related services | 95,788 | 20,167 | 13,777 | 17,022 | 8,942 | 155,696 |
| Provision of physical goods-related services | – | – | – | – | 11,023 | 11,023 |
| Provision of online stores operating services | 13,458 | 11,378 | 1 | 483 | – | 25,320 |
| Others | 388 | 477 | – | 2,661 | 835 | 4,361 |
| Total revenue from contracts with customers | 109,634 | 32,022 | 13,778 | 20,166 | 20,800 | 196,400 |
| Timing of revenue recognition | | | | | | |
| Services transferred at a point in time | 109,634 | 32,022 | 13,778 | 20,166 | 20,800 | 196,400 |



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

4 REVENUE (CONTINUED)

Disaggregated revenue information for revenue from contracts with customers (continued)

Six months ended 30 June 2021

| Segments | Leisure and entertainment <i>RMB'000</i> (Unaudited) | Games <i>RMB'000</i> (Unaudited) | Telecomm- unications <i>RMB'000</i> (Unaudited) | Lifestyle <i>RMB'000</i> (Unaudited) | Total <i>RMB'000</i> (Unaudited) |
|---|---|--|--|--|--|
| Type of services | | | | | |
| Provision of digital goods-related services | 84,365 | 20,709 | 45,814 | 19,690 | 170,578 |
| Provision of online stores operating services | 11,575 | 13,341 | – | 224 | 25,140 |
| Others | – | 3,179 | – | 1,641 | 4,820 |
| Total revenue from contracts with customers | 95,940 | 37,229 | 45,814 | 21,555 | 200,538 |
| Timing of revenue recognition | | | | | |
| Services transferred at a point in time | 95,940 | 37,229 | 45,814 | 21,555 | 200,538 |

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



5 PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|--|---|--|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Employee benefit expense* (including directors' and chief executive's remuneration): | | |
| Wages and salaries | 76,387 | 46,623 |
| Equity-settled share-based payment expenses | 10,604 | – |
| Pension scheme contributions | 7,267 | 3,993 |
| Social security contributions and accommodation benefits | 9,249 | 4,397 |
| | 103,507 | 55,013 |
| Promotion and marketing expenses | 27,440 | 26,123 |
| Commission to third party platforms | 16,247 | 28,212 |
| Foreign exchange (gain)/loss | (449) | 2,932 |
| Platform usage fees and others | 2,795 | 3,093 |
| Auditor's remuneration | 600 | 600 |
| Depreciation of right-of-use assets | 2,905 | 1,416 |
| Depreciation of property, plant and equipment | 845 | 693 |
| Impairment losses on financial and contract assets, net | 913 | 313 |
| Amortisation of intangible assets | 1,460 | 383 |

* Employee benefit expenses of RMB23,294,000 and RMB15,731,000 were included in the research and development costs for the six months ended 30 June 2022 and 2021, respectively.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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 Relevant Periods was 25% of their taxable profits.

| | Six months ended 30 June | |
|---------------------------------|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Current — PRC | | |
| Charge for the year | 4,633 | 3,049 |
| Deferred tax | (2,264) | 294 |
| Total tax charge for the period | 2,369 | 3,343 |

7 DIVIDENDS

| | Six months ended 30 June | |
|--|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Final declared and paid — HKD0.176 (2021: HKD0.32) per ordinary share | 60,937 | 105,887 |

On 19 May 2022, the final dividend of HKD0.176 (six months ended 30 June 2021: HKD0.32) per ordinary share of the Company for the year ended 31 December 2021 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 report.



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 parent, and the weighted average number of ordinary shares of 402,159,904 (For six months ended 30 June 2021: 400,000,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the period 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 period, 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:

| | Six months ended 30 June | |
|--|---|---------------------------------------|
| | 2022 <i>RMB'000</i> (Unaudited) | 2021 <i>RMB'000</i> (Unaudited) |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation | 35,453 | 72,462 |

| | Number of shares Six months ended 30 June | |
|--|--|---------------------|
| | 2022 (Unaudited) | 2021 (Unaudited) |
| Shares | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | 402,159,904 | 400,000,000 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| – Restricted share unit scheme | 729,123 | – |
| | 402,889,027 | 400,000,000 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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

| | Six months ended 30 June | |
|----------------------------------|--------------------------|------|
| | 2022 | 2021 |
| Basic earnings per share (RMB) | 0.09 | 0.18 |
| Diluted earnings per share (RMB) | 0.09 | 0.18 |

