

INTERIM REPORT 2021



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全平台

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2006-2021

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. Hu Qingyang

Non-Executive Directors

Ms. Li Juan
Mr. Wu Haiming
Mr. Zhang Haihua

Independent Non-Executive Directors

Mr. Wu Chak Man
Mr. Zhao Zhen
Mr. Ge Ning

BOARD COMMITTEES

Audit Committee

Mr. Wu Chak Man (*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

Baker Tilly Hong Kong 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

As to PRC law

King & Wood Mallesons
17th Floor, One ICC
Shanghai International Commerce Centre
999 Middle Huai Hai Road
Xuhui District, Shanghai 200031
The PRC

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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

CORPORATE INFORMATION

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

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
Level 54, Hopewell Centre
183 Queen's Road East
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”) is hereby announce the unaudited condensed consolidated interim results of the Group for six months ended 30 June 2021 (the “Period”).

| | For the six months ended | |
|---|---------------------------------|---------------------|
| | 30 June 2021 | 30 June 2020 |
| | (Unaudited) | (Unaudited) |
| | RMB'000 | RMB'000 |
| Revenue | 41,911 | 32,206 |
| Gross profit | 10,259 | 6,279 |
| Loss for the period | (9,411) | (33,096) |
| Total loss for the period attributable to: | | |
| Owners of the parent | (9,068) | (28,727) |
| Non-controlling interests | (343) | (4,369) |

The Group’s revenue for the six months ended 30 June 2021 increased by approximately 30% over the same period of last year. The Group’s net loss for six months ended 30 June 2021 decreased by approximately 71.6% over the same period of last year.

As at 30 June 2021, the total volume of data of mobile APPs of the Company (representing the sum volume of data of “Pregnancy Tracker” APP and the “Mama BBS” APP, two major mobile APPs of CI Web), the MAU and DAU grew to 16.52 million and 3.62 million respectively, representing an increase of 9.6% and 8.42%, respectively, as compared to those of last year.

During the period, CI Web continued to upgrade its products and services to build a “smart home lifestyle”, focusing on the three strategies in traffic, transaction, and digitalization, to attract traffic from the entire mother-child ecosystem and expand its four major traffic portals, namely the self-owned platform traffic, community traffic, IP traffic and SaaS traffic. Driven by “content + technology + channel”, we accurately reached the mother-child/mother-child-related users. Through in-depth exploration of user needs, we managed to provide brands with a reach, penetration, conversion, loyalty and technology-driven digital business solution in all scenarios.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading mother-child platform in China, providing users with content, community, new media, e-commerce, smart hardware and other related services through a portfolio of websites and APPs including CI Web, Mama BBS APP, Pregnancy Tracker APP, new media matrix and mother-child online communities, covering areas including new retail, health, education, home entertainment and family travel, etc. The Group also created solutions for the digitalization of the mother-child industrial chain using refined operation, leading technology and more than 15 years of experience in the mother-child industry.

During the Period, China's consumer market continued to grow, the development of digitalization kept accelerating, consumer needs and behaviors continued to change, the trend of consumption classification has become more prominent, and the value of the lower-tier cities market has grown rapidly. At the same time, retail brands faced challenges such as scattered user traffic and rising customer acquisition costs, as well as fierce competition in the current market, which urgently requires solutions for targeted operations.

Deep diving into user values based on big data can help brands to accurately reach users, achieve effective transactions and extend user life cycle. In recent years, various technologies such as big data have been widely used in online and offline consumption scenarios, which promoted the continuous accumulation of consumer behavior data, making it inevitable for brands to market themselves in all scenarios.

In the mother-child industry, the population has very significant characteristics. User needs tend to be younger, professional, and segmented. The target population radiates from mothers to all family members. The mother-child services are extended to the full-scenario life services of the family. This brings a broader space for development for the overall market. The main catalyst channels for mother-child population are vertical platforms, content platforms and shopping platforms, whereas media forms such as short videos and live broadcasts have an increasing influence on the consumption decision-making of mother-child products. Among them, the mother-child population obtains higher-quality content through the vertical APPs and participates in more refined community activities. For mothers with a second child, they have a higher degree of trust and loyalty to mother-child vertical APPs, while the active penetration rate of such APPs is high in general.

During the Period, CI Web continued to upgrade its products and services to build a "smart home lifestyle", focusing on the three strategies in traffic, transaction, and digitalization, as well as the related product matrix. As at 30 June 2021, the total volume of data of mobile APPs of the Company (representing the sum volume of data of "Pregnancy Tracker" APP and the "Mama BBS" APP, two major mobile APPs of CI Web), the MAU and DAU grew to 16.52 million and 3.62 million respectively, representing an increase of 9.6% and 8.42%, respectively, as compared to those of last year.

Perform refined operation to nurture a one-stop service platform

The Mama BBS has been upgraded to enhance the interactive social experience from three aspects of activeness, quality and diversity. It guided users into small topics with up-to-date content aggregation methods; launched live broadcast IP of Mama BBS to conduct real-time interactions with users about professional mother-child knowledge, female empathy, and experience sharing; optimized the recommendation channels, launched several festivals such as "Super Baby Day", "Deal-Hunting Festival" and "Foodie Flash Sale", using various interactive forms to recommend, promote and share products, helping users with their purchase decision making. Mama BBS also advocated the younger generation of the mother-child population to show their self-worth and carried out a series of self-satisfied activities around themes such as "the ordinary glory" and "what you say to yourself", which resonated with the users and set off a sharing craze.

MANAGEMENT DISCUSSION AND ANALYSIS

Relying on the existing pregnancy content and Mini Programs matrix, as well as the self-developed S-CRM SaaS system based on WeChat Enterprise, Pregnancy Tracker launched the “Mama Planet” community service. It provided one-on-one online real time consults for pregnant users. Through targeted operation, it also provided authenticated and reliable information about local hospital departments and related maternity and nursing services for mothers at different stages of pregnancy and offer free parenting expert courses and mother-child product samples. At the same time, among the user groups of the same age in the same city, real word-of-mouth and experience sharing was generated through user exchanges. Experts from third-class hospitals were also invited to answer user questions and provide scientific guidance.

Use strong IP and innovative content to optimize live broadcast and short video

CI Web continued to improve its creativity of digital content and has formed an original content output matrix centered on professional editors, authoritative experts, and KOLs and now has its own IP content matrix. Among them, the number of high-quality contents produced by independent users has also been increasing. These grassroots influencers rising from the community are closer to the user group, making it easier for them to gain followers’ trust, which makes them a very important force to convey the content and reputation of our platform.

The short video and live broadcast content system developed by CI Web takes strong IP and high-quality content as key. Based on big data portraits of users and analysis of the needs of mother-child users, it invited professionals in related fields to create IP accounts, including doctors, lawyers, teachers, etc., targeting the pain points of parenting families, bringing more scientific and effective communication. CI Web focused on creating original short videos and launched a variety of one-minute pan-entertainment series of animations and short video columns such as “Ask If you don’t understand”, “Since I Become a Mom”. Instead of preaching science, we understood more about the inner activities of contemporary parents. We also advocated a scientific and healthy family life concept, and we hoped to reach the mother-child/mother-child-related population through MCN’s full-scenario channels.

Consumption upgrades, and product iterates. The new IP “BOSS has something new” created by CI Web is a one-minute short video cast by the brand executives. Using “short, precise and fast” trending short video content, we explored the new products, new services and new upgrade highlights brought by the brand renewal, demonstrated the core competition strengths in the brand upgrade, and made professional recommendations.

Extensive planning on mother-child ecosystem traffic and channels

CI Web has planned an in-depth layout of the SaaS system in all scenarios, covering new retail, education, health and parent-child travel. Building on the full-scenario service structure, it would open up to more strategic partners, establish four major traffic portals, namely the self-owned platform traffic, community traffic, IP traffic and SaaS traffic and expand the ability to penetrate users in all scenarios.

Relying on the resources of CI Web and a team with rich experience in retail system development, the new retail system of Mommy Store invested and developed by our platform has provided customized near-field retail service system for small and medium-sized mother-child stores, including solutions for smart cashier, refined membership operations and user conversion, offering a better shopping experience in the low-tier cities.

CI Web has been strategically cooperating with retail platforms such as JD.com. By efficiently integrating its own traffic pool and e-commerce full-scenario resources, it uses diversified social media marketing methods to deeply communicate with the new generation of mother-child population, creating an innovative marketing path across the platform.

MANAGEMENT DISCUSSION AND ANALYSIS

Digital business solution for the children-babies-maternity users

CI Web coordinated the three strategies of traffic, transaction and digitalization and the related product matrix, provided digital business solutions for the children-babies-maternity users, and focused on in-depth exploration of consumer demands. As a result, we managed to provide the brands with a reach, penetration, conversion, loyalty and technology-driven marketing strategy in all scenarios.

When facing the competition of decentralized traffic, we used a high-viscosity private domain traffic pool and an accurate traffic pool to meet the needs of the brand to reach the related user group at multiple points; Using the ability of digital content service to provide penetration for the brand's recognition, mental occupation, extensive interaction, and word-of-mouth reputation; Based on mature private domain operation experience and big data insight, operate user life cycle of the brand, revitalize the brand's CRM data assets, and cultivate brand loyalty; Strengthen the advantages of shopping guides, lay out transaction sales, center on self-operated services, optimize recommendation channels, and small bizzar APP guides to meet the needs of multi-scenario, multi-mode, high-frequency, and fast-closed transactions. Relying on the strong technical center, with a zero-code, multi-scenario, and cross-platform technical system structure, we can help brands to solve technical problems, improve the efficiency of digital upgrades, and expand customized services of SaaS systems for businesses such as education and playgrounds. During the Period, we also provided APP development and operation for the Beijing Winter Olympics Zhangjiakou Miyuanding ski slope project.

