

2023

INTERIM REPORT



China Parenting Network Holdings Limited

中國育兒網絡控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE:1736



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhang Lake Mozi (*Chairperson*)
Mr. Cheng Li
Mr. Lin Luofeng (appointed on 9 August 2023)
Ms. Ng Kwok Ying Isabella
(appointed on 25 August 2023)

Non-Executive Directors

Ms. Li Juan
Mr. Zhang Haihua
Mr. Wu Haiming (resigned on 9 August 2023)

Independent Non-Executive Directors

Mr. Zhao Zhen
Mr. Ge Ning
Mr. Manley Poon

BOARD COMMITTEES

Audit Committee

Mr. Manley Poon (*Chairperson*)
Ms. Li Juan
Mr. Ge Ning

Nomination Committee

Mr. Zhang Lake Mozi (*Chairperson*)
Mr. Zhao Zhen
Mr. Ge Ning

Remuneration Committee

Mr. Ge Ning (*Chairperson*)
Mr. Zhao Zhen
Mr. Cheng Li

COMPANY SECRETARY

Mr. Zhang Lake Mozi

AUTHORISED REPRESENTATIVES

Mr. Cheng Li
Mr. Zhang Lake Mozi

AUDITOR

Confucius International CPA Limited

LEGAL ADVISERS TO OUR COMPANY

As to Hong Kong Law

Jingtian & Gongcheng LLP
Suites 3203–3207, 32/F
Edinburgh Tower
The Landmark, 15 Queen's Road Central
Hong Kong

REGISTERED OFFICE IN THE CAYMAN ISLANDS

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

13F, Building J, Cloud Security City
No. 19 Ningshuang Road
Nanjing, Jiangsu Province
The PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1905, China Resources Building
26 Harbour Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

PRINCIPAL BANK

Bank of Communications (Xuanwu Branch)
No. 519, Zhujiang Road, Xuanwu District
Nanjing, Jiangsu Province, The PRC

STOCK CODE

1736

COMPANY WEBSITE

www.ci123.com

HIGHLIGHTS

The board (the “Board”) of directors (the “Directors”) of China Parenting Networking Holdings Limited (the “Company”, together with its subsidiaries, collectively the “Group” or “we”) hereby announce the unaudited condensed consolidated interim results of the Group for six months ended 30 June 2023 (the “Period”).

	For the six months ended	
	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Revenue	23,813	33,560
Gross profit	4,810	7,982
Loss for the Period	(8,359)	(6,223)
Total loss for the Period attributable to:		
Owners of the parent	(8,359)	(5,858)
Non-controlling interests	–	(365)

- During the Period, relying on its powerful digital technology operation, CI Web has developed and launched the AI parenting service “Smart Parenting Assistant (智育小助理)” 3.0, which is an artificial intelligence dialogue robot software product based on a large language model. Similar to talking to a real person, it can generate a smoother, more natural and contextualized responses based on users’ input.
- As the Internet Era 4.0 has arrived, the demand for refined parenting among users has become increasingly obvious. To this end, the all-platform of CI Web empowers marketing to cover the four major needs of users, including learning, communication, medical care and consumption. Through the “digital + AI” technology, CI Web will provide more refined services for maternal and infant users and brand merchants.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Parenting Network has been focusing on innovation for 17 years and has always maintained a leading position in the industry. In 2023, relying on the three forces of “whole network traffic accessibility, scientific content service and digital technology operation”, and being people-oriented, CI Web makes all-platform efforts. It serves the needs of users of all childbearing ages, builds an all-platform ecological network of maternal and infant services, connects users and brands, and also links channels and industry to develop symbiotically, weaving a professional ecological maternal and infant network with a strong core.

As the Internet Era 4.0 has arrived, the demand for refined parenting among users has become increasingly obvious. To this end, the all-platform of CI Web empowers marketing to cover the four major needs of users, including learning, communication, medical care and consumption. In the customer-side (“C-side”), CI Web provides refined services through “Mom Community (媽媽社區)” APP, mini programs, communities and MCN, etc. In the business-side (“B-side”), CI web has over 20,000 “Mommy store (媽咪店)” SaaS used in the maternal and infant stores, which provides large-scale educational management solutions, as well as a professional platform for family parent-child life-Parent-Child Weekend, providing users and merchants with more refined services.

CI Web has always adhered to providing digital services, and is committed to using technology to reduce the cost of pregnancy and improve the easy parenting experience. To this end, CI Web fully utilizes the “digital + AI” technology to provide users with more intelligent and refined services through four methods: AIGC-based refined services, comprehensive refined improvement of the content system, refined service capability of scenario co-construction, and refined consumption of scenario co-construction.

During the Period, the total MAU and DAU of our company’s mobile apps (the total data of the mobile apps is the sum of the two main apps under “Pregnancy Reminder (孕期提醒)” and “Mom Community (媽媽社區)”) were 15.14 million and 3.59 million respectively.

AI parenting service “Smart Parenting Assistant (智育小助理)” 3.0 has been launched to provide more intelligent and refined services.

During the Period, relying on its powerful digital technology operation, the Parenting Network has developed and launched the AI parenting service “Smart Parenting Assistant (智育小助理)” 3.0, which is an artificial intelligence dialogue robot software product based on a large language model. Similar to talking to a real person, it can generate a smoother, more natural and contextualized responses based on users’ input.

“Smart Parenting Assistant (智育小助理)” 3.0 can not only talk freely with users, but also freely switch to the smart parenting modes, such as Parenting Q&A, B-ultrasound Interpretation, Naming Master, etc. based on users’ needs, providing users with more professional, convenient and interesting services. In the Parenting Q&A mode, users can ask any questions about pregnancy, childbirth, postpartum, baby growth and other aspects to the Smart Parenting Assistant (智育小助理). According to the professional knowledge database of CI Web, combined with embedding technology, the Smart Parenting Assistant (智育小助理) will give more authoritative, scientific and practical answers to parenting, and it also supports viewing relevant references. In the B-ultrasound Interpretation mode, as long as the B-ultrasound photos of pregnant women are uploaded, the Smart Parenting Assistant (智育小助理) can use the medical document image recognition technology developed by CI Web, combined with LLM technology to realize the structuring of medical data, automatically parse the data on the B-ultrasound, and provide an intelligent interpretation report based on the data range and standards, including information such as the baby’s gender, weight, length, and fetal position, and possible abnormal situations and suggestions. In the Naming Master mode, as long as the Smart Parenting Assistant (智育小助理) is informed of the desired name requirements, such as surname, gender, style, meaning, etc., the Smart Parenting Assistant (智育小助理) can provide a variety of naming schemes and name analysis of Chinese and English names based on big data and algorithms. The Smart Parenting Assistant (智育小助理) will continue to optimize and upgrade, and launch more intelligent modes to make parenting easier.

MANAGEMENT DISCUSSION AND ANALYSIS

The content system has been comprehensively refined and improved, and professional institutions have integrated to jointly build more content.

In order to meet the diversified content needs of the new generation of users, CI Web has built a scientific content field based on its changes, and comprehensively refined and upgraded its three major content forces. First, upgrading the scientific content and deepening the integration and cooperation with professional institutions such as the China National Committee for the Well-being of the Youth and the National Health Commission. CI Web, together with the Children Development Research Center of the China National Committee for the Well-being of the Youth has responded to the national policies, launched the Parent School Project focusing on the professional, scientific parenting education, and other aspects of infants and young children. They have jointly participated in the improvement of the curriculum content and standards of the parent schools, carried out the development of relevant professional courses for such schools, and improved the professional and systematic service capabilities, and provided professional guidance services for mothers and infants aged 0-6. At the same time, the Scientific Parenting Action Project, which focuses on solving the problems of society's unwillingness to give birth and inability to afford children, is also continuously carried out nationwide in the form of online and offline guidance, support, promotion, etc., comprehensively assisting the scientific parenting of the entire population. Second, upgrading professional content. CI Web has continued to build a professional maternal and infant MCN platform, and upgraded the global membership service system; strengthened the cooperation among experts and talents, and optimized the quality of cooperation, with over 3,200 high-quality talents and more than 800 authoritative parenting experts inside and outside the website controlling professionally. For example, with the endorsement of expert doctors, CI Web has provided services such as parenting Q&A and expert consultation. Third, upgrading IP content. Under the existing 30+ self-owned original IP content matrix, CI Web has continued to incubate more new intelligent IPs, created new content IPs such as "Shining Mother", "Don't Know Research Institute", and "Amazing Human Cubs", which are synchronously distributed to social platforms such as TikTok, Little Red Book, video channels, video websites, etc.

More scenarios jointly build refined service and consumption capabilities to achieve more business increments.

Collaborating with channels such as maternal and infant retail, education system, and offline parent-child activities to build refined service capabilities, CI Web has more than 20,000 maternal and infant stores using the "Mommy Store (媽咪店)" SaaS system, with more than 318 urban coverage and more than 5.62 million offline members. At the same time, more than 40,000 educational institutions have used Jiaowubao, the education system of Parenting Website, and the parent-child weekend platform serves tens of thousands of offline merchants, with a total of 30 million family trips. Besides, merchants can provide consumers with refined services via tools provided by CI Web such as one-click distribution, one-click grouping, and instant shopping. For example, the one-click distribution tool can help group-purchased products achieve distribution. Over 1 million products are available in the SKU product library for consumers to choose from. The one-click grouping tool can also help maternal and infant stores achieve more sales conversions. For instant shopping, CI Web has more than 6,000 maternal and infant interactive communities, which can bring more business increments to brands.

Future Outlook

CI Web has been committed to providing more scientific, professional and efficient parenting solutions for novice parents in China. It has a deep insight into the parenting needs of Generation Z parents, keeps up with the times, actively responds to national policies, uses science & technology to reduce parenting costs, and improves the easy parenting experience. CI Web will also continuously improve its ecological layout. Through the "digital + AI" technology, it will provide more refined services for maternal and infant users and brand merchants, continuously innovating and advancing, making parenting easier and the brand business continuously growing.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2023 was approximately RMB23.8 million, representing a decrease of approximately 29.2% over approximately RMB33.6 million for the six months ended 30 June 2022, due to the decline of advertising and promotional business as affected by the economic environment.

Cost of sales

The Group's cost of sales for the six months ended 30 June 2023 was approximately RMB19.0 million, representing a decrease of approximately 25.8% over approximately RMB25.6 million for the six months ended 30 June 2022, primarily due to the decrease in orders during the Period and less cost of sales incurred as a result.

Gross profit and gross profit margin

The Group's gross profit for the six months ended 30 June 2023 was approximately RMB4.8 million, representing a decrease of approximately 40% over approximately RMB8.0 million for the six months ended 30 June 2022. At the same period, the Group's gross profit margin decreased from approximately 23.8% to approximately 20.3%, primarily due to decline in advertising business which commanded a higher gross profit margin.

Other income and gains

The Group's other income and gains for the six months ended 30 June 2023 was approximately RMB1.4 million, representing a decrease of approximately 12.5% compared to approximately RMB1.6 million for the six months ended 30 June 2022, primarily due to the decrease in government grants provided by the local government.

Selling and distribution expenses

The Group's selling and distribution expenses for the six months ended 30 June 2023 was approximately RMB5.4 million, representing an increase of approximately 5.9% over approximately RMB5.1 million for the six months ended 30 June 2022, which were basically the same.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2023 was approximately RMB4.5 million, representing an increase of approximately 9.8% over approximately RMB4.1 million for the six months ended 30 June 2022, which was mainly due to the increase in Intermediary fees.