9 TRADE RECEIVABLES

| | As at 30 June 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) |
|----------------------|--|--|
| Trade receivables | 370,547 | 279,930 |
| Impairment allowance | (4,095) | (2,971) |
| | 366,452 | 276,959 |

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

| | As at 30 June 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) |
|-----------------|--|--|
| Within 3 months | 294,023 | 213,208 |
| 4 to 6 months | 49,272 | 25,857 |
| 7 to 12 months | 21,118 | 33,777 |
| Over 1 year | 2,039 | 4,117 |
| | 366,452 | 276,959 |



10 PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | As at 30 June 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) |
|---|---|--|
| Prepayments to digital goods providers: | | |
| Non-refundable | 382,026 | 503,404 |
| Refundable | 26,076 | 64,835 |
| Other receivables | 66,050 | 72,052 |
| Deposits to digital goods providers | 93,986 | 73,585 |
| Prepaid value-added tax | 47,609 | 46,811 |
| Prepayments for various services and others | 10,449 | 4,763 |
| | 626,196 | 765,450 |
| Impairment allowance | (1,310) | (2,944) |
| | 624,886 | 762,506 |

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 30 June 2022 and 31 December 2021, the probability of default rate applied ranged from 0.001% to 1.37% and 0.001% to 1.38%, respectively. The loss given default was estimated to be 65.27% and 66.92% for each reporting period. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.



NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

30 June 2022

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:

| | As at 30 June 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) |
|-----------------|---|--|
| Within 3 months | 67,478 | 43,578 |
| 4 to 6 months | 570 | 80 |
| 7 to 12 months | 1,932 | 1,418 |
| Over 1 year | 1,337 | 846 |
| | 71,317 | 45,922 |

12 SHARE CAPITAL

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Share capital RMB'000 |
|---|--------------------------------------|----------------------------------|
| At 1 January 2021 and 30 June 2021 | 400,000,000 | 273 |
| At 31 December 2021 and 1 January 2022 | 403,315,928 | 275 |
| Issue of shares under the restricted share unit scheme (i) | 3,151,116 | 2 |
| At 30 June 2022 | 406,467,044 | 277 |

(i) On 27 May 2022, the shares were granted and allotted to eligible participants at nil consideration.



13 RELATED PARTY TRANSACTIONS

The Group's principal related parties are as follows:

| Name | Relationship with the Company |
|----------------------------------|---|
| Wuhan Xunyu Technology Co., Ltd. | Controlled by the Controlling shareholder |
| Mr. Shui Yingyu | Director of the Company and key management personnel of the Group |
| Mr. Zhao Bihao | Director of the Company and key management personnel of the Group |
| Mr. Xu Jian | Key management personnel of the Group |
| Mr. Ren Wei | Key management personnel of the Group |
| Mr. Chen Tianjun | Key management personnel of the Group |
| Mr. Mao Feng | Director of the Company and key management personnel of the Group |
| Mr. Ding Zhigang | Key management personnel of the Group |
| Mr. Zhang Yuguo | Director of the Company and key management personnel of the Group |
| Ms. Yu Suhua | Key management personnel of the Group |
| Mr. Huang Tao | Key management personnel of the Group |



13 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Outstanding balances with related parties:

| | As at 30 June 2022 RMB'000 (Unaudited) | As at 31 December 2021 RMB'000 (Audited) |
|-----------------------------------|---|--|
| Due from related parties | | |
| Mr. Xu Jian | 10,708 | 10,708 |
| Mr. Mao Feng | 9,392 | 9,392 |
| Mr. Ding Zhigang | 3,720 | 2,255 |
| Mr. Zhang Yuguo | 3,171 | 3,171 |
| Mr. Zhao Bihao | 2,927 | 2,927 |
| Mr. Chen Tianjun | 1,982 | 1,982 |
| Mr. Ren Wei | 1,952 | 1,938 |
| Mr. Shui Yingyu | 287 | 287 |
| Ms. Yu Suhua | 238 | 230 |
| Mr. Huang Tao | 14 | – |
| | 34,391 | 32,890 |
| Lease liabilities | | |
| Wuhan Xunyue Technology Co., Ltd. | 473 | 624 |

The aggregate amounts due from key management personnel, amounting to RMB34,391,000 (2021: RMB32,890,000), were of withholding individual income tax for equity-settled shared-based payments.