Future Prospects

When facing the continuous fragmentation of the market structure, better grasp of data, understanding of data, and analysis of data have become key factors that can promote the development of the industry. CI Web has been involved in the industry for 15 years and is trusted by users. Based on user big data and in-depth cooperation with industry partners, we have dived into the market and continuously output industry research reports. During the Period, the 2020 China Milk Powder Data Report, 2021 Mother-Child Family Nutrition Trend Report, and 2021 China Infants and Children Care Report were released. Our surveys were accurate, the data were detailed, and the coverage was wide. The reports analyzed from policy, capital, industry, channel, and consumer sides, and provided guidance with reference value for the industry to quickly adapt to changes and carry out innovation and integration. Under the "new opportunities" such as the full opening of the three-child policy, we will continue to form a joint force with industry partners, support the unified data system, and provide full-scenario intelligent segmentation services for mother-child families to meet their growing emotional connection and needs for high-quality life.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue for the six months ended 30 June 2021 was approximately RMB41.9 million, representing an increase of approximately 30.12% over approximately RMB32.2 million for the six months ended 30 June 2020, primarily due to the innovation in the forms of marketing and promotion and enhancement in reputation of the Group, resulting in more budgets invested by our customers.

Cost of sales

The Group's cost of sales for the six months ended 30 June 2021 was approximately RMB31.7 million, representing an increase of approximately 22.39% over approximately RMB25.9 million for the six months ended 30 June 2020, primarily due to the increased efforts put into the promotion and technological support on CI Web and its related APPs.

Gross profit and gross profit margin

The Group's gross profit for the six months ended 30 June 2021 was approximately RMB10.3 million, representing an increase of approximately 63.49% over approximately RMB6.3 million for the six months ended 30 June 2020. At the same period, the Group's gross profit margin increased from approximately 19.5% to approximately 24.5%, primarily due to the increase of the Group's income.

Other income and gains

The Group's other income and gains for the six months ended 30 June 2021 was approximately RMB3.1 million, representing a decrease of approximately 53.73% compared to approximately RMB6.7 million for the six months ended 30 June 2020, primarily due to the decrease in government grants provided by the local government as development support funds.

Selling and distribution expenses

The Group's selling and distribution expenses for the six months ended 30 June 2021 was approximately RMB8.0 million, representing a decrease of approximately 60.20% over approximately RMB20.1 million for the six months ended 30 June 2020, which was mainly due to the decrease in marketing and promotion expenses as well as head counts.

Administrative expenses

The Group's administrative expenses for the six months ended 30 June 2021 was approximately RMB5.7 million, representing a decrease of approximately 28.75% over approximately RMB8.0 million for the six months ended 30 June 2020, which was mainly due to the decrease in expenses such as rents.

Research and development costs

The Group's research and development ("R&D") cost for the six months ended 30 June 2021 was approximately RMB8.0 million, representing an increase of approximately 45.45% over approximately RMB5.5 million for the six months ended 30 June 2020, primarily attributable to the increase in the number of R&D personnel and increase in technology development inputs.

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

The Group's income tax expense for the six months ended 30 June 2021 was approximately RMB0.07 million, representing a decrease of approximately 58.82% over approximately RMB0.17 million for the six months ended 30 June 2020.

Loss for the Period

As a result of the factors described above, the Group's net loss for six months ended 30 June 2021 was approximately RMB9.4 million, representing a decrease of approximately 71.6% over approximately RMB33.1 million for the six months ended 30 June 2020.

Gearing ratio

As at 30 June 2021, the gearing ratio of the Group, calculated as total liabilities, divided by total assets, was 18% (31 December 2020: 12%).

Liquidity and capital resources

As at 30 June 2021, the net current assets of the Group was approximately RMB35.3 million (31 December 2020: approximately RMB47.3 million) and the cash and cash equivalents were approximately RMB44.4 million (31 December 2020: approximately RMB44.1 million).

As at 30 June 2021, the bank borrowing of the Group was approximately RMB19 million (31 December 2020: approximately RMB19 million). The Group's bank borrowings as at 30 June 2021 were denominated in RMB and the loans of RMB14.0 million (31 December 2020: approximately RMB10.0 million) were guaranteed by personal guarantees, details are set out in note 18 of the consolidated financial statement.

Capital commitment

As at 30 June 2021, the Group had capital commitment of approximately RMB52.3 million (31 December 2020: RMB52.3 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 2021, the Group had a total of 147 (30 June 2020: 172) employees including executive Directors. Total staff costs were approximately RMB13.8 million for the Period (30 June 2020: approximately RMB13.3 million).

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the Period, there was no material acquisition or disposal of subsidiaries, associates and joint ventures by the Group (30 June 2020: Nil).

Charges of assets

As at 30 June 2021, the Group did not make any pledged bank deposit (30 June 2020: Nil).

Contingent liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities (30 June 2020: Nil).

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL ASSETS

As at 30 June 2021, 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 2021 | Investment amount as at 30 June 2021 | Fair value of investment as at 30 June 2021 ⁽¹⁾ | Proportion of investment in 2021 to the total asset of the Company as at 30 June 2021 | Principal Business | Change of fair value of investment comparing with 31 December 2020 |
|---|--|--|--------------------------------------|--|---|--|--|
| 1 | Nanjing Hongdou Information Technology Company Limited* (南京紅豆信息技術有限公司) | 12.30% | RMB15,000,000.00 | RMB16,482,000.00 | 4.38% | 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. | RMB-369,000.00 |
| 2 | 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 | RMB1,700,000.00 | 0.45% | 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. | RMB-700,000.00 |
| 3 | DEEPFOLIO PTY LTD | 18.00% | USD72,542.00 | RMB106,400.00 | 0.03% | Provision of a professional investment solution for artificial intelligence empowerment. Investors can use the most advanced artificial intelligence technologies to develop quantitative investment strategies and manage their own investment. | RMB89,500.00 |
| 4 | DYNAMIC PIXEL WORKS PTY LTD | 18.00% | USD72,563.00 | RMB500.00 | 0.0001% | Provide assistance in the animation production process with artificial intelligence technologies in order to make the process easier and faster and significantly reduce the cost of animation production. | RMB300.00 |
| 5 | DAILY ROBOTICS PTY LTD | 18.00% | USD72,532.00 | RMB2,800.00 | 0.0007% | Use artificial intelligence technology to identify scenarios and objects with accuracy rate as high as 98% and achieves continuous improvement of accuracy by using machine learning technology under manual intervention, and the provision of API and output technical services for various businesses and industries. | RMB2,000.00 |

MANAGEMENT DISCUSSION AND ANALYSIS

| | Name of the relevant company | Proportion of shares held as at 30 June 2021 | Investment amount as at 30 June 2021 | Fair value of investment as at 30 June 2021 ⁽¹⁾ | Proportion of investment in 2021 to the total asset of the Company as at 30 June 2021 | Principal Business | Change of fair value of investment comparing with 31 December 2020 |
|----|--|--|--------------------------------------|--|---|---|--|
| 6 | 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 | RMB3,600,000.00 | 0.96% | 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. | RMB-600,000.00 |
| 7 | 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 | RMB9,288,000.00 | 2.47% | 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-516,000.00 |
| 8 | 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 | RMB3,956,000.00 | 1.05% | Principal activities are the provision of container cloud management platform, artificial intelligence cloud platform, public cloud and private cloud services based on microservices. | RMB-516,000.00 |
| 9 | 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 | RMB8,600,000.00 | 2.28% | 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 |
| 10 | Nanjing Luobo Information Technology Company Limited* (南京蘿播信息技術有限公司) | 15.00% | RMB12,000,000.00 | RMB7,650,000.00 | 2.03% | 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. | RMB-300,000.00 |

MANAGEMENT DISCUSSION AND ANALYSIS

| | Name of the relevant company | Proportion of shares held as at 30 June 2021 | Investment amount as at 30 June 2021 | Fair value of investment as at 30 June 2021 ⁽¹⁾ | Proportion of investment in 2021 to the total asset of the Company as at 30 June 2021 | Principal Business | Change of fair value of investment comparing with 31 December 2020 |
|----|---|--|--------------------------------------|--|---|--|--|
| 11 | 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 | RMB3,900,000.00 | 1.04% | 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. | RMB-400,000.00 |
| 12 | 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 | RMB2,900,000.00 | 0.77% | 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. | RMB-600,000.00 |
| 13 | Guangzhou Muyun Electronic Commerce Co., Ltd.* (廣州沐雲電子商務有限公司) | 16.00% | RMB4,000,000.00 | RMB3,360,000.00 | 0.89% | 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. | RMB-480,000.00 |
| 14 | 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 | RMB5,220,000.00 | 1.39% | 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. | RMB-180,000.00 |
| 15 | Nanjing Xianju Information Technology Co., Ltd.* (南京先巨信息技術有限公司) | 15.00% | RMB10,000,000.00 | RMB7,050,000.00 | 1.87% | 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. | RMB-750,000.00 |

MANAGEMENT DISCUSSION AND ANALYSIS

| Name of the relevant company | Proportion of shares held as at 30 June 2021 | Investment amount as at 30 June 2021 | Fair value of investment as at 30 June 2021 ⁽¹⁾ | Proportion of investment in 2021 to the total asset of the Company as at 30 June 2021 | Principal Business | Change of fair value of investment comparing with 31 December 2020 |
|---|--|--------------------------------------|--|---|--|--|
| 16 Nanjing Youchao Information Technology Co., Ltd.* (南京優潮信息技術有限公司) | 19.00% | RMB7,000,000.00 | RMB5,890,000.00 | 1.56% | 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-190,000.00 |
| 17 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 | RMB4,420,000.00 | 1.17% | 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. | RMB-510,000.00 |
| 18 Nanjing Qianguang Information Technology Co., Ltd.* (南京千光信息技術有限公司) | 17.20% | RMB10,000,000.00 | RMB11,180,000.00 | 2.97% | 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. | RMB-172,000.00 |
| 19 Nanjing Yuanhui Information Technology Co., Ltd.* (南京遠匯信息技術有限公司) | 17.20% | RMB10,000,000.00 | RMB7,224,000.00 | 1.92% | 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. | RMB-344,000.00 |