Research and development costs

The Group's research and development ("R&D") cost for the six months ended 30 June 2023 was approximately RMB2.8 million, representing a decrease of approximately 31.7% over approximately RMB4.1 million for the six months ended 30 June 2022, primarily attributable to the decrease in the number of R&D personnel and decrease in technology development inputs.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

The Group's income tax expense for the six months ended 30 June 2023 was approximately RMB0 million, representing a decrease of approximately 100% over approximately RMB0.02 million for the six months ended 30 June 2022.

Loss for the Period

As a result of the factors described above, the Group's loss for six months ended 30 June 2023 was approximately RMB8.4 million, representing an increase of approximately 35.5% over approximately RMB6.2 million for the six months ended 30 June 2022.

Gearing ratio

As at 30 June 2023, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was 40.7% (31 December 2022: 39.3%).

Liquidity and capital resources

As at 30 June 2023, the net current liabilities of the Group was approximately RMB21.3 million (31 December 2022: approximately RMB13.5 million) and the cash and cash equivalents were approximately RMB5.4 million (31 December 2022: approximately RMB8.6 million).

As at 30 June 2023, the Group had borrowings of approximately RMB36.9 million (31 December 2022: approximately RMB18.4 million), which included guaranteed bank loans denominated in RMB of approximately RMB18.5 million (31 December 2022: approximately RMB13.5 million) and other borrowings of approximately RMB18.4 million (31 December 2022: approximately RMB4.9 million), details are set out in note 19 to the interim condensed consolidated financial statements.

Capital commitment

As at 30 June 2023, the Group had capital commitment of approximately RMB43.9 million (31 December 2022: RMB49.0 million).

Foreign exchange exposure

The Group's transactions are mainly denominated in RMB. Part of the cash and bank deposits of the Group are denominated in Hong Kong dollars. During the Period, the Group did not experience any material impact or liquidity problems in its operation resulting from the changes in exchange rate nor enter into hedging transaction or forward contract arrangement. However, the management closely monitors foreign exchange exposure to ensure appropriate measures are implemented in a timely and effective manner. In this regard, the Group is not exposed to any significant foreign currency exchange risk in its operation.

MANAGEMENT DISCUSSION AND ANALYSIS

Employees, training and remuneration policy

The remuneration committee of the Company will review and determine the remuneration and compensation packages of Directors with reference to their responsibilities, workload, and the time devoted to the Group and the performance of the Group. In general, the Group determines employees' salaries based on their performance and length of services. The Board believes the salaries and benefits provided to the employees are competitive with local market standards. The Group also contributes to the social insurance in the PRC.

The Group has implemented training for new employees during their course of employment in order to ensure that employees are able to meet the job requirements. In addition, the Group will occasionally arrange internal and external trainings for the Group's employees. For external trainings, external speakers who have extensive experience in information technology may be invited to attend the Group's office to perform the training, and for internal trainings, the topics may include finance, accounting, risk management or information technology and such trainings will be conducted by the relevant department. The Group considers these on job trainings are necessary for the employees to handle issues which may arise in their day to day operations and can enhance their ethic and morale.

As at 30 June 2023, the Group had a total of 82 (30 June 2022: 110) employees including executive Directors. Total staff costs were approximately RMB7.0 million for the Period (30 June 2022: approximately RMB8.6 million).

Material acquisitions and disposals of subsidiaries, associates or joint ventures

During the Period, there was no material acquisition or disposal of subsidiaries, associates or joint ventures by the Group (30 June 2022: Nil).

Charges of assets

As at 30 June 2023, the Group did not make any pledged bank deposit (30 June 2022: Nil).

Contingent liabilities

As at 30 June 2023, the Group did not have any significant contingent liabilities (30 June 2022: Nil).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ASSETS

As at 30 June 2023, details of financial assets designated at fair value through other comprehensive income are as follows:

	Name of the relevant company	Proportion of shares held as at 30 June 2023	Investment amount as at 30 June 2023	Fair value of investment as at 30 June 2023 ⁽¹⁾	Proportion of investment in 2023 to the total asset of the Company as at 30 June 2023	Principal Business	Change of fair value of investment comparing with 31 December 2022
1	Nanjing Jufeng Engine Information Technology Company Limited* (南京颯風引擎信息技術有限公司)	18.10%	RMB13,000,000.00	RMB15,927,279.27	9.75%	Jufeng Engine provides a high performance, high efficiency, drag-and-drop zero-code application development ecosystem based on cloud native.	RMB2,714,877.15
2	Nanjing Hongdou Information Technology Company Limited* (南京紅豆信息技術有限公司)	12.30%	RMB15,000,000.00	RMB8,856,000.00	5.42%	H5 games "Her Majesty" (女皇陛下) and "National Palace" (全民宮斗) developed by Hongdou Information successfully launched on Tencent QQ Games and Qzone Gaming Platform.	RMB3,567,000.00
3	Nanjing Depth Element Artificial Intelligence Technology Development Company Limited* (南京深度元素人工智能技術研發有限公司)	10.00%	RMB5,000,000.00	RMB0.00	0.00%	Provision of artificial intelligence-based technology: item identification, human body identification, path recognition, behavior recognition; and the provision of analysis services based on the above identification technologies: crowd analysis, business analysis, personalized recommendation and marketing, intelligent shopping guide.	RMB0.00
4	Nanjing Shenkong Vision Artificial Intelligence Technology Development Company Limited* (南京深空視線人工智能技術研發有限公司)	17.20%	RMB10,000,000.00	RMB3,784,000.00	2.32%	Provision of auto-cruise, path planning and other functions for robots with the use of self-developed vSLAM system combined with artificial intelligence technology; and human tracking and educational interaction with natural language understanding with the use of monocular camera.	RMB-344,000.00
5	Nanjing Zhiren Cloud Information Technology Company Limited* (南京智人雲信息技術有限公司)	17.20%	RMB10,000,000.00	RMB0.00	0.00%	Principal activities are the provision of container cloud management platform, artificial intelligence cloud platform, public cloud and private cloud services based on microservices.	RMB-2,236,000.00
6	Nanjing Free Chain Information Technology Company Limited* (南京自由鏈信息技術有限公司)	17.20%	RMB10,000,000.00	RMB5,504,000.00	3.37%	Establishment of interconnections between internet devices in different regions with its unique solutions, construction of decentralized transmission network to achieve independent collaboration and the expansion of business scale. Such kind of internet is not subject to the limitation of computing power and storage, thus empowers the internet with strong expansion capabilities to achieve true decentralization, openness, self-motivation, privacy and security.	RMB-688,000.00

MANAGEMENT DISCUSSION AND ANALYSIS

Name of the relevant company	Proportion of shares held as at 30 June 2023	Investment amount as at 30 June 2023	Fair value of investment as at 30 June 2023 ⁽¹⁾	Proportion of investment in 2023 to the total asset of the Company as at 30 June 2023	Principal Business	Change of fair value of investment comparing with 31 December 2022
7 Nanjing Luobo Information Technology Company Limited* (南京蘿播信息技術有限公司)	15.00%	RMB12,000,000.00	RMB0.00	0.00%	Provision of educational, marketing and social services to its customers across the network for baby-children businesses through the distribution of audio and video contents and the management capabilities of the communities, effectively expanding and making up for the service capabilities of major customers of CI Web under the pan-network conditions.	RMB0.00
8 Nanjing Suichuang Xiupu Information Technology Company Limited* (南京速創秀普信息科技有限公司)	10.00%	RMB10,000,000.00	RMB0.00	0.00%	Provision of micro-service cloud application platform, which is a one-stop PaaS platform service designed for mother-child enterprises, providing application cloud hosting solutions to assist enterprises simplify application lifecycle management such as deployment, control, operation and maintenance; and the provision of micro-service framework, compatible mainstream open source ecosystem, specific development framework and platform without binding. Suichuang Xiupu is able to assist the small and medium-sized mother-child enterprises that are connected to CI Web to quickly establish distributed applications based on micro-service structure.	RMB0.00
9 Nanjing Xinmenghui Education Technology Company Limited* (南京芯萌匯教育科技有限公司)	10.00%	RMB5,000,000.00	RMB300,000.00	0.18%	Leading service provider for online baby and children education. It provides interactive learning systems and contents to families with babies and children through a combination of unique contents, technology and system, effectively extending the online educational service capabilities of CI Web to those families.	RMB0.00
10 Guangzhou Muyun Electronic Commerce Co., Ltd.* (廣州沐雲電子商務有限公司)	16.00%	RMB4,000,000.00	RMB4,000,000.00	2.45%	Provision of services relating to quickly set up a foreign trade independent website of global sales for vendors and offer technical support for corporate and individual online shop and operators and integrated solutions from website building to management and operation. The business is also divided into B2C cross-border e-commerce independent station and B2B export trade independent station.	RMB320,000.00

MANAGEMENT DISCUSSION AND ANALYSIS

Name of the relevant company	Proportion of shares held as at 30 June 2023	Investment amount as at 30 June 2023	Fair value of investment as at 30 June 2023 ⁽¹⁾	Proportion of investment in 2023 to the total asset of the Company as at 30 June 2023	Principal Business	Change of fair value of investment comparing with 31 December 2022
11 Guangzhou Baxianguhai Information Technology Co., Ltd.* (廣州八仙過海信息科技有限公司)	18.00%	RMB5,000,000.00	RMB5,580,000.00	3.42%	Establishment of an omnichannel marketing and ordering platform for enterprises. This platform helps enterprises to develop collaboration between upstream and downstream business and make real-time data decision in six aspects of order management, inventory management, fund settlement, customer operations, business reporting and procurement management.	RMB1,800,000.00
12 Nanjing Xianju Information Technology Co., Ltd.* (南京先巨信息技術有限公司)	14.85%	RMB10,000,000.00	RMB6,534,000.00	4.00%	Provision of hospital management system platform in four aspects: hospital information and management open platform, mobile clinic, intelligent monitoring module and chronic disease management module. This platform provides all-round medical care from patient admission to discharge; from hospital diagnosis to home monitoring; from computer to mobile terminal; and from infant health monitoring to smart retirement.	RMB0.00
13 Nanjing Youchao Information Technology Co., Ltd.* (南京優潮信息技術有限公司)	19.00%	RMB7,000,000.00	RMB5,130,000.00	3.14%	Provision of enterprise online education platform which focuses on the training of product managers. The business is divided into three aspects: enterprise orientation training, internal enterprise staff training and vocational skill training. A number of well-known internet enterprise product directors acted as lecturers. Using platform technology, users can take online open classes and participate one-on-one tutoring after school so as to achieve offline practical training, internet project practice and innovative teaching processes with internships in famous enterprises.	RMB-570,000.00
14 Nanjing Liqi Lishi Information Technology Co., Ltd.* (南京立啟信息技術有限公司)	17.00%	RMB6,000,000.00	RMB5,100,000.00	3.12%	Provision of integrated platform system for digital currency exchanges based on block chain technology. This system provides services of issuance, management and trading of digital currencies. On the basis of fully supporting the Bitcoin trading system, this system further improves its digital currency trading mechanism with block chain query and management functions and continuously optimizes its core functions and increases the comprehensive functional advantages of the product by enhancing of security protection level, leveraged financial transaction system and platform promotion and operation mechanism.	RMB170,000.00