13 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Compensation of key management personnel of the Group

| | Six months ended 30 June | |
|---|--------------------------------|--------------------------------|
| | 2022 RMB'000 (Unaudited) | 2021 RMB'000 (Unaudited) |
| Salaries, allowances and benefit in kind | 3,225 | 2,161 |
| Pension scheme contributions | 159 | 119 |
| Share-based payment | 4,696 | – |
| Total compensation paid to key management personnel | 8,080 | 2,280 |

14 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Carrying amounts

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Financial assets | | |
| Financial assets measured at fair value through profit or loss | 26,603 | 17,006 |

Fair values

| | 30 June 2022 RMB'000 (Unaudited) | 31 December 2021 RMB'000 (Audited) |
|--|---|---|
| Financial assets | | |
| Financial assets measured at fair value through profit or loss | 26,603 | 17,006 |

14 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Management has assessed that the fair values of cash and cash equivalents, restricted cash, pledged deposits, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals, amounts due from/to related parties and short-term interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At the end of the reporting period, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the chief financial officer.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of wealth management products measured at fair value through profit or loss are determined using a market approach.



14 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

| | Fair value measurement using quoted prices in active markets (Level 1) RMB'000 (Unaudited) | Significant observable inputs (Level 2) RMB'000 (Unaudited) | Significant unobservable inputs (Level 3) RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|--|---|--|--|--|
| As at 30 June 2022 | | | | |
| Financial assets at fair value through profit or loss | – | 26,603 | – | 26,603 |
| As at 31 December 2021 | | | | |
| Financial assets at fair value through profit or loss | – | 17,006 | – | 17,006 |

As at 30 June 2022

Financial assets at fair value
through profit or loss

– 26,603 – 26,603

As at 31 December 2021

Financial assets at fair value
through profit or loss

– 17,006 – 17,006

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2022 and 31 December 2021.

15 EVENTS AFTER THE REPORTING PERIOD

No events after the reporting period have occurred as at the date of this report.



DEFINITIONS AND GLOSSARY

Unless the context otherwise requires, the following expressions in this report shall have the following meanings:

| | |
|--------------------------------------|--|
| “Audit Committee” | the audit committee of the Company |
| “Auditor” | the external auditor of the Company |
| “Board” | the board of Directors |
| “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) |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |
| “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 |
| “Beijing 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 wholly-owned subsidiary of Fulu Fuxi (Wuhan) Technology Co., Ltd (福祿福喜(武漢) 科技有限公司), which is owned as to 60% by Wuhan Fulu Holdings (武漢福祿控股), and 7%, 10.5%, 10.5%, 9% and 3% by Haikou Fulu Fuxi Corporate Management Partnership (Limited Partnership) (海口福祿福喜企業管理合夥企業(有限合夥)), Mr. Zheng Xuyuan, Mr. Qian Yi, Mr. Li Wei and Mr. Ni Shaoliang, respectively. Mr. Zheng Xuyuan, Mr. Qian Yi, Mr. Li Wei and Mr. Ni Shaoliang are our employees, and Haikou Fulu Fuxi Corporate Management Partnership (Limited Partnership) is an independent third party |
| “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 |
| “Fulu Technology” or “WFOE” | Fulu (Wuhan) Technology Co., Ltd (福祿(武漢) 科技有限公司), a limited liability company established in the PRC on December 25, 2019 and a wholly-owned subsidiary of the Company |
| “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 |
| “Fuzhi Holdings” | Fuzhi Holdings Limited, a limited liability company incorporated in the BVI on September 3, 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 goods transactions we facilitated as disclosed in this annual report excludes the GMV of digital goods transactions that occur in online stores we operate for 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 its 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 |
| “Hong Kong Share Registrar” | Computershare Hong Kong Investor Services Limited |
| “Hubei Kejin” | Hubei Kejin Network Technology Co., Ltd. (湖北氦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 |
| “Latest Practicable Date” | August 26, 2022, the latest practicable date for ascertaining certain information in this interim report before bulk-printing of this annual report |
| “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 |