MANAGEMENT DISCUSSION AND ANALYSIS

| | Name of the relevant company | Proportion of shares held as at 30 June 2021 | Investment amount as at 30 June 2021 | Fair value of investment as at 30 June 2021 ⁽¹⁾ | Proportion of investment in 2021 to the total asset of the Company as at 30 June 2021 | Principal Business | Change of fair value of investment comparing with 31 December 2020 |
|----|---|--|--------------------------------------|--|---|---|--|
| 20 | Nanjing Youke Workshop Information Technology Co., Ltd.* (南京優客工場信息技術有限公司) | 17.20% | RMB10,000,000.00 | RMB10,836,000.00 | 2.88% | 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-172,000.00 |
| 21 | Nanjing Mengmiao Education Technology Co., Ltd.* (南京萌苗教育科技有限公司) | 18.00% | RMB8,000,000.00 | RMB12,780,000.00 | 3.39% | 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. | RMB-540,000.00 |
| 22 | Nanjing Suyun Xiupu Information Technology Co., Ltd.* (南京速雲秀普信息技術有限公司) | 10.00% | RMB3,000,000.00 | RMB3,700,000.00 | 0.98% | 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". | RMB-100,000.00 |
| 23 | Nanjing Duomai Information Technology Company Limited* (南京多麥信息技術有限公司) | 18.08% | RMB16,000,000.00 | RMB11,932,800.00 | 3.17% | 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 Information 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-904,000.00 |

MANAGEMENT DISCUSSION AND ANALYSIS

| Name of the relevant company | Proportion of shares held as at 30 June 2021 | Investment amount as at 30 June 2021 | Fair value of investment as at 30 June 2021 ⁽¹⁾ | Proportion of investment in 2021 to the total asset of the Company as at 30 June 2021 | Principal Business | Change of fair value of investment comparing with 31 December 2020 |
|---|--|--------------------------------------|--|---|--|--|
| 24 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 | RMB8,428,000.00 | 2.24% | 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-688,000.00 |
| 25 Nanjing Baicheng Medical Technology Company Limited* (南京柏橙醫療科技有限公司) | 17.20% | RMB16,000,000.00 | RMB15,136,000.00 | 4.02% | 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-172,000.00 |
| 26 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 | RMB11,945,500.00 | 3.17% | Operation of emerging distributed applications with the support of new blockchain, and the provision of high-performance computing with low cost and high yield by establishing a distributed cloud infrastructure. | RMB-723,900.00 |
| 27 Nanjing Duoazan Health Technology Company Limited* (南京多贊健康科技有限公司) | 17.07% | RMB13,000,000.00 | RMB12,973,200.00 | 3.45% | 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. | RMB-341,400.00 |
| 28 Shanghai Shijiu Information Technology Co., Ltd.* (上海視九信息科技有限公司) | 0.82% | RMB650,000.00 | RMB483,800.00 | 0.13% | 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. | RMB-8,200.00 |
| 29 Shanghai Beijia Network Technology Co., Ltd.* (上海蓓嘉網絡科技有限公司) | 5.00% | RMB2,500,000.00 | RMB200,000.00 | 0.05% | 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 |

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

- (1) Further details of the fair value measurement of the Group are set out in note 24 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 2021.
- (2) During the Period, the Company has not sold any financial assets.

As at 30 June 2021, 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 2021 | Investment amount as at 30 June 2021 | Fair value of investment as at 30 June 2021 | Proportion of investment in 2021 to the total asset of the Company as at 30 June 2021 | Principal Business | Unrealised gain/(loss) on change in fair value for the six months ended 30 June 2021 | Realised gain/(loss) for the six months ended 30 June 2021 | Dividend income for the six months ended 30 June 2021 |
|------------------------------|--|--------------------------------------|---|---|--|--|--|---|
| CLOUD TECH LIMITED | 18.00% | HK\$50,000,000.00 | RMB45,744,700.00 | 12.15% | 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. | RMB217,100.00 | - | - |

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 2021 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 12 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 2021 are set out below:

| Name of the relevant company | Borrowing made to the relevant company as at 30 June 2021 | Annual interest rate as at 30 June 2021 | Term of loan | Investment Guarantee as at 30 June 2021 | Exercise of the priority right of the investment shares | Fair value of investment as at 30 June 2021 | Proportion of investment to the total asset of the Company as at 30 June 2021 | Principal Business | Accumulated interest income for the six months ended 30 June 2021 |
|---|---|---|--------------|---|---|---|---|--|---|
| | RMB | | | | | | | | |
| 1 Nanjing Qianyu Information Technology Company Limited* (南京千魚信息技術有限公司) | RMB 12,000,000.00 | 6% | 36 months | Guaranteed by an A share listed company | No | RMB 12,376,991.49 | 3.29% | A major platform for parentchild consumption. | RMB 2,522,958.90 |
| 2 Beijing Hongwei Technology Company Limited* (北京宏偉科技有限公司) | RMB 4,000,000.00 | 8% | 24 months | N/A | No | RMB 5,061,826.12 | 1.34% | Providing equipment support to medical institution and developing online platform for health consultation. | RMB 1,179,835.62 |

| Name of the relevant company | Borrowing made to the relevant company as at 30 June 2021 | Annual interest rate as at 30 June 2021 | Term of loan | Investment Guarantee as at 30 June 2021 | Exercise of the priority right of the investment shares | Carrying value of investment as at 30 June 2021 | Proportion of investment to the total asset of the Company as at 30 June 2021 | Principal Business | Accumulated interest income for the six months ended 30 June 2021 |
|---|---|---|--------------|---|---|---|---|---|---|
| | RMB | | | | | | | | |
| 1 Shenzhen Feishikang Technology Company Limited* (深圳飛視康科技有限公司) | RMB 1,000,000.00 | 6% | 12 months | Guaranteed by shareholders | No | RMB 264,250.23 | 0.07% | Feishikang provides video stream media technologies and services to other security organizations. | RMB 219,616.44 |

MANAGEMENT DISCUSSION AND ANALYSIS

CONVERTIBLE NOTES

Reference is made to the announcements of the Company dated on 9 February 2021, 15 February 2021 and 29 March 2021 in relation to the issue of Convertible Notes under General Mandate (the "Announcements"). Unless otherwise defined, terms used in this section shall bear the same meanings as those defined in the Report.

On 9 February 2021, the Company entered into the Subscription Agreement with the Investors (which included the First Investor and the Subscribers) in relation to the issue of Convertible Notes in the aggregate principal amount of HK\$35 million. In addition to the First Investor, the Convertible Notes were subscribed by the Subscribers who are not less than six in number and have adhered to the terms of the Subscription Agreement through the entering into of a deed of adherence. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the First Investor, the Subscribers and their ultimate beneficial owners are Independent Third Parties and are not acting in concert with any of the connected person(s) of each other.

The Subscription was completed on 29 March 2021 and the approval for the listing of, and permission to deal in the Conversion Shares has been granted by the Stock Exchange. Based on the initial Conversion Price of HK\$0.24 per Conversion Share, a maximum number of 145,833,333 new ordinary shares of the Company will be allotted and issued upon exercise of the Conversion Rights attached to the Convertible Notes in full. The closing price per Share on the Stock Exchange on the date of the Subscription Agreement and the Supplemental Agreement on 15 February 2021 are HK\$0.24. The net proceeds of the issue of the Convertible Notes, after deduction of expenses, are approximately HK\$34.3 million.

The Company intended to use the net proceeds for business expansion and investments 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.

As of 30 June 2021, the Company had utilized approximately HK\$26.64 million of the net proceeds raised from the Subscription and HK\$7.66 million of the net proceeds raised from the Subscription remained unutilized. The Group will gradually utilize the unutilized net proceeds depending on its business needs and is expected to utilize the residual amount of such net proceeds within approximately 2 years.

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 engaged in 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 2021, the Group had utilised approximately HK\$235.0 million of the net proceeds. The unutilised net proceeds in the amount of approximately HK\$41.4 million has been deposited in banks.

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

| Use of Net Proceeds | Original Allocation HK\$ million | Revised Allocation | Revised Allocation | Revised Allocation | Revised Allocation | Utilized Amount as at 30 June 2021 HK\$ million | Unutilized Amount as at 30 June 2021 HK\$ million | Expected timetable for the utilization of the remaining net proceeds |
|--|-------------------------------------|--|--|--|---|--|--|--|
| | | as at 26 February 2016 HK\$ million | as at 15 December 2017 HK\$ million | as at 2 May 2018 HK\$ million | as at 3 July 2018 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 | - | - |
| Working capital and other general corporate purposes | 27.6 | 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 | 41.4 | expected in 2023 |
| 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 | - | - |
| Total | 276.4 | 276.4 | 276.4 | 276.4 | 276.4 | 235.0 | 41.4 | - |

MANAGEMENT DISCUSSION AND ANALYSIS

As disclosed in the announcements of the Company dated 15 December 2017 and 28 September 2018, the Group has been in discussions with Management Committee of the Software Valley of Nanjing, the PRC regarding the acquisition of land for its headquarters. As disclosed in the announcement of the Company dated 27 December 2019, Nanjing Wanhui, an indirect wholly-owned subsidiary of the Company, has entered into the Development Entrustment Agreement with Nanjing Ningnan Real Estate Development pursuant to which Nanjing Ningnan Real Estate Development shall mainly (i) assist Nanjing Wanhui in acquisition of land use right of the Target Land from Nanjing Planning and Natural Resources Bureau; and (ii) construct and develop the Target Land as the Group's new headquarters in the PRC. The Consideration of approximately RMB54.3 million (equivalent to approximately HK\$60.3 million) includes the costs of the acquisition, construction and development of the Target Land.