MANAGEMENT DISCUSSION AND ANALYSIS

Name of the relevant company	Proportion of shares held as at 30 June 2023	Investment amount as at 30 June 2023	Fair value of investment as at 30 June 2023 ⁽¹⁾	Proportion of investment in 2023 to the total asset of the Company as at 30 June 2023	Principal Business	Change of fair value of investment comparing with 31 December 2022
15 Nanjing Qianguang Information Technology Co., Ltd.* (南京千光信息技術有限公司)	17.20%	RMB10,000,000.00	RMB1,720,000.00	1.05%	Provision of user-centered system for enterprise intelligence marketing. Based on seven business modules of social business strategy, social experience management, social branding and traffic management, social sales promotion, loyalty operations management, social product innovation and social advertising services, a one-stop platform for enterprise mobile marketing is established to create a rich, open and intelligent mobile marketing ecosystem.	RMB172,000.00
16 Nanjing Yuanhui Information Technology Co., Ltd.* (南京遠匯信息技術有限公司)	17.20%	RMB10,000,000.00	RMB0.00	0.00%	Provision of software development tool system based on artificial intelligence technology. For those who are not capable of programming, this system can help them to develop internet products easily through PC client, development tool website and mobile APP mode.	RMB0.00
17 Nanjing Youke Workshop Information Technology Co., Ltd.* (南京優客工坊信息技術有限公司)	17.20%	RMB10,000,000.00	RMB1,376,000.00	0.84%	Provision of knowledge sharing platform. This platform provides computer-related professional and technical knowledge for corporate employees and individual members and provides users with mutual learning modules, so that everyone can be a teacher. Members who obtained platform instructor certification can also organize courses to earn commissions.	RMB-688,000.00
18 Nanjing Mengmiao Education Technology Co., Ltd.* (南京萌苗教育科技有限公司)	18.00%	RMB8,000,000.00	RMB720,000.00	0.44%	Provision of IM system with complete solution customized for internet education industry. Products are in line with the education industry, suitable for practical educational scenarios, and truly meet the needs of the teachers. In the form of PAAS+SAAS service, the product itself serves as a platform to provide SDK for third parties. At the same time, it also provides services for different users to develop different functions based on its own platform.	RMB540,000.00

MANAGEMENT DISCUSSION AND ANALYSIS

Name of the relevant company	Proportion of shares held as at 30 June 2023	Investment amount as at 30 June 2023	Fair value of investment as at 30 June 2023 ⁽¹⁾	Proportion of investment in 2023 to the total asset of the Company as at 30 June 2023	Principal Business	Change of fair value of investment comparing with 31 December 2022
19 Nanjing Suyun Xiupu Information Technology Co., Ltd.* (南京速雲秀普信息科技有限公司)	9.46%	RMB3,000,000.00	RMB0.00	0.00%	Development of a CRM system for training institutions. This system also applies its self-developed face recognition technology to specific CRM scenarios, achieving an innovative combination of "Face Recognition + Education CRM System".	RMB0.00
20 Nanjing Duomai Information Technology Company Limited* (南京多麥信息科技有限公司)	18.08%	RMB16,000,000.00	RMB2,169,600.00	1.33%	A service company for mother-child businesses. It provides assistance for privatized customer assets during the Internet era, expanding the Internet customer base and improving operational efficiency through its products and services. In particular, through the provision of integrated solutions such as micromalls, new retailing and mini programs, it provides assistance for the transformation and upgrade towards smart business for small and medium-sized mother-child enterprises, thus helping those enterprises achieve smart business with technology-driven business innovation. Duomai is able to expand CI Web's online and offline retailing channels for large business (大B) customers effectively, therefore playing an important role in securing the CI Web's existing business customer base.	RMB-180,800.00
21 Nanjing Yunqulu Network Technology Company Limited* (南京雲曲率網絡科技有限公司)	17.20%	RMB10,000,000.00	RMB2,236,000.00	1.37%	A leading mother-child business incubator company with branches in Australia and the United States. Its core role is to provide effective incubator services for startup mother-child enterprises on the CI Web. Similar to the innovative factory in the mother-child industry, Yunqulu provides angel funding, technical support and staff training for the startup mother-child enterprises.	RMB-344,000.00
22 Nanjing Baicheng Medical Technology Company Limited* (南京柏橙醫療科技有限公司)	17.20%	RMB16,000,000.00	RMB1,376,000.00	0.84%	Provision of one-stop integrated information system construction for hospitals, and the construction of end-to-end medical service platform covering pre-diagnosis, in-diagnosis and post-diagnosis stages. Having leading system capabilities and product advantages in cloud-based family medical and smart medical areas, Baicheng Medical is able to assist CI Web to better connect and serve the mother-child families through the internet.	RMB-1,376,000.00

MANAGEMENT DISCUSSION AND ANALYSIS

Name of the relevant company	Proportion of shares held as at 30 June 2023	Investment amount as at 30 June 2023	Fair value of investment as at 30 June 2023 ⁽¹⁾	Proportion of investment in 2023 to the total asset of the Company as at 30 June 2023	Principal Business	Change of fair value of investment comparing with 31 December 2022
23 Nanjing Duoazan Health Technology Company Limited* (南京多贊健康科技有限公司)	17.07%	RMB13,000,000.00	RMB1,536,300.00	0.94%	Committed to establish the best healthy pregnancy management and knowledge service platform in China. It provides the best paid knowledge and online medical services to Chinese families, enabling the provision of paid knowledge and medical services to more families by the national obstetricians and pediatricians with the removal of institutional constraints.	RMB682,800.00
24 Shanghai Shijiu Information Technology Co., Ltd.* (上海視九信息科技有限公司)	0.82%	RMB650,000.00	RMB680,600.00	0.42%	Provision of system integration, application development and operation services for devices such as smart TV set-top boxes based on its leading browser technologies such as HTML5.	RMB73,800.00
25 Shanghai Beijia Network Technology Co., Ltd.* (上海蓓嘉網絡科技有限公司)	5.00%	RMB2,500,000.00	RMB0.00	0.00%	The company cooperated with a number of maternal and child service platforms including ci123.com to launch a maternal and child alliance (W+Club), aiming to provide one-stop knowledge, services, protection and welfare required for childcare.	RMB0.00
26 Shanghai Baiyi Animation Cultural Broadcasting Company Limited* (上海百逸動漫文化傳播有限公司)	10.00%	RMB10,000,000.00	RMB0.00	0.00%	Baiyi has its own professional animation team and can develop, produce, and distribute 2D/3D cartoon and peripheral toy products. Sales channels have expanded to all first and second-tier cities in PRC with more than 100 distributors, covering thousands of primary schools and terminal sales outlet.	RMB0.00

Notes:

- (1) Further details of the fair value measurement of the Group are set out in note 26 of the interim condensed consolidated financial statements. As at the date of this report, the Company has not received any interest distribution for the six months ended 30 June 2023.
- (2) During the Period, the Company has not sold any financial assets.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2023, the details of financial assets at fair value through profit or loss and the details of significant investment with a carrying value more than 5% of the total assets of the Group are as follow:

Name of the relevant company	Proportion of shares held as at 30 June 2023	Investment amount as at 30 June 2023	Fair value of investment as at 30 June 2023	Proportion of investment in 2023 to the total asset of the Company as at 30 June 2023	Principal Business	Unrealised gain/(loss) on change in fair value for the six months ended 30 June 2023	Realised gain/(loss) for the six months ended 30 June 2023	Dividend income for the six months ended 30 June 2023
CCLOUD TECH LIMITED	17.64%	HK\$50,000,000.00	RMB15,206,239.58	9.31%	Technology development and operation combining block chain technology with the entity economy and the provision of cross-border consumer service platform, cross-border global education platform, cross-border new retail business platform, block chain information service and technology trading platform, high-speed and cross-chain trading system based on intelligence contracts, system testing for block chain security system and block chain service platform.	RMB-250,184.30	-	-

The Company continued to track and monitor its investments and conduct third-party professional evaluation. As most of the Company's investments are emerging market growth companies, some of the entities which the Company invested are in the stage of research and development. The Company considers its investment management in the following aspects:

- effective output from the application of the industrial chain, including technological output;
- operating condition, including the achievement of business objectives, standardization of the corporate governance structure, and the stability of core talents; and
- judgment on the future growth prospects of the industry it located and technology market.

With technological advancement and the changes in needs and behaviors of the new generation consumers in recent years, our investment helps to achieve the upstream and downstream digitalization of the industrial chain. It is also beneficial for us to consolidate new technology and service application scenarios to help brands upgrade their traditional business models, and more enterprises will require digital transformation solutions. Upon the Company's evaluation, the overall investment of the Group in the first half of 2023 is in line with our strategic planning direction.

MANAGEMENT DISCUSSION AND ANALYSIS

LOANS TO OTHER ENTITIES

The balance represents loans extended to independent third parties, bearing interest rates of 6.0% to 8.0% per annum for periods of 6 to 36 months. The aim of entering into these loan facility agreements with these third parties are for the long term interest of the Group.

Details of loans to other entities as at 30 June 2023 are set out below:

	Name of the relevant company	Borrowing made to the relevant company as at 30 June 2023	Annual interest rate as at 30 June 2023	Term of loan	Investment Guarantee as at 30 June 2023	Exercise of the priority right of the investment shares	Fair value of Investment as at 30 June 2023	Proportion of investment to the total asset of the Company as at 30 June 2023	Principal Business	Accumulated interest income for the six months ended 30 June 2023
1	Nanjing Qianyu Information Technology Company Limited* (南京千魚信息技術有限公司)	RMB12,000,000.00	6%	36 months	Guaranteed by an A share listed company	No	RMB15,382,134.31	9.42%	A major platform for parent-child consumption.	RMB3,600,000.00
2	Beijing Hongwei Technology Company Limited* (北京宏偉科技有限公司)	RMB4,000,000.00	8%	24 months	N/A	No	RMB5,138,555.75	3.15%	Providing equipment support to medical institution and developing online platform for health consultation.	RMB1,816,986.30

	Name of the relevant person	Borrowing made to the relevant person as at 30 June 2023	Remaining term of loan	Investment Guarantee as at 30 June 2023	Carrying value of investment as at 30 June 2023	Proportion of investment to the total asset of the Company as at 30 June 2023	Accumulated interest income for the six months ended 30 June 2023
1	顧能國	RMB276,000.00	36 months	N/A	RMB263,609.34	0.17%	RMB0.00
2	王洪賓	RMB63,600.00	6 months	N/A	RMB62,172.38	0.04%	RMB0.00
3	馬彥杰	RMB31,800.00	6 months	N/A	RMB31,086.19	0.02%	RMB0.00
4	張煒能	RMB7,200.00	6 months	N/A	RMB7,038.38	0.004%	RMB0.00

In 2020, the Company entered into the loan contract with Shenzhen Feishikang Technology Company Limited (hereinafter referred to as "Shenzhen Feishikang"), under which the Group provided a loan of RMB1 million to Shenzhen Feishikang with an interest rate of 6% per annum, and the debt was guaranteed by 7 shareholders of Shenzhen Feishikang according to their shareholding ratio. In 2021, the Group entered into the repayment agreement with 7 shareholders of Shenzhen Feishikang, which provides for the repayment of the principal and interest of RMB1.06 million of the loan debt payable by Shenzhen Feishikang to the Company by the 7 shareholders in accordance with the guarantee ratio within five years. As at 30 June 2023, the Group has received repayment of RMB681,400. Three of the shareholders paid off their responsible part of the loan. Details of the pending repayment of RMB378,600 are noted as above.