DEFINITIONS AND GLOSSARY

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| “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 |
| “Luzhi Holdings” | Luzhi Holdings Limited, a limited liability company incorporated in the BVI on September 20, 2019 and owned as to 14.55%, 3.06%, 2.99%, 5.67%, 2.44%, 36.20%, 10.91%, 3.51%, 2.75%, 4.02%, 9.85% and 2.24% by Mr. Yang Yuquan, Mr. Liu Lufeng, Ms. Shen Yaling, Mr. Wang Qiang, Ms. Guo Chenxi, Mr. Xu Jian, Mr. Ren Wei, Mr. Mei Qiaojun, Mr. Li Jun, Mr. Ding Chao, Mr. Chen Tianjun and Mr. Tian Xuan, respectively |
| “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 |
| “Nomination Committee” | the nomination committee of the Company |
| “PRC” or “China” | the People’s Republic of China, for the purposes of this annual report only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan |
| “PRC Holdcos” | Kashgar Yiqiwan and Wuhan Fulu |
| “Prospectus” | the prospectus of the Company dated September 7, 2020 |
| “Registered Shareholders” | the registered shareholders of the PRC Holdcos |
| “Remuneration Committee” | the remuneration committee of the Company |
| “Reporting Period” | the six months ended June 30, 2022 |
| “RMB” or “Renminbi” | Renminbi, the lawful currency of the PRC |
| “Securities and Futures Ordinance” or “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “Share(s)” | ordinary share(s) with a nominal value of US\$0.0001 each in the capital of the Company |
| “Shareholder(s)” | holder(s) of the 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 |



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| “substantial shareholder” | has the meaning ascribed to it under the Listing Rules |
| “Tibet Fulong” | Tibet Fulong Venture Capital Management Partnership (Limited Partnership) (西藏福隆創業投資管理合夥企業(有限合夥)), a limited liability partnership established in the PRC on January 12, 2017 and owned by Mr. Ren Wei as to 11.75%, Mr. Fu Xi as to 35.36%, Mr. Ding Chao as to 6.29%, Mr. Xu Jian as to 39.31%, Mr. Chen Tianjun as to 4.37%, Mr. Mei Qiaojun as to 1.18% and Mr. Li Jun as to 1.75%. Mr. Fu Xi is our Controlling Shareholder and an executive Director. Mr. Ren Wei, Mr. Xujian and Mr. Chen Tianjun are members of our senior management. Mr. Ding Chao, Mr. Mei Qiaojun and Mr. Li Jun are our employees. Mr. Fu Xi is the sole general partner of Tibet Fulong |
| “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 Fuxu” | Tibet Fuxu Venture Capital Management Partnership (Limited Partnership) (西藏福旭創業投資管理合夥企業(有限合夥)), a limited liability partnership established in the PRC on January 17, 2017 and owned by Mr. Fu Xi as to 37.74%, Mr. Yang Yuquan as to 15.01%, Mr. Liu Lufeng as to 3.78%, Ms. Shen Yaling as to 3.09%, Mr. Wang Qiang as to 2.81%, Ms. Guo Chenxi as to 2.81%, Mr. Zhang Yuguo as to 2.02%, Mr. Zhao Bihao as to 15.09%, Mr. Tian Xuan as to 4.19%, Mr. Xu Jian as to 0.11%, Mr. Ding Chao as to 1.72%, Mr. Mei Qiaojun as to 2.44%, Mr. Chen Tianjun as to 7.43% and Mr. Li Jun as to 1.75%. Mr. Fu Xi, Mr. Zhang Yuguo and Mr. Zhao Bihao are our Controlling Shareholders and executive Directors. Mr. Chen Tianjun and Mr. Xu Jian are members of our senior management. Mr. Yang Yuquan, Mr. Liu Lufeng, Ms. Shen Yaling, Mr. Wang Qiang, Ms. Guo Chenxi, Mr. Ding Chao, Mr. Mei Qiaojun and Mr. Li Jun are our employees. Mr. Fu Xi is the sole general partner of Tibet Fuxu |
| “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 |





DEFINITIONS AND GLOSSARY

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| “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 Xunyue” | Wuhan Xunyue Technology Co., Ltd (武漢訊悅科技有限公司), a limited liability company established in the PRC on April 17, 2015. Wuhan Xunyue is owned as to 60% by Mr. Fu Xi and 40% by Mr. Zhang Yuguo (both of whom are our executive Directors and Controlling Shareholders) and therefore a connected person of the Company |
| “Wuhan Yilu” | Wuhan Yilu Network Technology Co., Ltd. (武漢億祿網絡科技有限公司), a limited liability company established in the PRC on November 19, 2015, a Consolidated Affiliated Entity and a wholly-owned subsidiary of Kashgan Yiqiwan |
| “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 |
| “Xinjiang Huluwa” | Xinjiang Huluwa Network Technology Co., Ltd. (新疆葫蘆娃網絡科技有限公司), a limited liability company established in the PRC on February 25, 2019, 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 |
| “%” | per cent |