The amount of the consideration to be paid by Nanjing Wanhui will be satisfied mainly by the net proceeds from the Placing allocated for acquiring property or land for the construction of the headquarters of the Company, with any remaining amount by the Group's internal resources. In 2019, Nanjing Wanhui has paid a land premium of RMB5.34 million (equivalent to approximately HKD6.0 million) to Nanjing Bureau of Finance. During 2020, a total of construction fees and various government administrative fees and taxes of RMB10.6 million (approximately HKD12.6 million) were paid. The remaining portion of the allocated fund has not been utilised. The Company has obtained the construction land planning permit and the land certificate for the construction of the headquarters of the Company.

According to the Development Entrustment Agreement, the planned construction area in the Nanyuan Area, the Software Valley of Nanjing, the PRC has been approved by the government authority, spanning to existing Mading Road (馬定路) to the north, existing Meiyuan South Road (梅苑南路) to the west, existing Second Passage of Lukou Airport (祿口機場二通道) to the east and Dazhou Road (大周路) to the south. The Target Land is located at Nanyuan Area, the Software Valley of Nanjing, the PRC, with a site area of approximately 3,210 sq.m. and a total floor area of approximately 8,358 sq.m. It is expected that the construction work will be completed in 2022, subject to the actual progress of such construction work. The Group is currently leasing properties for its own use as offices. The Directors consider that the development of the Target Land as the Group's new headquarters will benefit the Group in saving rental expenses. The Company may consider renting out the remaining premises for rental returns.

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 2021, 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 |
|-------------------------------|--------------------------------------|---------------------------------------|--|
| Ms. Li Juan ⁽¹⁾ | Interest in a controlled corporation | 376,451,007 | |
| | Interest of concert party | 120,000,000 | |
| | Total: | 496,451,007 | 48.40% |
| Mr. Wu Haiming ⁽¹⁾ | Interest of spouse | 496,451,007 | 48.40% |
| Mr. Cheng Li ⁽²⁾ | Interest in a controlled corporation | 120,000,000 | |
| | Interest of concert party | 376,451,007 | |
| | Total: | 496,451,007 | 48.40% |

Notes:

- (1) Each of Loyal Alliance Management Limited ("Loyal Alliance") and Prime Wish Holdings Limited ("Prime Wish") is wholly owned by Ms. Li Juan, who is therefore deemed to be interested in all the shares held by each of Loyal Alliance and Prime Wish. Ms. Li Juan and Mr. Cheng Li entered into an acting in concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other. Mr. Wu Haiming, a non-executive Director, is the spouse of Ms. Li Juan, and therefore is deemed to be interested in the interests of Ms. Li Juan.
- (2) 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. Ms. Li Juan and Mr. Cheng Li entered into an acting in concert party agreement dated 19 June 2015, and are therefore deemed to be interested in the interests of each other.

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⁾ | 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, 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 2021, 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 2021, 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 |
|---------------------------------------|--------------------|---------------------------------------|--|
| Loyal Alliance ⁽¹⁾ | Beneficial owner | 160,451,007 | 15.64% |
| Prime Wish ⁽¹⁾ | Beneficial owner | 216,000,000 | 21.06% |
| Victory Glory ⁽²⁾ | Beneficial owner | 120,000,000 | 11.70% |
| Properous Commitment ⁽³⁾ | Beneficial owner | 51,600,000 | 5.03% |
| TMF Trust (HK) Limited ⁽³⁾ | Trustee | 51,600,000 | 5.03% |

Notes:

(1) Each of Loyal Alliance and Prime Wish is directly and wholly owned by Ms. Li Juan.

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

(3) Properous Commitment is directly held by TMF Trust (HK) Limited, a professional trustee engaged by the Company for the operation of the Share Award Plan.

Save as disclosed above, as at 30 June 2021, 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. No share option has been granted under the Share Option Scheme since its adoption by the Company.

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, 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 9.75% 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 2021. Therefore, no share options were outstanding under the Scheme.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURE

Save as disclosed above, as at 30 June 2021, 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.

NON-COMPETITION UNDERTAKINGS

The controlling shareholders of the Company, namely Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited (the "Controlling Shareholders") have entered into a deed of non-competition (the "Deed of Non-competition") on 19 June 2015. Details of the Deed of Non-competition are set out in the section headed "Relationship with Controlling Shareholders" of the Prospectus and the non-competition undertaking has become effective from the date of listing. So far as the Directors are aware, as at the date of this report, the Controlling Shareholders have not breached any terms under the Deed of Non-competition.

SHARE AWARD PLAN

The Board has adopted a share award plan (the "Plan") on 6 July 2016 so as to recognize and appreciate the contribution of any qualified employees towards the growth and development of the Group. On 8 September 2016, Mr. Hsieh Kun Tse, the non-executive Director, had transferred the entire issued share capital of Properous Commitment Holdings Limited ("Properous Commitment") which in turn holds 51,600,000 of the Shares of the Company, to TMF Trust (HK) Limited at nil consideration. The trustee holds 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. For details of the Plan, please refer to the announcements of the Company dated 7 July 2016 and 14 July 2016. To the best knowledge of the Directors, as at the date of this report, both Properous Commitment and TMF Trust (HK) Limited have complied with the terms of the trust deed.

As at the date of this report, no Shares have been granted to qualified employees under the Plan.

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 "Structural Contract") 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 2020 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 of telecommunications services, those relevant to advertising service, 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 2021. 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 provided training to employees and management related to such laws and regulations and recruit 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 or the Controlling Shareholders and their respective close associates has any 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.

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. Wu Chak Man (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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 examine 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.

- (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 outbreak of 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 AND OTHER INFORMATION

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 2021

As at the date of this report, the executive directors of the Company are Mr. Zhang Lake Mozi, Mr. Cheng Li and Mr. Hu Qingyang; the non-executive directors are Mr. Wu Haiming, Ms. Li Juan and Mr. Zhang Haihua; and the independent non-executive directors of the Company are Mr. Wu Chak Man, Mr. Zhao Zhen and Mr. Ge Ning.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021 (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 2021 prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting".

| | | For the six months ended 30 June | |
|---|------|---|-----------------------------------|
| | | 2021 (Unaudited) | 2020 (Unaudited) (Restated) |
| | Note | RMB'000 | RMB'000 |
| Revenue | 4 | 41,911 | 32,206 |
| Cost of sales | | (31,652) | (25,927) |
| Gross profit | | 10,259 | 6,279 |
| Other income and gains | 5 | 3,083 | 6,740 |
| Selling and distribution expenses | | (8,041) | (20,113) |
| Administrative expenses | | (5,710) | (7,998) |
| Research and development costs | | (8,003) | (5,455) |
| Impairment losses on financial and contract asset, net | | (440) | 356 |
| Fair value changes of financial assets at fair value through profit or loss | | 789 | (12,255) |
| Other expenses | | (51) | (81) |
| Finance costs | 7 | (1,225) | (402) |
| Loss before tax | 6 | (9,339) | (32,929) |
| Income tax expense | 8 | (72) | (168) |
| Loss for the period | | (9,411) | (33,097) |
| Loss Attributable to: | | | |
| Owners of the parent | | (9,068) | (28,728) |
| Non-controlling interests | | (343) | (4,369) |
| | | (9,411) | (33,097) |
| | | RMB cents | RMB cents (Restated) |
| Loss per share attributable to ordinary equity holders of the parent | | | |
| Basic and diluted | 9 | (0.88) | (2.80) |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021 (Expressed in thousands of Renminbi)

| | For the six months ended 30 June | |
|---|-------------------------------------|--|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) (Restated) RMB'000 |
| Loss for the period | (9,411) | (33,097) |
| Other comprehensive (loss)/income, net of tax: | | |
| Items that will not be reclassified to profit or loss in subsequent periods: | | |
| Financial assets designated at fair value through other comprehensive income: | | |
| Change in fair value | (10,859) | (2) |
| Income tax effect | 425 | 390 |
| | (10,434) | 388 |
| Items that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of foreign operations | (481) | 34 |
| Other comprehensive (loss)/income for the period, net of tax | (10,915) | 422 |
| Total comprehensive loss for the period | (20,326) | (32,675) |
| Total comprehensive loss for the period attributable to: | | |
| Owners of the parent | (19,983) | (28,306) |
| Non-controlling interests | (343) | (4,369) |
| | (20,326) | (32,675) |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 (Expressed in thousands of Renminbi)

| | Note | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|--|------|---|---|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 8,026 | 8,067 |
| Right-of-use assets | | 6,640 | 7,665 |
| Long-term receivables | 11 | 3,167 | 4,237 |
| Deposit for property, plant and equipment | | 2,712 | 2,712 |
| Other financial assets | 12 | 254,129 | 259,217 |
| | | 274,674 | 281,898 |
| Current assets | | | |
| Inventories | | 2,405 | 2,806 |
| Trade and bills receivables | 13 | 8,387 | 14,244 |
| Contract assets | 14 | 18,250 | 18,306 |
| Prepayments, deposits and other receivables | 15 | 28,414 | 5,424 |
| Other financial assets | 12 | – | 4,958 |
| Cash and cash equivalents | 16 | 44,411 | 44,090 |
| | | 101,867 | 89,828 |
| Current liabilities | | | |
| Trade payables | | 500 | 2,201 |
| Contract liabilities | | 418 | 339 |
| Other payables and accruals | 17 | 14,719 | 13,685 |
| Lease liabilities | | 742 | 1,447 |
| Interest-bearing bank borrowings | 18 | 19,000 | 19,000 |
| Convertible notes | 19 | 25,296 | – |
| Tax payable | | 5,868 | 5,868 |
| | | 66,543 | 42,540 |
| Net current assets | | 35,324 | 47,288 |
| Total assets less current liabilities | | 309,998 | 329,186 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021 (Expressed in thousands of Renminbi)

| Note | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|--|---|---|
| Non-current liabilities | | |
| Lease liabilities | 678 | 663 |
| Deferred tax liabilities | 2,367 | 2,720 |
| | 3,045 | 3,383 |
| NET ASSETS | 306,953 | 325,803 |
| Equity | | |
| Equity attributable to owners of the parent | | |
| Share capital | 8,090 | 8,090 |
| Reserves | 295,760 | 314,267 |
| | 303,850 | 322,357 |
| Non-controlling interests | 3,103 | 3,446 |
| TOTAL EQUITY | 306,953 | 325,803 |