MANAGEMENT DISCUSSION AND ANALYSIS

ISSUE OF CONVERTIBLE NOTES UNDER GENERAL MANDATE

On 9 February 2021 and 15 February 2021, the Company entered into subscription agreements and supplemental agreements with Ellwood International Ltd and nine other subscribers (being individual professional investors or companies ultimately owned by professional investors) (the “Investors”), pursuant to which the Company conditionally agreed to issue and Ellwood International Ltd and the other subscribers conditionally agreed to subscribe for convertible notes in an aggregate principal amount not exceeding HK\$35,000,000 (the “Convertible Notes”) at an initial conversion price of HK\$0.24 per convertible share. The Company entered into an amendment and restatement deed dated 30 March 2022 (the “Amendment and Restatement Deed”) with the Investors to extend the maturity date of the Convertible Notes to 30 April 2023 and the initial conversion price amended to HK\$0.095 per convertible share with principal amount reduced to HK\$14.5 million after partial repayment of the outstanding principal amount of the Convertible Notes, subject to and effective from fulfilment of conditions precedent and conditions subsequent in the Amendment and Restatement Deed. For details of the proposed amendment, please refer to the announcement of the Company dated 30 March 2022.

As the Convertible Notes can only be exercised and converted into Shares during the conversion period, being the first week of June 2022, September 2022 and December 2022 and the maturity date of the Convertible Notes have passed, therefore the Convertible Notes could not be converted into Shares pursuant to the terms and conditions of the Convertible Notes.

As of 31 December 2021, all of the proceeds had been fully used for business expansion and investment in China and Southeast Asia in technology, direct to consumer and advertising verticals related to the mother-child industry, backend technology enhancement, marketing expenses and general working capital purposes.

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE AND LOAN CAPITALISATION

Subscription of new shares by Tan Chiu Lan Francine and Wu Saiya under general mandate

On 4 May 2023, the Company, Tan Chiu Lan Francine (“Ms. Tan”) and Wu Saiya (“Ms. Wu”) entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue, and Ms. Tan and Ms. Wu conditionally agreed to subscribe for 26,086,956 subscription Shares at a subscription price of HK\$0.023 per subscription Share.

On 19 May 2023, all conditions of the subscription agreement entered into between the Company and Ms. Tan were fulfilled and the subscription was completed. An aggregate of 14,347,826 new Shares have been allotted and issued to Ms. Tan at the aforesaid subscription price. On the same date, as the consideration for the subscription agreement entered into between the Company and Ms. Wu had not been settled by the long stop date and there had not been any agreement to further extend the long stop date, the subscription agreement had therefore been terminated and all obligations and liabilities of the Company and the obligation of Ms. Wu to subscribe the Company’s Shares would also be terminated.

The net proceeds from the subscription pursuant to subscription by Ms. Tan, after deduction of the expenses related to the subscription of approximately HK\$80,000, are estimated to be approximately HK\$250,000. Such proceeds shall be used for repayment of part of the Group’s outstanding professional fees and expenses. For details, please refer to the announcements of the Company dated 4 May 2023 and 23 May 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Subscription of new shares by Ms. Tan under general mandate

On 12 June 2023, the Company and Ms. Tan entered into subscription agreement, pursuant to which the Company conditionally agreed to allot and issue, and Ms. Tan conditionally agreed to subscribe for 91,733,750 subscription Shares at a subscription price of HK\$0.023 per subscription Share.

The gross proceeds from the subscription will be HK\$2.1 million and the net proceeds from the subscription, after deduction of the expenses related to the subscription of approximately HK\$200,000, is estimated to be approximately HK\$1.9 million, which is intended to be used for repayment of part of the Group's outstanding professional fees and expenses. For details, please refer to the announcement of the Company dated 12 June 2023.

Loan capitalisation involving issue of new shares under general mandate

Reference is made to the announcements of the Company dated 30 March 2022, 29 March 2021, 15 February 2021 and 9 February 2021 in relation to the issue of Convertible Notes under the general mandate. As the Convertible Notes can only be exercised and converted into Shares during the conversion period, being the first week of June 2022, September 2022 and December 2022, and the maturity date of the Convertible Notes has passed, the Convertible Notes could no longer be converted into Shares pursuant to the terms and conditions of the Convertible Notes. Convertible Notes in the principal sum of HK\$3,500,000 were transferred to the Diligent Ally Private Limited.

On 12 June 2023, the Company and Diligent Ally Private Limited entered into loan capitalisation agreement, pursuant to which Diligent Ally Private Limited conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 91,733,750 loan capitalisation Shares at the issue price of approximately HK\$0.023 per loan capitalisation Share. The subscription amount payable by Diligent Ally Private Limited under the loan capitalisation agreement shall be satisfied by capitalising HK\$2,109,877 out of the outstanding sum. For details, please refer to the announcement of the Company dated 12 June 2023.

Subscription of new shares by Ms. Wu and XI-F-AI PTE. LTD. under general mandate

On 11 July 2023, the Company, Ms. Wu and XI-F-AI PTE. LTD. entered into subscription agreements, pursuant to which the Company conditionally agreed to allot and issue, and the Ms. Wu and XI-F-AI PTE. LTD. conditionally agreed to subscribe for 41,893,074 subscription Shares at a subscription price of HK\$0.1525 per subscription Share.

The gross proceeds from the subscriptions will be approximately HK\$6.4 million and the net proceeds from the subscriptions, after deduction of the expenses related to the subscriptions of approximately HK\$0.3 million, is estimated to be approximately HK\$6.1 million, which is intended to be used for repayment of part of the Group's outstanding professional fees and expenses and general working capital purpose. For details, please refer to the announcements of the Company dated 11 July 2023 and 27 July 2023.

SHARE CONSOLIDATION AND CHANGE OF BOARD LOT SIZE

On 16 May 2023, the Board proposed to implement: (a) a share consolidation on the basis that every five issued and unissued shares of HK\$0.010 each will be consolidated into one Consolidated Share of HK\$0.050 each (the "Share Consolidation"); and (b) the change of the board lot size from 2,000 existing Shares to 10,000 consolidated shares upon the share consolidation becoming effective. The Share Consolidation was approved by the Shareholders at the annual general meeting of the Company held on 15 June 2023, and became effective on 19 June 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

INVESTMENT OBJECTIVES AND POLICIES

The Group is a vertical online platform for the CBM market. In relation to its business development, family-related business of the Group refers to business that uses Internet technology to address the needs of new generation home consumers as target customers, such as early education, entertainment, health and services. On the basis of its existing core business, the family-related business of the Group still adheres to the original family-based user groups of its CBM platform, and forms a new maternal and child ecological layout with diversified maternal and child family services. It also extends the traditional and single maternal and child services to several cross-sector segments including health, education, finance and entertainment by way of investment and strategic cooperation, further expanding the types of family services and customer reach, prolonging user life-cycle, and meeting the increasing long-tail demands from the mother-child groups.

There have been rapid changes in the Internet industry and the competition in online advertising and e-commerce market and related O2O business is intense. The Group intends to expand into new core sectors such as new socialized retail, family medical, family education and internet technology with external empowerment. Leveraging the investments in the companies which engaged in the relevant new sectors, the Company will be able to reduce its costs to a certain extent and enter such new sectors in a quicker manner, as well as gain technology reserves and Internet traffic from new resources.

As for its investment strategy, in line with its principal business and for its future business development, the Company targets on investments in entities which are principally engaged in CBM and family related business chain and related technology research and development. The Company has adopted investment policies which it will take into account when making its investment decisions. In general, the Company prefers long-term investments as opposed to short-term ones and usually invests in targeted entities for more than one year. For the Company's mode of investment, the Company may adopt equity investments through acquisition of shareholdings in the targeted entities or loan financings by providing facilities to the targeted entities depending on, among others, potential rate of return which generally shall be not less than 6% per annum or the prevailing one-year fixed deposit interest rate published by the People's Bank of China (whichever is higher), strategic cooperation with the invested entities of the company, negotiation with the counterparties as well as compliance with legal and regulatory requirements. In order to reduce its participation in the operation and management of its investments so as to focus on its existing business, the Company generally does not invest in more than 20% shareholding in the targeted entities.

In addition to financial returns, the Directors expect that the investments will create synergies to the Group's business in terms of upgrade in technologies, enrichment of contents as well as expansion of coverage of value-added services which in turn result in enhancement of operational efficiency, user experience and user base. Depending on the business natures of the invested companies, the Group usually requires the invested companies to share their relevant technologies to offer selected contents such as games, animations and audio and video contents of them for the Platform, to share user data and network for promotion of the Group's APPs, and to support the Group's provision of value-added services to its users. The Group has a certain scale of investment activities. Failure to promptly and effectively manage investment risks may affect realization of investment strategies. The risk resulting from adverse movements in industry market could also impact the Group's investment.

The Group has formed an investment team (the "team"). The team's member consisted of the Group's chief executive officer, chief financial officer, marketing director, technical director and operation director who are experienced in the Internet industry. The team has been continuously paying attention to the market influence and technological development of the investment areas related to the CBM business chain. The Group continuously monitor the status of business development and financial exposure of investees and conducts regular assessments. The Group also strictly requires the invested entities to use the proceeds of the Group's investments for the sole purpose of the planned business development projects as agreed by the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS

The Company's net proceeds from the placing amounted to approximately HK\$276.4 million (the "net proceeds") after taking into account the partial exercise of the over-allotment option in connection with the listing. As at 30 June 2023, the Group had fully utilized the proceeds of HK\$276.4 million.

Details of the original allocation of net proceeds set out in the prospectus and the revised allocation of net proceeds as at the date of this report as follows:

Use of Net Proceeds	Original	Revised	Revised	Revised	Revised	Revised	Utilized	Unutilized
	Allocation	Allocation	Allocation	Allocation	Allocation	Allocation	Amount	Amount
	as at	as at	as at	as at	as at	as at	as at	as at
	2016	15 December	2 May	3 July	11 November	30 June	2023	2023
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
Strengthening research and development capabilities	55.3	52.8	52.8	44.8	-	-	-	-
Enhancing the user base and Internet traffic of our Platform	55.3	49.6	49.6	49.6	-	-	-	-
Developing our e-commerce business and related O2O business	55.3	44.9	44.9	-	-	-	-	-
Acquisition of or investment in other companies engaging in O2O and CBM related businesses	55.3	19.3	19.3	-	-	-	-	-
Enhancing marketing and promotional services	27.6	24.9	24.9	24.9	24.9	24.9	24.9	-
Working capital and other general corporate purposes	27.6	24.9	24.9	24.9	24.9	24.9	24.9	-
Providing loan facilities	-	60.0	-	-	-	-	-	-
Acquisition of property or land for the construction of the Company headquarters	-	-	60.0	60.0	60.0	18.6	18.6	-
Acquisition of or investment in companies engaging in CBM and family related business chains and companies engaging in related technology research and development	-	-	-	72.2	166.6	166.6	166.6	-
Expansion of e-commerce business in the PRC	-	-	-	-	-	41.4	41.4	-
Total	276.4	276.4	276.4	276.4	276.4	276.4	276.4	-

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATION

As at 30 June 2023, interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) held by the Directors and chief executive of the Company which have been notified to the Company and the Hong Kong 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 under such provisions of the SFO) or have been entered in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise have been notified to the Company and the Hong Kong Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules are as follows:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name of Director	Nature of Interest	Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Mr. Cheng Li ⁽¹⁾	Interest in a controlled corporation	24,000,000	11.46%

Note:

- (1) Victory Glory Holdings Limited ("Victory Glory") is directly and wholly owned by Mr. Cheng Li, who is therefore deemed to be interested in all the shares held by Victory Glory.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERESTS IN OTHER MEMBERS OF THE GROUP (LONG POSITIONS)

Name of Director	Name of Subsidiary	Nature of Interest	Approximate Percentage of Shareholding
Ms. Li Juan ⁽¹⁾	Nanjing Xihui Information Technology Company Limited* (南京矽滙信息技術有限公司) ("Nanjing Xihui") ⁽²⁾	Beneficial owner	85%
	Nanjing Xinchuang Micro Machinery and Electronic Technology Company Limited* (南京芯創微機電技術有限公司) ("Nanjing Xinchuang") ⁽²⁾	Beneficial owner	85%
Mr. Wu Haiming ⁽¹⁾ (resigned on 9 August 2023)	Nanjing Xihui ⁽²⁾	Interest of spouse	85%
	Nanjing Xinchuang ⁽²⁾	Interest of spouse	85%
Mr. Cheng Li	Nanjing Xihui ⁽²⁾	Beneficial owner	15%
	Nanjing Xinchuang ⁽²⁾	Beneficial owner	15%

Notes:

(1) Mr. Wu Haiming, a non-executive Director who resigned on 9 August 2023, is the spouse of Ms. Li Juan, and therefore deemed to be interested in the interests of Ms. Li Juan.

(2) Pursuant to the contractual arrangement, each of Nanjing Xinchuang and Nanjing Xihui is deemed to be a wholly owned subsidiary of the Company.

Save as disclosed above, as at 30 June 2023, none of the Directors nor chief executive of the Company held an interest or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Hong Kong 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 under such provisions of the SFO) or were recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

So far as the Directors are aware, as at 30 June 2023, the following persons (not being Directors or chief executive of the Company) have or be deemed or taken to have interests and/or short positions in the shares or the underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which would be recorded in the register required to be kept under Section 336 of the SFO:

LONG POSITIONS IN THE SHARES OF THE COMPANY

Name	Nature of Interest	Number of Shares or Underlying Shares	Approximate Percentage of Shareholding
Maria Rachel Mai Decolongon Tatoy ⁽¹⁾	Beneficial owner	19,350,282	
	Interest in a controlled corporation	31,211,988	
	Total:	50,562,270	24.14%
Victory Glory ⁽²⁾	Beneficial owner	24,000,000	11.46%
Ms. Tan	Beneficial owner	22,679,729	10.83%
Diligent Ally Private Limited	Beneficial owner	18,346,750	8.76%

Notes:

(1) Ms. Maria Rachel Mai Decolongon Tatoy holds 23,920,322 Shares and 7,291,667 Shares, respectively through her wholly-owned subsidiaries, Prime Wish Limited and Bonus Shares Pte. Ltd. and directly holds 19,350,282 Shares.

(2) Victory Glory is directly and wholly owned by Mr. Cheng Li.

Save as disclosed above, as at 30 June 2023, no person, other than the Directors and chief executive of the Company whose interests and short positions are set out in the section headed "Directors' and Chief Executive's Interests and/or Short Positions in Shares, Underlying Shares and Debentures" above, had registered an interest or a short position in the shares or underlying shares of the Company as recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

SHARE OPTION SCHEME

The Company adopted a share option scheme on 19 June 2015 (the “Share Option Scheme”) for the purpose of providing incentive or rewarding eligible persons (including the Directors or employees (whether full time or part time), consultants or advisors of our Group) for their contribution to, and continuing efforts to promote the interests of our Group and for such other purposes as the Board may approve from time to time.

The Share Option Scheme became effective on the date of the Company’s listing (8 July 2015) and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of shares which may be issued upon exercise of all options granted and to be granted under the Share Option Scheme is 100,000,000 shares (20,000,000 shares, upon the Share Consolidation became effective on 19 June 2023), representing 10% of the shares of the Company in issue as at the date of listing of the Company’s shares on GEM (i.e. 8 July 2015) and approximately 6.94% of the shares of the Company in issue as at the date of this report. The maximum number of shares issuable under share options granted to each eligible participant in the Share Option Scheme (including both exercised and outstanding options) within any 12-month period is limited to 1% of the shares of the Company in issue. Any grant or further grant of share options in excess of this limit is subject to Shareholders’ approval in a general meeting. A grant of share options under the Share Option Scheme to a Director, chief executive or substantial Shareholder of the Company, or to any of their associates, is subject to approval in advance by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the Option). In addition, any share options granted to a substantial Shareholder or an independent non-executive Director of the Company, or to any of their associates, which would result in the shares issued and to be issued, upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding), to such person in the 12-month period up to and including the date of the grant in excess of 0.1% of the shares of the Company in issue and with an aggregate value (based on the closing price of the Company’s shares at the date of grant) in excess of HK\$5 million, are subject to Shareholders’ approval in advance at a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer upon payment of a nominal consideration of RMB1 in total by the grantee. The exercise period of the share options granted is determined by the Directors, save that such a period shall not be more than 10 years from the date of offer of the share options and subject to the provisions for early termination as set out in the Share Option Scheme. There is no requirement of a minimum period for which an option must be held before it can be exercised.

The exercise price of the share options shall be not less than the highest of (i) the Hong Kong Stock Exchange closing price of the Company’s shares on the date of offer of the share options, which must be a date on which the Hong Kong Stock Exchange is open for business of dealing in securities; (ii) the average Hong Kong Stock Exchange closing price of the Company’s shares for the five trading days immediately before the date of offer; and (iii) the nominal value of the Company’s shares as at the date of offer.

No share options were granted from the date of adoption up to 30 June 2023. Therefore, no share options were outstanding under the Scheme. 20,000,000 share options were available for grant at the beginning and at the end for the Period.

SHARE AWARD SCHEME

The Board has adopted a share award plan (the “Plan”) on 6 July 2016 so as to recognize and appreciate the contribution of all qualified employees towards the growth and development of the Group. The entire issued share capital of Properous Commitment Holdings Limited (“Properous Commitment”) which in turns holds 10,320,000 Shares, is directly held by TMF Trust (HK) Limited which is a professional trustee. The trustee will hold on trust the award Shares for the benefit of the selected employees in accordance to the terms of the trust deed, until such award Shares are vested in the relevant selected employees in accordance with this Plan.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The plan is discretionary-based, and the Board has authorized the share award plan committee of the Company (“Share Award Plan Committee”) to manage the Plan, members of which include the controlling shareholder and executive Director Mr. Cheng Li, and the independent non-executive Director Mr. Ge Ning. Subject to the requirements of the Main Board Listing Rules and all applicable laws from time to time, the Share Award Plan Committee shall make recommendations for the Board’s approval. The Share Award Plan Committee shall be responsible for the administration of the Plan as well as communication with the trustee and the selected employees, including but not limited to the allocation of the award Shares to the selected employees upon obtaining such approval/authorization from the Board, and purchasing the award Shares on the market, as well as transferring the vested Shares to the selected employees. Before the vesting date, the selected employees have no right or interest in the award Shares (including the right to the dividends).

The maximum number of award Shares shall not exceed 10% of the issued share capital of the Company (including new Shares and existing Shares) from time to time, whereas the maximum number of Shares to be granted to a selected employee shall not exceed one percent (1%) of the issued share capital of the Company from time to time. The Directors have confirmed that the Company does not currently intend to issue any new Shares under the Plan. If new shares are to be issued under the Plan and assuming there are no existing shares to be used under the Plan, the maximum number of new shares to be issued will be 18,485,195 Shares as at the date of this report (taking into account of the current issued share capital of 288,051,953 Shares and 10,320,000 Shares held by Properous Commitment), representing approximately 6.4% of the existing issued share capital of the Company. The Company will seek a specific mandate in this regard as the grantees may be connected persons of the Company.

The Plan shall have valid and effect for ten years from the date of adoption to 5 July 2026. As at the date of this report, no Shares have been granted to qualified employees under the Plan. For details of the Plan, please refer to the announcements of the Company dated 7 July 2016 and 14 July 2016. So far as the Directors are aware, Properous Commitment and TMF Trust (HK) Limited have complied with the terms of trust deed as at the date of this report.

DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, as at 30 June 2023, no rights to acquire benefits by means of the acquisition of shares in or debentures of the Company were granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code regarding Directors’ dealings in the Company’s securities. Having made specific enquiry of all Directors, all Directors confirmed that they have complied with the Model Code during the Period.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH QUALIFICATION REQUIREMENTS AND LAWS AND REGULATIONS

The Group's primary business is considered to be value-added telecommunications service, a sector where foreign investment is subject to significant restrictions under the current PRC laws and regulations. Accordingly, with the restriction of the current PRC laws and regulations and the implementation of local competent authorities, the Company cannot acquire Nanjing Xihui and Nanjing Xinchuang, which hold certain licenses and permits required for our primary business. As a result, the Group entered into a series of contractual arrangement with Nanjing Xihui and Nanjing Xinchuang and their respective registered shareholders (the "Contractual Arrangement") in order to conduct the said business, and to assert management control over the operations of and enjoy the economic benefits derived from Nanjing Xihui and Nanjing Xinchuang. For details of the Contractual Arrangement, please refer to the section headed "Contractual Arrangement" of the 2022 Annual Report.

In addition, under the current PRC laws and regulations, a foreign investor intending to acquire any equity interest in a value-added telecommunications business in the PRC must also demonstrate a good track record and possess operating experience in providing value-added telecommunications services overseas ("Qualification Requirements").

So far as the Directors are aware, as at the date of this report, the Company has taken all reasonable steps to ensure that such Qualification Requirements are met if and when the PRC laws and competent authorities substantially allow foreign investors to invest in value-added telecommunications services in the PRC. The Company will continue to communicate with the relevant governmental authorities and provide updates where necessary.

Due to the nature of our business, the Company is significantly affected by PRC laws and regulations, including laws and regulations relating to telecommunications services, advertising services, information security and privacy protection as well as intellectual property rights. As far as the Directors are aware, the Company had no material breach of any relevant laws and regulations as at 30 June 2023. The Company reduced its potential legal risk through different management and monitoring systems, such as regular review of the effectiveness of internal control system, defined duty division and providing training to employees and management related to such laws and regulations and recruiting legal adviser as professional consultant.

COMPETING INTERESTS

So far as the Directors are aware, as at the date of this report, none of the Directors and their respective close associates has any substantial interests in a business which competes or may compete with the business of the Group or have any other conflict of interests with the Group.

CORPORATE GOVERNANCE AND OTHER INFORMATION

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The primary duties of the Audit Committee are to review the Company’s annual reports and accounts and interim reports, the financial reporting, risk management and internal control systems of the Group and to provide advice to the Board. The Audit Committee consists of two independent non-executive Directors, namely Mr. Manley Poon (chairman of the Audit Committee) and Mr. Ge Ning, and one non-executive Director, namely Ms. Li Juan. The Audit Committee has reviewed the unaudited interim results and interim report of the Group for the Period. The interim condensed consolidated financial statements for the Period have not been audited.

RISKS AND UNCERTAINTIES

Our Group believes that there are certain risks and uncertainties in our operations, some of which are beyond the Group’s control, including:

- (i) The Group is unable to guarantee that the Contractual Arrangement with the PRC Contractual Entities will be deemed by the relevant governmental and judicial authorities to be in compliance with existing PRC laws and regulations or that it will comply with future PRC laws and regulations, including but not limited to the new draft of the Foreign Investment Law of PRC (中華人民共和國外國投資法).

Our Directors have already formulated monitoring measures and examined the risk evaluation and report regularly, the details of which are set out in the Contractual Arrangement.

- (ii) The revenue of the Group relies significantly on the marketing and promotional services provided and new businesses may not be successfully developed and introduced going forward.

Since the operational environment in the Internet industry has never-ending changes and improvements, we believe we should timely keep track of the industry, market and customer demands development to review our business strategies. We jointly make investigation and assessment with industry experts and partners in addition to monitoring the market and industry by ourselves.