Cheng Li
Director

Zhang Lake Mozi
Director

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021 (Expressed in thousands of Renminbi)

| | Note | Attributable to owners of the Company | | | | | | | Total | Non-controlling interests | Total | |
|---|------|---------------------------------------|---------------------------|---------------------------|---------------------------|--|--------------------------------|--------------------------------------|----------------|---------------------------|--------------|------------------------------|
| | | Share capital RMB'000 | Share premium* RMB'000 | Reserve funds* RMB'000 | Other reserve* RMB'000 | Exchange fluctuation reserve* RMB'000 | Fair value reserve* RMB'000 | Convertible note reserve* RMB'000 | | | | Retained profits* RMB'000 |
| At 1 January 2021 (audited) | | 8,090 | 224,688 | 20,310 | 16,842 | 18,393 | (28,157) | - | 62,191 | 322,357 | 3,446 | 325,803 |
| Loss for the period | | - | - | - | - | - | - | - | (9,068) | (9,068) | (343) | (9,411) |
| Other comprehensive loss for the period: | | | | | | | | | | | | |
| Exchange differences related to foreign operations | | - | - | - | - | (481) | - | - | - | (481) | - | (481) |
| Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax | | - | - | - | - | - | (10,434) | - | - | (10,434) | - | (10,434) |
| Total comprehensive loss for the period | | - | - | - | - | (481) | (10,434) | - | (9,068) | (19,983) | (343) | (20,326) |
| Issue of convertible notes | 19 | - | - | - | - | - | - | 1,495 | - | 1,495 | - | 1,495 |
| Transaction costs for convertible notes | 19 | - | - | - | - | - | - | (19) | - | (19) | - | (19) |
| At 30 June 2021 (unaudited) | | 8,090 | 224,688 | 20,310 | 16,842 | 17,912 | (38,591) | 1,476 | 53,123 | 303,850 | 3,103 | 306,953 |
| At 1 January 2020, previously reported | | 8,090 | 224,688 | 21,347 | 16,842 | 21,096 | 26,073 | - | 122,780 | 440,916 | 3,789 | 444,705 |
| Correction of prior period errors at 1 January 2020 | 3 | - | - | - | - | - | (34,549) | - | 34,549 | - | - | - |
| At 1 January 2020 (restated) | | 8,090 | 224,688 | 21,347 | 16,842 | 21,096 | (8,476) | - | 157,329 | 440,916 | 3,789 | 444,705 |
| Loss for the period (restated) | | - | - | - | - | - | - | - | (28,728) | (28,728) | (4,369) | (33,097) |
| Other comprehensive income for the period: | | | | | | | | | | | | |
| Exchange differences related to foreign operations | | - | - | - | - | 34 | - | - | - | 34 | - | 34 |
| Change in fair value of financial assets designated at fair value through other comprehensive income, net of tax (restated) | | - | - | - | - | - | 388 | - | - | 388 | - | 388 |
| Total comprehensive income/ (loss) for the period | | - | - | - | - | 34 | 388 | - | (28,728) | (28,306) | (4,369) | (32,675) |
| Appropriation of statutory reserves | | - | - | 10 | - | - | - | - | (10) | - | - | - |
| At 30 June 2020 (restated) | | 8,090 | 224,688 | 21,357 | 16,842 | 21,130 | (8,088) | - | 128,591 | 412,610 | (580) | 412,030 |

* These reserve accounts comprise the consolidated reserves of RMB295,760,000 (30 June 2020: RMB404,520,000) in the interim condensed consolidated statement of financial position.

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021 (Expressed in thousands of Renminbi)

| | Note | For the six months ended 30 June | |
|---|------|-------------------------------------|--|
| | | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) (Restated) RMB'000 |
| Operating activities | | | |
| Loss before tax | | (9,339) | (32,929) |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 6 | 79 | 287 |
| Depreciation of right-of-use assets | 6 | 1,017 | 1,036 |
| Finance costs | 7 | 1,225 | 402 |
| Impairment of trade receivables, net | 6 | (60) | (201) |
| Impairment of contract assets, net | 6 | (22) | (155) |
| Impairment of financial assets included in prepayments, deposits and other receivables | 6 | 522 | – |
| Reversal of written down of inventories | 6 | (795) | – |
| Bank interest income | 5 | (117) | (35) |
| Other interest income | 5 | (698) | (745) |
| Fair value changes of financial assets at fair value through profit or loss | 6 | (789) | 12,255 |
| Investment income from bank product investments | 5 | (259) | (1,548) |
| Staff costs arising from interest-free loans to employees | | 152 | 192 |
| Foreign exchange differences, net | 6 | 33 | (19) |
| Loss on early termination of leases | 6 | – | 164 |
| Operating cash flows before working capital changes | | (9,051) | (21,296) |
| (Increase)/decrease included in prepayments, deposits and other receivables | | (23,527) | 2,414 |
| Decrease in trade and bills receivables | | 5,917 | 3,918 |
| Decrease/(increase) in contract assets | | 78 | (405) |
| Increase in long-term receivables | | – | (18) |
| Decrease in inventories | | 1,196 | – |
| Increase in contract liabilities | | 79 | 654 |
| Decrease in trade payables | | (1,701) | – |
| Increase/(decrease) in other payables and accruals | | 686 | (1,971) |
| Cash used in operations | | (26,323) | (16,704) |
| Interest portion of lease payment | | (43) | – |
| Income tax paid | | – | (35) |
| Net cash flows used in operating activities | | (26,366) | (16,739) |

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021 (Expressed in thousands of Renminbi)

| | Note | For the six months ended 30 June | |
|---|------|-------------------------------------|--|
| | | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) (Restated) RMB'000 |
| Investing activities | | | |
| Interest received | | 117 | 35 |
| Refund of deposit paid for property, plant and equipment | | – | (13) |
| Purchases of items of property, plant and equipment | | (39) | (304) |
| Loans to employees | | (240) | – |
| Repayment of loan to employees | | 1,210 | 340 |
| Purchases of financial assets designated at fair value through other comprehensive income | | – | (2,500) |
| Purchases of bank product investments | | (82,500) | (65,500) |
| Proceeds from redemption of bank product investments | | 82,759 | 97,048 |
| Net cash generated from investing activities | | 1,307 | 29,106 |
| Financing activities | | | |
| New bank borrowings | | 9,000 | 14,000 |
| Repayment of bank loans | | (9,000) | (44,000) |
| Principal portion of lease payments | | (561) | (840) |
| Proceeds from issuance of convertible notes | 19 | 26,943 | – |
| Transaction costs for convertible notes | 19 | (334) | – |
| Interest paid | | (376) | (349) |
| Net cash generated from/(used in) financing activities | | 25,672 | (31,189) |
| Net increase/(decrease) in cash and cash equivalents | | 613 | (18,822) |
| Cash and cash equivalents at beginning of the period | | 44,090 | 57,684 |
| Effect of foreign exchange rate changes, net | | (292) | 34 |
| Cash and cash equivalents at end of the period | 16 | 44,411 | 38,896 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

1 CORPORATE 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. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 8 July 2015 (the “Listing Date”). Upon approval by the Stock Exchange on 27 September 2018, the shares of the Company were listed on the Main Board on 8 October 2018 and delisted from the GEM since the last day of trading on 5 October 2018.

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.

In the opinion of the directors of the Company, as of the date of approval of these financial statements, Ms. Li Juan, Mr. Cheng Li, Mr. Wu Haiming, Loyal Alliance Management Limited, Prime Wish Holdings Limited and Victory Glory Holdings Limited are the Company’s controlling shareholders.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2021 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 2020.

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 2020, except for the accounting policy changes that are expected to be reflected in the annual report for the year ended 31 December 2021. Details of any changes in accounting policies are set out in note 2.2.

The unaudited consolidated results for the six months ended 30 June 2021 have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

2.2. CHANGES IN ACCOUNTING POLICIES

In the accounting period beginning from 1 January 2021, the Group has adopted, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) that affect the Group and are adopted for the current period’s financial information:

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

Interest Rate Benchmark Reform — Phase 2

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

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 unaudited interim condensed consolidated financial information. The Group has not applied any other new standards or interpretations that are not yet effective for the current accounting period.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

3 CORRECTION OF PRIOR PERIOD ERRORS

In preparing the interim condensed consolidated financial statements for the six months ended 30 June 2021, the Group had identified certain accounting treatments adopted by the Group in its previously issued interim condensed consolidated financial statements for the six months ended 30 June 2019 were incorrect. The amounts presented in the Company's interim condensed consolidated financial statements in respect of the six months ended 30 June 2019 have been restated to correct those errors identified.

(a) Adjustments relating to classification of unlisted equity securities

Certain investments in unlisted equity securities which were previously classified as equity instruments at fair value through other comprehensive income ("FVOCI") contain contractual terms that for the investee companies and/or their original shareholders have contractual obligations to repurchase the equity shares held by the Group and/or issue additional shares to the Group in case of certain contingent events that have genuine possibility of occurring. Accordingly, those investments do not meet the definition of an equity instrument in IAS 32 "Financial Instruments: Presentation" and cannot be designated at FVOCI by the Group. Such investments should have been classified as financial assets at fair value through profit or loss ("FVPL") under IFRS 9 as at 1 January 2018.

(b) Adjustments relating to classification of loans to others

Certain loans to others which were previously classified as financial assets at FVOCI contain convertible options where the loans are convertible into equity interest in the borrowers. Accordingly, these loan receivables do not satisfy the contractual cash flow characteristics test for financial assets at FVOCI specified in IFRS 9. Such loans receivables should have been classified as financial assets at FVPL under IFRS 9 as at 1 January 2018.

The Group has quantified the financial impact on its financial statements and their impact on the Company's interim condensed consolidated financial statements are provided in the tables below.

A summary of the effect of the restatement on the applicable line items within the Company's interim condensed consolidated statement of profit or loss for the six months ended 30 June 2020 were as follows:

| | As previously reported (Unaudited) RMB'000 | Adjustments relating to classification of unlisted equity securities measured at FVPL (Unaudited) RMB'000 | Adjustments relating to classification of convertible loans measured at FVPL (Unaudited) RMB'000 | As restated (Unaudited) RMB'000 |
|--|---|---|---|---------------------------------------|
| Fair value changes of financial assets at fair value through profit of loss | – | (10,847) | (1,408) | (12,255) |
| Loss before tax | (20,674) | (10,847) | (1,408) | (32,929) |
| Income tax expense | (102) | (66) | – | (168) |
| Loss for the period | (20,776) | (10,913) | (1,408) | (33,097) |
| Loss attributable to owners of the parent | (16,407) | (10,913) | (1,408) | (28,728) |
| Loss per share attributable to ordinary equity holders of the parent | | | | |
| Basic and diluted | (1.60) | (1.06) | (0.14) | (2.80) |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

3 CORRECTION OF PRIOR PERIOD ERRORS (CONTINUED)

A summary of the effect of the restatement on the applicable line items within the Company's interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2020 were as follows:

| | As previously reported (Unaudited) RMB'000 | Adjustments relating to classification of unlisted equity securities measured at FVPL (Unaudited) RMB'000 | Adjustments relating to classification of convertible loans measured at FVPL (Unaudited) RMB'000 | As restated (Unaudited) RMB'000 |
|---|--|---|--|---------------------------------------|
| Loss of the period | (20,776) | (10,913) | (1,408) | (33,097) |
| Financial assets designated at fair value through other comprehensive income: | | | | |
| Changes in fair value | (12,257) | 10,847 | 1,408 | (2) |
| Income tax effect | 324 | 66 | – | 390 |
| Other comprehensive (loss)/income for the period, net of tax | (11,899) | 10,913 | 1,408 | 422 |

A summary of the effect of restatement on the applicable line items within the Company's interim condensed consolidated statement of changes in equity as at 1 January 2020 is as follows.

| | As previously reported (Audited) RMB'000 | Adjustments relating to classification of unlisted equity securities measured at FVPL (Audited) RMB'000 | Adjustments relating to classification of convertible loans measured at FVPL (Audited) RMB'000 | As restated (Audited) RMB'000 |
|---|--|---|--|-------------------------------------|
| Fair value reserve of financial assets designated as at fair value through other comprehensive income | 26,073 | (33,390) | (1,159) | (8,476) |
| Retained profits | 122,780 | 33,390 | 1,159 | 157,329 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

4 REVENUE AND SEGMENT INFORMATION

(a) Revenue

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 | |
|------------------------------------|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| Marketing and promotional services | 22,983 | 32,206 |
| Sale of goods | 18,928 | – |
| | 41,911 | 32,206 |

- (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. And 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.

(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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

For the six months ended 30 June 2021, in order to sustain the Group's development, the Group has introduced one more business line, sale of goods. There is no change in comparative figures as a result of the addition of this new business line. Specially, the Group's reportable and operating segments have been identified as follows:

- (i) Marketing and promotional services
- (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 2021 | | |
|---|---|--|---------------------------------|
| | Marketing and promotional services (Unaudited) RMB'000 | Sale of goods (Unaudited) RMB'000 | Total (Unaudited) RMB'000 |
| Disaggregated by timing of revenue recognition | | | |
| Over time | 22,983 | – | 22,983 |
| Point in time | – | 18,928 | 18,928 |
| Segment revenue | 22,983 | 18,928 | 41,911 |
| Segment results | 9,885 | 374 | 10,259 |
| | | | |
| | For the six months ended 30 June 2020 | | |
| | Marketing and promotional services (Unaudited) RMB'000 | Sale of goods (Unaudited) RMB'000 | Total (Unaudited) RMB'000 |
| Disaggregated by timing of revenue recognition | | | |
| Over time | 32,206 | – | 32,206 |
| Point in time | – | – | – |
| Segment revenue | 32,206 | – | 32,206 |
| Segment results | 6,279 | – | 6,279 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

4 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

| | For the six months ended 30 June | |
|---|-------------------------------------|--|
| | 2020 (Unaudited) RMB'000 | 2019 (Unaudited) (Restated) RMB'000 |
| Segment results | 10,259 | 6,279 |
| Unallocated | | |
| Other income and gains | 3,083 | 6,740 |
| Selling and distribution expenses | (8,041) | (20,113) |
| Administrative expenses | (5,710) | (7,998) |
| Research and development costs | (8,003) | (5,455) |
| Impairment losses on financial and contract assets, net | (440) | 356 |
| Fair value changes of financial assets at fair value through profit or loss | 789 | (12,255) |
| Other expenses | (51) | (81) |
| Finance costs | (1,225) | (402) |
| Loss before tax | (9,339) | (32,929) |

Segment results during the period represents the gross profit of each segment without allocation of other income and gains, selling and distribution expenses, administrative expenses, research and development costs, impairment losses on financial and contract assets, net, fair value changes of financial assets at fair value through profit or loss, 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 period, 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 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(b) Segment information (Continued)

Information about major customers

For the six months ended 30 June 2021, revenue of approximately RMB17,924,000 (for the six months ended 30 June 2020: RMB13,503,000) was derived from sales of goods to two major customers. Details are disclosed as follows:

| | For the six months ended 30 June | |
|------------|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| Customer A | 13,297 | 6,021 |
| Customer B | 4,627 | 3,850 |
| Customer C | – | 3,632 |
| | 17,924 | 13,503 |

5 OTHER INCOME AND GAINS

| | For the six months ended 30 June | |
|---|-------------------------------------|--|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) (Restated) RMB'000 |
| Other income and gains | | |
| Bank interest income | 117 | 35 |
| Other interest income | 698 | 745 |
| Foreign exchange gain, net | – | 19 |
| Government grants (note) | 1,450 | 4,240 |
| Investment income from bank product investments | 259 | 1,548 |
| Other income | 559 | 153 |
| | 3,083 | 6,740 |

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.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

6 LOSS BEFORE TAX

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

| | Note | For the six months ended 30 June | |
|--|------|-------------------------------------|--|
| | | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) (Restated) RMB'000 |
| Cost of inventories sold | | 17,759 | – |
| Cost of services provided | | 13,098 | 19,144 |
| Depreciation of property, plant and equipment | | 79 | 287 |
| Depreciation of right-of-use assets | | 1,017 | 1,036 |
| Loss on early termination of leases | | – | 164 |
| Research and development costs: | | | |
| Current period expenditure | | 8,003 | 5,455 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | | |
| Wages and salaries | | 11,824 | 11,540 |
| Pension scheme contributions (defined contribution scheme) | | 408 | 75 |
| Impairment of financial and contract assets, net | | | |
| Impairment of trade receivables, net | | (60) | (201) |
| Impairment of contract assets, net | | (22) | (155) |
| Impairment of financial assets included in prepayments, deposits and other receivables | | 522 | – |
| Fair value changes of financial assets of fair value through profit or loss | | (789) | 12,255 |
| Reversal of written down of inventories | | (795) | – |
| Foreign exchange differences, net | | 33 | (19) |
| Bank interest income | 5 | (117) | (35) |
| Other interest income | 5 | (698) | (745) |
| Government grants | 5 | (1,450) | (4,240) |
| Investment income from bank product investments | 5 | (259) | (1,548) |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

7 FINANCE COSTS

| | For the six months ended 30 June | |
|--|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| Interest on bank borrowings | 376 | 349 |
| Effective interest on convertible note | 806 | – |
| Interest expense on lease liabilities | 43 | 53 |
| | 1,225 | 402 |

8 INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on 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 Nanjing Xibai, Nanjing Xile, Khorgos Xizhi and Nanjing Xihui.

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Further Encouraging the Development of Software and Integrated Circuit Industries (《財政部、國家稅務總局關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》) promulgated by the State Council on 20 April 2012, if a corporate enterprise is recognised as a software enterprise, from tax filing at its first profitable year, the corporate enterprise can enjoy a preferential tax treatment (i.e., 2-year exemption and 3-year half payment). Nanjing Xibai and Nanjing Xile have been recognised as software enterprises since 27 May 2016 and filed in local tax bureau. Therefore, Nanjing Xibai would be exempted from income tax for their first two profitable years (i.e., 2015 and 2016) followed by a preferential income tax rate of 12.5% from 2017 to 2019 and Nanjing Xibai has been recognised as high-tech enterprise since 6 December 2019, the corporate enterprise can enjoy a preferential income tax rate of 15% from 2020 to 2022. Nanjing Xile would be exempted from income tax for their first two profitable years (i.e., 2019 and 2020) followed by a preferential income tax rate of 12.5% in 2021.