We optimize our sales and promotion models constantly through innovation to satisfy the demand of existing customers and explore new customers at the same time.

The Group will develop diversified business actively to anticipate comprehensive income. We will continue to propel industry chain cooperation and upgrade strategies, exploit more demands from mother-child households and formulate project management system to explore high-quality and suitable cooperation projects.

Research and development of technology is our significant support in business development. We have management system in place for technological research and development, so as to facilitate effective business development through technology.

CORPORATE GOVERNANCE AND OTHER INFORMATION

- (iii) The Company's investment scale is expanding which results in the failure to carry out timely and effective management may affect realization of investment expectations.

The Company pays close attention to investment risks and has established an investment team to make recommendations on investment matters. Our financial department, legal advisers and technical team are responsible for the follow-up of post-investment management so as to continuously monitor the status of business development and financial risks of investees. The Company has established an investment management system to implement relevant risk management and internal control measures. The Company also obtains relevant professional experience and knowledge by consulting external experts. Due to the uncertainties of the epidemic, the Group will continue to monitor the development of the epidemic, evaluate its impact, respond in an active manner and make timely disclosures.

- (iv) At the date of this report, the Group expects the COVID-19 will continue to affect part our clients. Due to the uncertainties of the epidemic, it is difficult to estimate its influence in the future. The Group will continue to monitor the development of the epidemic, evaluate its impact, respond in an active manner and make timely disclosures.

CORPORATE GOVERNANCE CODE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. To the best knowledge of the Directors, the Company had complied with all the code provisions as set out in the CG Code during the Period.

By order of the Board
China Parenting Network Holdings Limited
CHENG Li
Executive Director and Chief Executive Officer

Nanjing, the PRC, 31 August 2023

As at the date of this report, the executive Directors are Mr. Zhang Lake Mozi, Mr. Cheng Li, Mr. Lin Luofeng and Ms. Ng Kwok Ying Isabella; the non-executive Directors are Ms. Li Juan and Mr. Zhang Haihua; and the independent non-executive Directors are Mr. Zhao Zhen, Mr. Ge Ning and Mr. Manley Poon.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi)

The board of directors (the "Board") of China Parenting Network Holdings Limited (the "Company") submit herewith the unaudited interim report of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2023 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

	Notes	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Revenue from contracts with customers	3	23,813	33,560
Cost of sales		(19,003)	(25,578)
Gross profit		4,810	7,982
Other income, gains and losses	4	1,375	1,639
Selling and distribution expenses		(5,387)	(5,149)
Administrative expenses		(4,483)	(4,108)
Research and development costs	5	(2,811)	(4,109)
(Impairment loss) reversal of impairment loss on financial and contract asset, net	5	(551)	123
Fair value changes of financial assets at fair value through profit or loss ("FVTPL")	5	600	(1,341)
Other expenses		–	(1)
Gain on modification of convertible notes	20	–	801
Finance costs	6	(1,912)	(2,036)
Loss before tax	5	(8,359)	(6,199)
Income tax expense	7	–	(24)
Loss for the period		(8,359)	(6,223)
Loss attributable to:			
Owners of the Company		(8,359)	(5,858)
Non-controlling interests		–	(365)
		(8,359)	(6,223)
		RMB cents	RMB cents (Restated)
Loss per share attributable to owners of the Company			
Basic and diluted	9	(4.05)	(2.86)

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

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

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi)

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Loss for the period	(8,359)	(6,223)
Other comprehensive income (expense) for the period, net of tax:		
<i>Item that will not be reclassified to profit or loss in subsequent periods:</i>		
Financial assets designated at fair value through other comprehensive income ("FVTOCI"):		
Change in fair value	3,614	(37,527)
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	(174)	1,427
Other comprehensive income (expense) for the period, net of tax	3,440	(36,100)
Total comprehensive expense for the period	(4,919)	(42,323)
Total comprehensive expense attributable to:		
Owners of the Company	(4,919)	(41,958)
Non-controlling interests	-	(365)
	(4,919)	(42,323)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (Expressed in thousands of Renminbi)

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	17,010	15,060
Right-of-use assets		6,287	7,178
Long-term receivables	11	1,976	2,462
Deposit for property, plant and equipment		–	2,712
Other financial assets	12	93,051	88,077
		118,324	115,489
Current assets			
Inventories		3,149	1,187
Trade and bills receivables	13	5,134	9,971
Contract assets	14	3,407	6,139
Prepayments, deposits and other receivables	15	12,676	10,600
Other financial assets	12	15,206	14,985
Cash and cash equivalents	16	5,377	8,555
		44,949	51,437
Current liabilities			
Trade payables	17	1,955	3,208
Contract liabilities		249	325
Other payables and accruals	18	20,115	22,233
Lease liabilities		1,073	1,117
Borrowings	19	36,940	18,413
Convertible notes	20	–	13,816
Tax payable		5,868	5,868
		66,200	64,980
Net current liabilities		(21,251)	(13,543)
Total assets less current liabilities		97,073	101,946

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023 (Expressed in thousands of Renminbi)

	Notes	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Non-current liabilities			
Lease liabilities		181	693
Net assets		96,892	101,253
Equity			
Share capital	21	8,282	8,090
Reserves		88,610	93,163
Total equity		96,892	101,253

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi)

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium* RMB'000	Reserve fund* RMB'000	Other reserve* RMB'000	Convertible notes equity reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Fair value reserve* RMB'000	(Accumulated losses)/ retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023 (audited)	8,090	224,688	19,960	16,842	222	19,833	(158,507)	(29,875)	101,253	-	101,253
Loss for the period	-	-	-	-	-	-	-	(8,359)	(8,359)	-	(8,359)
Other comprehensive (expense) income for the period:											
Exchange differences related to foreign operation	-	-	-	-	-	(174)	-	-	(174)	-	(174)
Change in fair value of financial assets designated at FVTOCI, net of tax	-	-	-	-	-	-	3,614	-	3,614	-	3,614
Total comprehensive (expense) income for the period	-	-	-	-	-	(174)	3,614	(8,359)	(4,919)	-	(4,919)
Issue of new shares under subscription agreements	192	366	-	-	-	-	-	-	558	-	558
Release of fair value reserve upon derecognition of financial assets designated at FVTOCI	-	-	-	-	-	-	1,498	(1,498)	-	-	-
Lapse of convertible notes	-	-	-	-	(222)	-	-	222	-	-	-
At 30 June 2023 (unaudited)	8,282	225,054	19,960	16,842	-	19,659	(153,395)	(39,510)	96,892	-	96,892
At 1 January 2022 (audited)	8,090	224,688	20,310	16,842	1,502	17,941	(31,637)	10,736	268,472	(236)	268,236
Loss for the period	-	-	-	-	-	-	-	(5,858)	(5,858)	(365)	(6,223)
Other comprehensive (expense) income for the period:											
Exchange differences related to foreign operation	-	-	-	-	-	1,427	-	-	1,427	-	1,427
Change in fair value of financial assets designated at FVTOCI, net of tax	-	-	-	-	-	-	(37,527)	-	(37,527)	-	(37,527)
Total comprehensive (expense) income for the period	-	-	-	-	-	1,427	(37,527)	(5,858)	(41,598)	(365)	(42,323)
Modification of convertible notes	-	-	-	-	(459)	-	-	459	-	-	-
Lapse of convertible notes	-	-	-	-	(821)	-	-	821	-	-	-
At 30 June 2022 (unaudited)	8,090	224,688	20,310	16,842	222	19,368	(69,164)	6,158	226,514	(601)	225,913

* These reserve accounts comprise the consolidated reserves of RMB88,610,000 (30 June 2022: RMB218,424,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023 (Expressed in thousands of Renminbi)

	Note	For the six months ended 30 June	
		2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Operating activities			
Cash used in operations		(8,457)	(6,978)
Interest portion of lease payments		(37)	(93)
Income tax paid		–	(24)
Net cash used in operating activities		(8,494)	(7,095)
Investing activities			
Interest received		8	12
Purchases of items of property, plant and equipment		(11)	(5)
Repayment of loans to third parties		50	–
Repayment of loans to employees		754	810
Purchases of bank product investments		–	(56,500)
Proceeds from redemption of bank product investment		–	56,608
Proceeds from issue of new shares under subscription agreements		558	–
Proceeds from derecognition of financial assets designated at FVTOCI		10	–
Net cash generated from investing activities		1,369	925
Financing activities			
New bank loans		10,000	10,000
Repayment of bank loans		(5,000)	(14,000)
Principal portion of lease payments		(591)	(836)
Interest paid		(263)	(605)
Repayment of convertible notes		–	(9,743)
Net cash generated from (used in) financing activities		4,146	(15,184)
Net decrease in cash and cash equivalents		(2,979)	(21,354)
Cash and cash equivalents at beginning of the period		8,555	27,851
Effect on foreign exchange rate changes, net		(199)	(141)
Cash and cash equivalents at end of the period	16	5,377	6,356

The accompanying notes are an integral part of these interim condensed consolidated financial statements.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

1. GENERAL INFORMATION

China Parenting Network Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 13 October 2014 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands and its shares are listed in the Main Board of The Stock Exchange (the “Stock Exchange”). The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business in Hong Kong is Room 1905, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in (i) the provision of marketing and promotional services through the Group’s platform, including CI Web, mobile CI Web, Mobile Application Software (“APPs”) and IPTV APPs and (ii) sale of goods in China. There has been no significant change in the Group’s principal activities during the period.

2.1 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with the International Accounting Standards (“IAS”) 34 Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with those of the annual report for the year ended 31 December 2022.

The interim condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual report for the year ended 31 December 2022.

The consolidated results for the six months ended 30 June 2023 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

Going concern

The Group incurred a net loss of approximately RMB8,359,000 for the six months ended 30 June 2023, and as at the same date, the Group had net current liabilities of approximately RMB21,251,000. The directors of the Company are of the opinion that the Group would be able to continue as going concern as the Group has sufficient financial resources to support the operation of the Group in the foreseeable future, after taking into consideration of the followings:

- (a) A shareholder and an non-executive director of the Company have granted a loan facility to the Group and undertaken to provide adequate funds to enable the Group to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without significant curtailment of operations. Up to the date of this report, the loan facility has not been utilised under the arrangement;
- (b) The directors will strengthen and implement measures aiming at improving the working capital and cash flows of the Group, including closely monitoring the general administrative expenses and operating cost; and
- (c) The Group will seek to obtain additional new financial support including but not limited to borrowing loans, issuing additional equity or debt securities.

In view of the above measures, the directors are of the opinion that the Group will have adequate funds to meet its liabilities as and when they fall due for at least twelve months from the date of this report.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

2.2 CHANGES IN ACCOUNTING POLICIES

In the accounting period beginning from 1 January 2023, the Group has adopted, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”) that affect the Group and are adopted for the current period’s financial information:

IFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform — Pillar Two model rules

These amendments have had no material effect on how the Group’s results and financial position for the current or prior periods have been presented in this interim condensed consolidated financial statements. The Group has not applied any other new standards or interpretations that are not yet effective for the current accounting period.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENTAL INFORMATION

(a) Revenue from contracts with customers

The Group is principally engaged in the provision of marketing and promotional services through the Group’s platform and sale of goods.

(i) Disaggregation of revenue

Revenue of the Group are all from contracts with customers within the scope of IFRS 15. The amount of each significant category of revenue is as follows:

	For the six months ended 30 June	
	2023 (Unaudited) RMB’000	2022 (Unaudited) RMB’000
Marketing and promotional services	11,548	13,957
Sale of goods	12,265	19,603
	23,813	33,560

(ii) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date.