In addition to the recognised identification of high-tech enterprise and entitlement of a preferential income tax rate of 15%, if an enterprise is approved and certified by relevant regulatory authorities as “Important Software Enterprise” under the National Planning Layout for the year, it can further enjoy a preferential tax rate of 10%. According to the relevant regulations, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential corporate income tax rate of 10% will be refunded to the relevant enterprises after the relevant period, and will be correspondingly reflected in the profit or loss account of the enterprise when it is refunded.

Pursuant to the notice of the Cai Shui [2016] No. 49 issued by the Ministry of Finance, the State Administration of Taxation, National Development and Reform Commission of the PRC and Ministry of Industry and Information Technology of the PRC on 4 May 2016, Nanjing Xibai had made an application for a preferential tax rate of 10% regarding to the “Important Software Enterprise” for Year 2019. As at 12 October 2020, the difference between the tax amount paid at the rate of 15% and the tax amount calculated at the preferential income tax rate of 10% of Nanjing Xibai has been received, and reflected in the Group’s consolidated financial statements in Year 2020.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

8 INCOME TAX EXPENSE (CONTINUED)

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on Enterprise Income Tax Policies for Xinjiang Uygur Autonomous Region and Xinjiang Kashgar Autonomous Region (《財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知》) promulgated by the State Council on 29 November 2011, if a corporate enterprise is newly established within calendar years 2010 to 2020 in two specific regions with business fallen in the scope of the Catalogue of Preferred Enterprise Income Tax for Key Encouraged Industries in Poor Areas of Xinjiang (《新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄》), the corporate enterprise can enjoy a preferential tax treatment (i.e., 5-year exemption) from the first year when the entity begins to generate revenue. Khorgos Xizhi is exempted from income tax from calendar years 2017 to 2020 upon an approval by the State Taxation Bureau of the Xinjiang Uygur Autonomous Region in October 2017.

Pursuant to the Notice of the Ministry of Science and Technology, the Ministry of Finance, and the State Administration of Taxation on Revising and Issuing the Measures for the Administration of the Certification of High-tech Enterprises (《科技部、財政部、國家稅務總局關於修訂印發《高新技術企業認定管理辦法》的通知》) promulgated by the State Council on 19 June 2017, if a corporate enterprise is recognised as a high-tech enterprise, the corporate enterprise can enjoy a preferential income tax rate of 15%. Nanjing Xihui has been recognised as a high-tech enterprise since 30 November 2018 and filed in local tax bureau. Therefore, Nanjing Xihui would enjoy a preferential income tax rate of 15% from 2018 to 2020. Such recognition is due on 30 December 2021. Upon the expiration of such recognition, it is expected Nanjing Xihui will be renew without any hindrance. Therefore, corporate income tax at the first half of 2021 was calculated AT an income tax rate of 15%.

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

| | For the six months ended | |
|--|--------------------------|-----------------------------------|
| | 30 June | |
| | 2021 (Unaudited) | 2020 (Unaudited) (Restated) |
| | RMB'000 | RMB'000 |
| Current tax — Mainland China | | |
| Provision for the period | – | 108 |
| Over-provision in respect of prior periods | – | (75) |
| | – | 33 |
| Deferred tax | | |
| Origination of temporary differences | 72 | 135 |
| Total tax charge for the period | 72 | 168 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

9 LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss attributable to ordinary equity holders of the parent, and the weighted average numbers of ordinary shares of 1,025,662,000 (2020: 1,025,662,000) in issue during the six months ended 30 June 2021 and 2020. The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil).

There were no potentially dilutive ordinary shares in issue during the six months ended 30 June 2021 and 2020, and therefore the diluted loss per share amount is equivalent to the basic loss per share.

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

| | For the six months ended 30 June | |
|---|---|--|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) (Restated) RMB'000 |
| Loss | | |
| Loss attributable to ordinary equity holders of the parent | (9,068) | (28,727) |
| | | |
| | Number of shares For the six months ended 30 June | |
| | 2021 (Unaudited) | 2020 (Unaudited) |
| Shares | | |
| Weighted average number of ordinary shares in issue | 1,025,662,000 | 1,025,662,000 |
| | | |
| | For the six months ended 30 June | |
| | 2021 (Unaudited) RMB cents | 2020 (Unaudited) (Restated) RMB cents |
| Loss per share attributable to ordinary equity holders of the parent — Basic and diluted | (0.88) | (2.80) |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

10 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired assets with a cost of approximately RMB38,771 (six months ended 30 June 2020: RMB304,000).

Assets with a net book value of RMBNil were disposed of by the Group during the six months ended 30 June 2021 (six months ended 30 June 2020: RMBNil), resulting in a net loss on disposal of RMBNil (six months ended 30 June 2020: RMBNil).

11 LONG-TERM RECEIVABLES

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---------------------------|---|---|
| Rental deposit | 57 | 57 |
| Loans to employees (note) | 3,110 | 4,180 |
| | 3,167 | 4,237 |

Note:

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 loans to key management personnel of RMB1,276,000 (2020: RMB1,511,000), represents the interest-free loans to employees (note 22(a)) which will be repaid within two to five years. The current portion which will be repaid within one year is presented in note 15.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

12 OTHER FINANCIAL ASSETS

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Financial assets designated at fair value through other comprehensive income | | |
| — Unlisted equity securities | 190,945 | 201,818 |
| Financial assets at fair value through profit or loss | | |
| — Unlisted equity securities | 45,745 | 45,527 |
| — Convertible loans to third parties | 17,439 | 16,830 |
| | 254,129 | 264,175 |
| Analysed into: | | |
| — Non-current portion | 254,129 | 259,217 |
| — Current portion | — | 4,958 |
| | 254,129 | 264,175 |

13 TRADE AND BILLS RECEIVABLES

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|-------------------|---|---|
| Trade receivables | 7,763 | 13,280 |
| Impairment | (76) | (136) |
| | 7,687 | 13,144 |
| Bills receivables | 700 | 1,100 |
| | 8,387 | 14,244 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

13 TRADE AND BILLS RECEIVABLES (CONTINUED)

Bills receivables are those bills not yet due at the end of the reporting period and the management considers the default rate is low as the Group did not encounter any default on bills receivables based on past experience. All bills received by the Group are with a maturity period of less than one year.

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 loss allowance, is as follows:

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|--------------------|---|---|
| Within 3 months | 2,463 | 7,769 |
| 3 to 6 months | 1,233 | 1,205 |
| 6 months to 1 year | 2,228 | 2,346 |
| 1 to 2 years | 2,415 | 281 |
| 2 to 3 years | 48 | 2,643 |
| | 8,387 | 14,244 |

14 CONTRACT ASSETS

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Contract assets arising from marketing and promotional services | 18,338 | 18,416 |
| Impairment | (88) | (110) |
| | 18,250 | 18,306 |

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 period ended 30 June 2021, impairment losses of RMB22,000 (30 June 2020: RMB155,000) were reversed for expected credit losses on contract assets.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

14 CONTRACT ASSETS (CONTINUED)

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

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---------------|---|---|
| Within 1 year | 18,250 | 18,306 |

15 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Advance payments to suppliers | 21,541 | 503 |
| Prepaid expenses | 2,503 | 514 |
| Employee advances | 232 | 74 |
| Rental Deposits | 854 | 865 |
| Other receivables | 695 | 487 |
| Loan to a third party (Note) | 1,210 | 1,180 |
| Current portion of loans to employees (note 11) | 2,825 | 2,725 |
| | 29,860 | 6,348 |
| Less: Impairment allowance | (1,446) | (924) |
| | 28,414 | 5,424 |

Note:

The loan to a third party is unsecured, bear interest rate of 6% per annum and repayable within one year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

16 CASH AND CASH EQUIVALENTS

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|------------------------|---|---|
| Cash and bank balances | 44,411 | 44,090 |

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amount to approximately RMB32,281,000 (2020: RMB44,019,000). 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.

17 OTHER PAYABLES AND ACCRUALS

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---------------------------|---|---|
| Other payables | 7,862 | 3,939 |
| Accruals | - | 23 |
| Other tax payables | 4,879 | 5,308 |
| Employee related payables | 1,978 | 4,415 |
| | 14,719 | 13,685 |

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

18 INTEREST-BEARING BANK BORROWINGS

| | 30 June 2021 (Unaudited) | | | 31 December 2020 (Audited) | | |
|------------------------------|-----------------------------|----------|---------------|---|---|---------|
| | Effective interest rate (%) | Maturity | RMB'000 | Effective interest rate (%) | Maturity | RMB'000 |
| Current | | | | | | |
| Bank loans, guaranteed | 4.05–4.35 | 2022 | 14,000 | 4.35 | 2021 | 10,000 |
| Bank loans, unsecured | 4.35 | 2021 | 5,000 | 4.05–4.35 | 2021 | 9,000 |
| | | | 19,000 | | | 19,000 |
| | | | | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 | |
| Analysed into: | | | | | | |
| Bank loans: | | | | | | |
| Within one year or on demand | | | | 19,000 | 19,000 | |

Notes:

- The loans RMB14,000,000 (2020: RMB10,000,000) 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. 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 RMB19,000,000 (2020: RMB19,000,000), all of which had been utilised as at the end of the reporting period and will be settled within one year.
- Such loans were denominated in RMB.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

19 CONVERTIBLE NOTES

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), 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 "Conversion Price"). The issue of the Convertible Notes was completed on 29 March 2021 and the Company has issued an aggregate principal amount of HK\$35,000,000 of the Convertible Notes.

Subscribers to the Convertible Notes are entitled to convert at a conversion price of HK\$0.24 per share and a maximum of 145,833,333 shares. If the Convertible Notes have not been converted, they will be redeemed by the Company on the maturity date of the Convertible Notes 28 March 2022.