Contracts with provision of marketing and promotional services customers always have an original expected duration of less than one year. Contracts with individual customers for sales of goods are always satisfied within one month.

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENTAL INFORMATION (CONTINUED)

(b) Segment information

The Group determines its operating segments based on internal reports reviewed by the chief operating decision makers, which are the executive directors of the Company, for the purpose of allocating resources to the segments and to assess their performance.

The Group's reportable and operating segments have been identified as follows:

- (i) Marketing and promotional services; and
- (ii) Sale of goods

The amount of each significant category of revenue recognised during the reporting period is as follows:

	For the six months ended 30 June 2023		
	Marketing and promotional services (Unaudited) RMB'000	Sales of goods (Unaudited) RMB'000	Total (Unaudited) RMB'000
Disaggregated by timing of revenue recognition			
Over time	11,548	–	11,548
Point in time	–	12,265	12,265
Segment revenue	11,548	12,265	23,813
Segment results	2,333	2,477	4,810
	For the six months ended 30 June 2022		
	Marketing and promotional services (Unaudited) RMB'000	Sales of goods (Unaudited) RMB'000	Total (Unaudited) RMB'000
Disaggregated by timing of revenue recognition			
Over time	13,957	–	13,957
Point in time	–	19,603	19,603
Segment revenue	13,957	19,603	33,560
Segment results	6,363	1,619	7,982

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

3. REVENUE FROM CONTRACTS WITH CUSTOMERS AND SEGMENTAL INFORMATION (CONTINUED)

(b) Segment information (Continued)

	For the six months ended	
	30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Segment results	4,810	7,982
Unallocated		
Other income, gains and losses	1,375	1,639
Selling and distribution expenses	(5,387)	(5,149)
Administrative expenses	(4,483)	(4,108)
Research and development costs	(2,811)	(4,109)
(Impairment loss) reversal of impairment loss on financial and contract assets, net	(551)	123
Fair value changes of financial assets at FVTPL	600	(1,341)
Other expenses	–	(1)
Gain on modification of convertible notes	–	801
Finance costs	(1,912)	(2,036)
Loss before tax	(8,359)	(6,199)

Segment results during the period represents the gross profit of each segment without allocation of other income, gains and losses, selling and distribution expenses, administrative expenses, research and development costs, impairment loss/reversal of impairment loss on financial and contract assets, net, fair value changes of financial assets at FVTPL, gain on modification of convertible notes, other expenses and finance costs. This is the measure reported to the Group's chief operating decision makers, for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

No segment assets and segment liabilities and other segment information are presented as such amounts are not reviewed by the Group's chief operating decision makers for the purpose of resource allocation and performance assessment or otherwise regularly provided to the Group's chief operating decision makers.

Geographical information

During the periods, the Group operated within one geographical segment because substantially all of its revenue was generated in the Mainland China and all of its long-term assets/capital expenditure were located/incurred in the Mainland China. Accordingly, no geographical information is presented.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

4. OTHER INCOME, GAINS AND LOSSES

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Bank interest income	8	12
Other interest income	606	610
Foreign exchange (loss) gain, net	(40)	4
Government grants (note)	12	605
Investment income from bank product investments	–	108
Income from office sharing	231	300
Sundry income	558	–
	1,375	1,639

Note: Government grants were received from the government of the Mainland China mainly to encourage the Group's efforts on development and innovation. There are no unfulfilled or contingencies relating to the grants.

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Cost of inventories sold	9,788	17,983
Cost of services provided	9,215	7,594
Depreciation of property, plant and equipment	27	11
Depreciation of right-of-use assets	921	1,057
Research and development costs:		
Current period expenditure	2,811	4,109
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	5,642	6,791
Pension scheme contributions (defined contribution scheme)	600	853
Impairment loss (Reversal of impairment loss) on financial and contract assets, net:		
— Trade receivables	125	(24)
— Contract assets	532	(13)
— Financial assets included in prepayments, deposits and other receivables	(106)	(86)
Fair value changes of financial assets at FVTPL	(600)	1,341
Write-off of trade receivables	–	1
Foreign exchange loss (gain), net	40	(4)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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6. FINANCE COSTS

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Effective interest on convertible notes	468	1,419
Interest on bank loans	263	473
Interest on other borrowings	1,144	51
Interest on lease liabilities	37	93
	1,912	2,036

7. INCOME TAX EXPENSE

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

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Under the relevant income tax law, the Mainland China subsidiaries are subject to income tax at a statutory rate of 25% on their respective taxable income, except for one of the subsidiaries has been recognised as high-tech enterprise since 6 December 2019, the subsidiary can enjoy a preferential income tax rate of 15% from 2020 to 2023.

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Current tax — Mainland China		
Under-provision in respect of prior periods	—	24

8. DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2023 and 2022.

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(Expressed in thousands of Renminbi)

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share is based on the loss attributable to owners of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022.

No adjustment was made in calculating diluted loss per share for the six months ended 30 June 2023 and 2022 as the conversion of convertible notes would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

Comparative figures for the weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted for the share consolidation completed on 19 June 2023.

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

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Loss		
Loss attributable to owners of the Company	(8,359)	(5,858)

	For the six months ended 30 June	
	2023 (Unaudited) '000	2022 (Unaudited) '000 (Restated)
Number of shares		
Weighted average number of ordinary shares	206,509	205,132

	For the six months ended 30 June	
	2023 (Unaudited) RMB cents	2022 (Unaudited) RMB cents (Restated)
Loss per share attributable to owners of the Company — Basic and diluted	(4.05)	(2.86)

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets with a cost of approximately RMB2,067,000 (six months ended 30 June 2022: RMB5,000).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

11. LONG-TERM RECEIVABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Rental deposit	905	877
Loans to employees (note a)	940	1,454
Loans to third parties (note b)	131	131
	1,976	2,462

Notes:

- (a) Since September 2016, the Group had begun to offer certain employees' interest-free loans which amounted to no more than RMB15,000,000 in aggregate. The employees, including key management personnel, who have served the Group for more than three years can apply for such interest-free loans to purchase home properties. The balance, including interest-free loan to key management personnel of RMB700,000 (31 December 2022: RMB790,000), represents the interest-free loans to employees (note 24(a) to the interim condensed consolidated financial statements) which will be repaid within two to five years. The current portion which will be repaid within one year is presented in note 15 to the interim condensed consolidated financial statements.
- (b) The loans to third parties are unsecured, bearing interest rate at 6% per annum and repayable within two to five years. The current portion which will be repaid within one year is presented in note 15 to the interim condensed consolidated financial statements.

12. OTHER FINANCIAL ASSETS

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Financial assets designated at FVTOCI:		
— Unlisted equity securities	72,530	68,926
Financial assets at FVTPL:		
— Unlisted equity securities	15,206	14,985
— Convertible loans to third parties	20,521	19,151
	108,257	103,062
Analysed into:		
— Non-current	93,051	88,077
— Current	15,206	14,985
	108,257	103,062

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13. TRADE AND BILLS RECEIVABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Trade receivables	8,597	12,954
Less: Impairment allowance	(3,463)	(3,338)
	5,134	9,616
Bills receivables	–	355
	5,134	9,971

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 to 180 days after date of invoices, depending on contracts with individual customers.

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 3 months	4,031	6,090
3 to 6 months	24	2,406
6 months to 1 year	139	1,127
1 to 2 years	940	227
2 to 3 years	–	121
	5,134	9,971

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(Expressed in thousands of Renminbi)

14. CONTRACT ASSETS

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Contract assets arising from marketing and promotional services	4,478	6,678
Less: Impairment allowance	(1,071)	(539)
	3,407	6,139

Contract assets are initially recognised for revenue earned from the marketing and promotional services as the receipt of consideration is conditional on successful completion of services. Included in contract assets for marketing and promotional services are retention receivables. Upon completion of services and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables.

During the six months ended 30 June 2023, impairment losses of approximately RMB532,000 were recognised (six months ended 30 June 2022: RMB13,000 were reversed) for expected credit losses on contract assets.

The expected timing of recovery or settlement for contract assets as at the end of the reporting period is as follows:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 1 year	3,407	6,139

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(Expressed in thousands of Renminbi)

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Advance payment to suppliers	6,460	2,039
Prepayments	4,425	4,266
Deposits	156	421
Other receivables	817	2,872
Loans to third parties (note 11)	188	238
Loans to employees (note 11)	690	930
	12,736	10,766
Less: Impairment allowance	(60)	(166)
	12,676	10,600

16. CASH AND CASH EQUIVALENTS

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Cash and bank balances	5,377	8,555

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB5,204,000 (31 December 2022: RMB6,651,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

17. TRADE PAYABLES

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

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Within 1 month	–	2,931
1 to 3 months	–	15
Over 3 months	1,955	262
	1,955	3,208

Trade payables are non-interest-bearing and normally settled within 30 days.

18. OTHER PAYABLES AND ACCRUALS

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Other payables and accruals	15,553	12,921
Other tax payables	3,290	7,187
Employee related payables	731	1,470
Receipt in advance	541	655
	20,115	22,233

Other payables and accruals are non-interest-bearing and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

19. BORROWINGS

	30 June 2023			31 December 2022		
	Effective interest rate (%)	Maturity	(Unaudited) RMB'000	Effective interest rate (%)	Maturity	(Audited) RMB'000
Current						
Bank loans, guaranteed (note (a))	3.25–4.45	2023–2024	18,500	4.00–4.45	2023	13,500
Other borrowings, unsecured (note (b))	23.00	On demand	18,440	28.00	On demand	4,913
			36,940			18,413
				30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000	
Carrying amounts repayable: Within one year or on demand				36,940	18,413	

Notes:

- (a) The bank loans of RMB18,500,000 (31 December 2022: RMB13,500,000) are guaranteed by personal guarantees given by an executive director, Mr. Cheng Li, and non-executive directors, Ms. Li Juan and Mr. Wu Haiming, of the Company (Mr. Wu Haiming resigned as non-executive director on 9 August 2023). The relevant directors did not receive any fees for such guarantees from the Group and the Group did not provide any collateral for the aforesaid guarantees to the relevant directors.

The Group's bank facilities amounted to RMB18,500,000 (31 December 2022: RMB13,500,000), all of which had been utilised as at the end of the reporting period and will be settled within one year.

- (b) The other borrowings of HK\$20,000,000 (equivalent to approximately of RMB18,440,000) (31 December 2022: HK\$5,500,000 (equivalent to approximately of RMB4,913,000)) is unsecured and repayable on demand.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

20. CONVERTIBLE NOTES

The Company issued HK\$32,000,000 (equivalent to approximately RMB27,046,000) 5% convertible notes at a par value of HK\$0.24 each on 29 March 2021. The convertible notes are denominated in Hong Kong dollars. The notes entitle the holders to convert them into ordinary shares of the Company at any time between the date of issue of the notes and their settlement date on 29 March 2022 at a conversion price of HK\$0.24 per convertible note. If the notes have not been converted, they would be redeemed on 29 March 2022. Interest of 5% would be paid on 29 March 2022.

On initial recognition, the equity component of the convertible notes was separated from the liability component. The equity element is presented in equity heading "convertible notes equity reserve" of HK\$1,776,000 (equivalent to approximately RMB1,502,000). The effective interest rate of the liability component is 11.58%.