The Convertible Notes have been split to the liability and equity components as follows:

| | Liability component (Unaudited) RMB'000 | Equity component (Unaudited) RMB'000 | Total (Unaudited) RMB'000 |
|--------------------------------|---|--|---------------------------------|
| At 1 January 2021 | – | – | – |
| Issue of the Convertible Notes | 25,448 | 1,495 | 26,943 |
| Transaction costs | (315) | (19) | (334) |
| Effective interest expense | 806 | – | 806 |
| Accrual interest | (343) | – | (343) |
| Exchange gains and losses | (300) | – | (300) |
| At 30 June 2021 | 25,296 | 1,476 | 26,772 |

The equity component was presented as convertible notes reserve within equity in the six months ended 30 June 2021. The effective interest rate of the liability component for the six months ended 30 June 2021 is 11.17%.

20 CONTINGENT LIABILITIES

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

21 COMMITMENTS

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

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| Contracted, but not provided for: Land and buildings | 52,315 | 52,315 |

22 RELATED PARTY TRANSACTIONS

(a) Material transactions with key management personnel:

| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
|---|---|---|
| For the period/year Maximum aggregate amount of loans | 1,511 | 1,755 |
| At the period/year-end Loans to key management personnel | 1,276 | 1,511 |

The loans granted to key management personnel who are not directors of the Company are interest-free housing loans and have fixed terms of repayment of five years, which are included in loans to employees in note 11.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

22 RELATED PARTY TRANSACTIONS (CONTINUED)

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

| | For the six months ended 30 June | |
|------------------------------|-------------------------------------|--------------------------------|
| | 2021 (Unaudited) RMB'000 | 2020 (Unaudited) RMB'000 |
| Short term employee benefits | 1,504 | 1,671 |
| Pension scheme contributions | 60 | 10 |
| | 1,564 | 1,681 |

23 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 2021

Financial assets

| | Financial assets at amortised cost (Unaudited) RMB'000 | Financial assets at FVPL (Unaudited) RMB'000 | Financial assets at FVOCI (Unaudited) RMB'000 | Total (Unaudited) RMB'000 |
|---|---|--|---|---------------------------------|
| Long-term receivables | 3,110 | – | – | 3,110 |
| Other financial assets | – | 63,184 | 190,945 | 254,129 |
| Trade and bills receivables | 8,387 | – | – | 8,387 |
| Financial assets included in prepayments, deposits and other receivables | 4,016 | – | – | 4,016 |
| Cash and cash equivalents | 44,411 | – | – | 44,411 |
| | 59,924 | 63,184 | 190,945 | 314,053 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

23 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

As at 30 June 2021 (Continued)

Financial liabilities

| | Financial liabilities at amortised cost (Unaudited) RMB'000 |
|--|---|
| Trade payables | 500 |
| Financial liabilities included in other payables | 7,862 |
| Interest-bearing bank borrowings | 19,000 |
| Lease liabilities | 1,420 |
| Convertible notes | 25,296 |
| | 54,078 |

As at 31 December 2020

Financial assets

| | Financial assets at amortised cost (Audited) RMB'000 | Financial assets at FVPL (Audited) RMB'000 | Financial assets at FVOCI (Audited) RMB'000 | Total (Audited) RMB'000 |
|--|--|--|---|-------------------------|
| Long-term receivables | 4,180 | – | – | 4,180 |
| Other financial assets | – | 62,357 | 201,818 | 264,175 |
| Trade and bills receivables | 14,244 | – | – | 14,244 |
| Financial assets included in prepayments, deposits and other receivables | 3,542 | – | – | 3,542 |
| Cash and cash equivalents | 44,090 | – | – | 44,090 |
| | 66,056 | 62,357 | 201,818 | 330,231 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

23 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

As at 31 December 2020 (Continued)

Financial liabilities

| | Financial liabilities at amortised cost (Audited) RMB'000 |
|---|---|
| Trade payables | 2,201 |
| Financial liabilities included in other payables and accruals | 3,939 |
| Interest-bearing bank borrowings | 19,000 |
| Lease liabilities | 2,110 |
| | 27,250 |

24 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

| | Carrying amounts | | Fair values | |
|--|--|--|--|--|
| | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 | 30 June 2021 (Unaudited) RMB'000 | 31 December 2020 (Audited) RMB'000 |
| Financial assets | | | | |
| Other financial assets | | | | |
| Financial assets designated at fair value through other comprehensive income | | | | |
| — Unlisted equity securities | 190,945 | 201,818 | 190,945 | 201,818 |
| Financial assets at fair value through profit or loss | | | | |
| — Unlisted equity securities | 45,745 | 45,527 | 45,745 | 45,527 |
| — Convertible loans to third parties | 17,439 | 16,830 | 17,439 | 16,830 |
| | 254,129 | 264,175 | 254,129 | 264,175 |
| Financial liabilities | | | | |
| Interest-bearing bank borrowings | 19,000 | 19,000 | 19,000 | 19,000 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

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

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables, financial liabilities included in other payables, convertible notes, interest-bearing bank borrowings and lease liabilities based on their notional amounts, reasonably approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer 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 values of the financial assets are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair value of financial assets at FVPL and FVOCI under Level 3 which have been assessed by the Appraiser 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 table provides information about Level 3 fair value measurements.

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

| Financial assets | Valuation techniques | Significant unobservable input |
|---|-----------------------|--|
| Financial assets at FVPL | | |
| Unlisted equity securities and convertible loans to third parties | Discounted Cash Flows | Effective interest rate, taking into account of risk-adjusted return, ranging from 9% to 10% (2020: 10% to 11%) (note (i)) |
| | Black Scholes Model | Expected volatility of 50% (2020: 35%), 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 designated at FVOCI | | |
| Unlisted equity securities | Market approach | Price/book ratio ranging from 7 to 26 (2020: 4.4 to 10.9), 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 3 to 13 (2020: 4 to 24), 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)

24 FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (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 FVPL 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 FVPL RMB1,606,000 and RMB1,860,000 (2020: RMB1,523,000 and RMB1,815,000), 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 FVPL and vice versa. 10% increase/decrease in the volatility holding all other variables constant would increase/decrease the carrying amount of financial assets at FVPL by RMBNil (2020: RMB Nil).
- (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 FVOCI, 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 FVOCI by RMB3,437,000 and RMB3,453,000 (2020: RMB3,349,000 and RMB3,361,000), 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 FVOCI, 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 FVOCI by RMB358,000 and RMB362,000.00 (2020: RMB691,000 and RMB699,000), respectively.

Fair value hierarchy

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

As at 30 June 2021

| | Fair value measurement using | | | Total (Unaudited) RMB'000 |
|---|--|--|--|---------------------------------|
| | Quoted prices in active markets (Level 1) (Unaudited) RMB'000 | Significant observable inputs (Level 2) (Unaudited) RMB'000 | Significant unobservable inputs (Level 3) (Unaudited) RMB'000 | |
| Financial assets | | | | |
| Other financial assets | | | | |
| Financial assets designated as at fair value through other comprehensive income | | | | |
| — Unlisted equity securities | — | — | 190,945 | 190,945 |
| Financial assets at fair value through profit or loss | | | | |
| — Unlisted equity securities | — | — | 45,745 | 45,745 |
| — Convertible loans to third parties | — | — | 17,439 | 17,439 |
| | — | — | 254,129 | 254,129 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

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

Fair value hierarchy (continued)

As at 31 December 2020

| | Quoted prices in active markets (Level 1) (Audited) RMB'000 | Fair value measurement using Significant observable inputs (Level 2) (Audited) RMB'000 | Significant unobservable inputs (Level 3) (Audited) RMB'000 | Total (Audited) RMB'000 |
|---|--|--|--|-------------------------------|
| Financial assets | | | | |
| Other financial assets | | | | |
| Financial assets designated as at fair value through other comprehensive income | | | | |
| — Unlisted equity securities | — | — | 201,818 | 201,818 |
| Financial assets at fair value through profit or loss | | | | |
| — Unlisted equity securities | — | — | 45,527 | 45,527 |
| — Convertible loans to third parties | — | — | 16,830 | 16,830 |
| | — | — | 264,175 | 264,175 |

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

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

Fair value hierarchy (continued)

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

| | Financial assets at FVPL | | Financial assets designated at FVOCI | Total RMB'000 |
|--|---------------------------------------|---|---------------------------------------|------------------|
| | Unlisted equity securities RMB'000 | Convertible loans to third parties RMB'000 | Unlisted equity securities RMB'000 | |
| At 1 January 2021 (audited) | 45,527 | 16,830 | 201,818 | 264,175 |
| Loan interest receivable | – | 516 | – | 516 |
| Exchange realignment | (478) | – | (14) | (492) |
| Changes in fair value recognised in profit or loss | 696 | 93 | – | 789 |
| Changes in fair value recognised in other comprehensive income | – | – | (10,859) | (10,859) |
| At 30 June 2021 (unaudited) | 45,745 | 17,439 | 190,945 | 254,129 |
| 1 January 2020 (audited) (restated) | 316,402 | 19,688 | 2,221 | 338,311 |
| Additions | – | – | 2,500 | 2,500 |
| Loan interest receivable | – | 520 | – | 520 |
| Changes in fair value recognised in profit and loss | (10,847) | (1,408) | – | (12,255) |
| Changes in fair value recognised in other comprehensive income | – | – | (2) | (2) |
| At 30 June 2020 (unaudited) (restated) | 305,555 | 18,800 | 4,719 | 329,074 |

The Group did not have any financial liabilities measured at fair value as at 30 June 2021 and 31 December 2020.

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 (2020: RMBNil).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in thousands of Renminbi)

25 EVENT AFTER THE REPORTING PERIOD

There was no material subsequent event during the period from 30 June 2021 to the approval date of these interim condensed consolidated financial statements.

26 APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

These interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 31 August 2021.