On 29 March 2022, the Company entered into the Amendment and Restatement Deed ("Amendment and Restatement Deed") with the holders to extend the maturity date to 30 April 2023 for convertible notes with principal amount of HK\$14,500,000 (equivalent to approximately RMB12,255,000). Certain holders of notes with the principal amount of HK\$5,500,000 (equivalent to approximately RMB4,465,000) did not extend their notes upon maturity in April 2022 and such convertible notes were reclassified to borrowings accordingly.

The Company did not redeem the remaining convertible notes with principal amount of HK\$14,500,000 (equivalent to approximately RMB12,852,000) at the maturity date. The balance of convertible notes was reclassified to borrowings.

The movement of the liability component of the convertible notes for the period/year is set out below:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
At the beginning of the period/year	13,816	26,378
Effective interest expense	468	2,204
Repayment of convertible notes	–	(10,312)
Interest paid	–	(129)
Accrued interest	(1,324)	(623)
Reclassified to borrowings	(12,852)	(4,465)
Gain on modification	–	(801)
Exchange realignment	(108)	1,564
At the end of the period/year	–	13,816

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(Expressed in thousands of Renminbi)

21. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of HK\$0.05 (31 December 2022: HK\$0.01) each		
Issued and fully paid:		
Balance as at 1 January 2022, 31 December 2022 and 1 January 2023	1,025,662,000	8,090
Issue of new shares under subscription agreement (Note a)	7,317,073	64
Issue of new shares under subscription agreement (Note b)	14,347,826	128
Share consolidation (Note c)	(837,861,519)	–
As at 30 June 2023	209,465,380	8,282

Notes:

- (a) On 6 April 2023, the Company completed a subscription agreement with a third party (the “Subscriber”), pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 7,317,073 ordinary shares (at par value of HK\$0.01) at the subscription price of HK\$0.041 per share. Those subscription shares issued by the Company rank pari passu in all respects with the issued ordinary shares of the Company on the date of issue.
- (b) On 19 May 2023, the Company completed a subscription agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 14,347,826 ordinary shares (at par value of HK\$0.01) at the subscription price of HK\$0.023 per share. Those subscription shares issued by the Company rank pari passu in all respects with the issued ordinary shares of the Company on the date of issue.
- (c) Pursuant to an ordinary resolution passed by shareholders at the annual general meeting held on 15 June 2023, the share consolidation of every five issued and unissued shares of HK\$0.01 each into one consolidated share of HK\$0.05 each became effective on 19 June 2023. Details of the Share Consolidation are disclosed in the Company’s announcements dated 29 March 2023 and circular dated 16 May 2023.

22. CONTINGENT LIABILITIES

As at the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

23. COMMITMENTS

The Group had the following capital commitment at the end of the reporting period:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
Contracted, but not provided for: Land and buildings	43,947	49,030

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(Expressed in thousands of Renminbi)

24. RELATED PARTIES' TRANSACTIONS

- (a) Material transactions with related parties:

	30 June 2023 (Unaudited) RMB'000	31 December 2022 (Audited) RMB'000
For the period/year		
Maximum aggregate amount of loan to key management personnel	700	880
At the period/year-end		
Loan to key management personnel	700	790
Other receivable from a shareholder	138	134

The loan granted to key management personnel who are not directors of the Company is interest-free loan and has fixed terms of repayment within two to five years, which are included in loans to employees in note 11 to the interim condensed consolidated financial statements.

- (b) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2023 (Unaudited) RMB'000	2022 (Unaudited) RMB'000
Salaries, allowances and benefits in kind	754	1,611
Pension scheme contributions	43	226
	797	1,837

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

25. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

As at 30 June 2023

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Financial assets designated at FVTOCI RMB'000	Total RMB'000
Long-term receivables	1,976	–	–	1,976
Other financial assets	–	35,727	72,530	108,257
Trade and bills receivables	5,134	–	–	5,134
Financial assets included in prepayments, deposits and other receivables	1,791	–	–	1,791
Cash and cash equivalents	5,377	–	–	5,377
	14,278	35,727	72,530	122,535

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	1,955
Financial liabilities included in other payables and accruals	15,553
Borrowings	36,940
Lease liabilities	1,254
	55,702

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(Expressed in thousands of Renminbi)

25. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

As at 31 December 2022

Financial assets

	Financial assets at amortised cost RMB'000	Financial assets at FVTPL RMB'000	Financial assets designated at FVTOCI RMB'000	Total RMB'000
Long-term receivables	2,462	–	–	2,462
Other financial assets	–	34,136	68,926	103,062
Trade and bills receivables	9,971	–	–	9,971
Financial assets included in prepayments, deposits and other receivables	2,027	–	–	2,027
Cash and cash equivalents	8,555	–	–	8,555
	23,015	34,136	68,926	126,077

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	3,208
Financial liabilities included in other payables and accruals	12,921
Borrowings	18,413
Lease liabilities	1,810
Convertible notes	13,816
	50,168

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13 Fair Value Measurement.

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 and the audit committee. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

The fair value of financial assets at FVTPL and financial assets designated at FVTOCI with significant unobservable under Level 3 which have been assessed by the valuer using the valuation techniques of (i) market approach, discounted cash flows and asset-based approach for growing and well-developed companies and (ii) Black Scholes Model for financial assets with derivative embedded.

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments for which fair values are disclosed:

Fair value hierarchy at 30 June 2023

	Level 1 (Unaudited) RMB'000	Level 2 (Unaudited) RMB'000	Level 3 (Unaudited) RMB'000	Total (Unaudited) RMB'000
Financial assets				
Other financial assets				
Financial assets designated at FVTOCI				
— Unlisted equity securities	—	—	72,530	72,530
Financial assets at FVTPL				
— Unlisted equity securities	—	—	15,206	15,206
— Convertible loans to third parties	—	—	20,521	20,521
	—	—	108,257	108,257

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Fair value hierarchy at 31 December 2022

	Level 1 (Audited) RMB'000	Level 2 (Audited) RMB'000	Level 3 (Audited) RMB'000	Total (Audited) RMB'000
Financial assets				
Other financial assets				
Financial assets designated at FVTOCI				
— Unlisted equity securities	—	—	68,926	68,926
Financial assets at FVTPL				
— Unlisted equity securities	—	—	14,985	14,985
— Convertible loans to third parties	—	—	19,151	19,151
	—	—	103,062	103,062

Below is a summary of significant unobservable inputs to the valuation of financial instruments as at the end of the reporting period:

As at 30 June 2023 and 31 December 2022

Financial assets	Valuation techniques	Significant unobservable input
Financial assets at FVTPL		
Unlisted equity securities and convertible loans to third parties	Discounted Cash Flows	Effective interest rate, taking into account of risk-adjusted return, is 8% (31 December 2022: 9%) (note (i))
	Black Scholes Model	Expected volatility of 36% (31 December 2022: 36%), taking into account volatility in entities in similar industries extracted from the financial database of Wind (萬得信息技術股份有限公司) ("Wind") (note (ii))
Financial assets designed at FVTOCI		
Unlisted equity securities	Market approach	Price/book ratio ranging from 6.9 to 8.2 (31 December 2022: 4.4 to 7.3) taking into account price/book ratio of entities in similar industries extracted from database of Wind, adjusted for discount for lack of marketability (note (iii))
		Enterprise value/sales ratio ranging from 7.2 to 8.5 (31 December 2022: 4.2 to 7.0), taking into account enterprise value/sales ratio of entities in similar industries extracted from database of Wind, adjusted for discount for lack of marketability (note (iv))

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

Notes:

- (i) An increase in the effective interest rate used in isolation would result in a decrease in the fair value measurement of the financial assets at FVTPL and vice versa. 5% increase/decrease in the effective interest rate holding all other variables constant would decrease/increase the carrying amount of financial assets at FVTPL of approximately RMB721,000 and RMB795,000 respectively (31 December 2022: RMB1,075,000 and RMB1,206,000 respectively).
- (ii) An increase in the expected volatility used in isolation would result in an increase in the fair value measurement of the financial assets at FVTPL and vice versa. 10% increase/decrease in the volatility holding all other variables constant would increase/decrease the carrying amount of financial assets at FVTPL by RMBNil (31 December 2022: RMBNil).
- (iii) An increase in the price/book ratio used in isolation would result in an increase in the fair value measurement of the financial assets designated at FVTOCI, and vice versa. 2% increase/decrease in the price/book ratio holding all other variables constant would increase/decrease the carrying amount of the financial assets designated at FVTOCI of approximately RMB1,671,000 and RMB1,671,000 respectively (31 December 2022: RMB1,579,000 and RMB1,579,000 respectively).
- (iv) An increase in the enterprise value/sales ratio used in isolation would result in an increase in the fair value measurement of the financial assets designated at FVTOCI, and vice versa. 2% increase/decrease in the enterprise value/sales ratio holding all other variables constant would increase/decrease the carrying amount of the financial assets designated at FVTOCI of approximately RMB273,000 and RMB273,000 respectively (31 December 2022: RMB169,000 and RMB169,000 respectively).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

26. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Reconciliation of Level 3 fair value measurements

The movements in fair value measurements with Level 3 during the period are as follows:

	Financial assets at FVTPL		Financial assets designated at FVTOCI	Total RMB'000
	Unlisted equity securities RMB'000	Convertible loans to third parties RMB'000	Unlisted equity securities RMB'000	
At 1 January 2022 (audited)	39,820	15,359	195,790	250,969
Loan interest receivable	–	1,040	–	1,040
Exchange realignment	2,601	–	6	2,607
Changes in fair value recognised in profit and loss	(27,436)	2,752	–	(24,684)
Changes in fair value recognised in other comprehensive income	–	–	(126,870)	(126,870)
At 31 December 2022 (audited)	14,985	19,151	68,926	103,062
At 1 January 2023 (audited)	14,985	19,151	68,926	103,062
Loan interest receivable	–	520	–	520
Exchange realignment	471	–	–	471
Derecognition	–	–	(10)	(10)
Changes in fair value recognised in profit and loss	(250)	850	–	600
Changes in fair value recognised in other comprehensive income	–	–	3,614	3,614
At 30 June 2023 (Unaudited)	15,206	20,521	72,530	108,257

The Group did not have any financial liabilities measured at fair value as at 30 June 2023 and 31 December 2022.

During the period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (six months ended 30 June 2022: Nil).

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27. EVENTS AFTER THE REPORTING PERIOD

- (a) On 12 June 2023, the Company and a shareholder of the Company, entered into the subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and the shareholder has conditionally agreed to subscribe for 91,733,750 shares at a subscription price of HK\$0.023 per share (equivalent to 18,346,750 shares a subscription price of HK\$0.115 per share after share consolidation completed on 19 June 2023). The subscription has been completed on 4 July 2023, details of which are set out in the Company's announcement dated 12 June 2023.
- (b) Also, on 12 June 2023, the Company and a creditor, an independent third party, entered into the loan capitalisation agreement, pursuant to which the creditor conditionally agreed to subscribe for, and the Company conditionally agreed to allot and issue 91,733,750 shares at the issue price of HK\$0.023 per share (equivalent to 18,346,750 shares at the issue price of HK\$0.115 per share after share consolidation completed on 19 June 2023). The subscription has been completed on 4 July 2023, details of which are set out in the Company's announcement dated 12 June 2023.
- (c) On 11 July 2023, the Company and two subscribers, independent third parties, entered into the subscription agreements, pursuant to which the Company has conditionally agreed to allot and issue, and the subscribers have conditionally agreed to subscribe for 41,893,074 shares at a subscription price of HK\$0.1525 per share. The subscription has been completed on 29 July 2023, details of which are set out in the Company's announcements dated 11 July 2023 and 27 July 2023 respectively.