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Joy Spreader Interactive Technology. Ltd

乐享互动有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6988)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

The Board is pleased to present the audited consolidated results of the Group for the year ended December 31, 2020, which are prepared in accordance with the basis set out in *Note 1 and 2* to the consolidated financial statements below, together with the comparative figures for the year ended December 31, 2019. The results of the Group have been reviewed by the Audit Committee.

PRESENTATION CURRENCY

As stated in the announcement dated February 7, 2021, the Board of the Group decided to adopt the lawful currency of Hong Kong (HK\$) as the presentation currency for its consolidated financial statements. The Group's consolidated financial statements have been presented in Renminbi. In consideration of the listing of the Shares on the Stock Exchange, for facilitating the reading of financial statement users and in view of the Group's future internationalization strategy, the Board believes it is more appropriate to adopt HK\$ as the presentation currency for the Group's consolidated financial statements. The comparative information has been restated to reflect the change in presentation currency to HK\$ accordingly. The Group has also presented the consolidated statement of financial position as at January 1, 2019 without related notes.

The audited consolidated annual results of the Group for the year ended December 31, 2020 together with comparative figures for the corresponding period in 2019 are as follows:

FINANCIAL RESULTS HIGHLIGHTS

| | For the year ended December 31, 2020 | 2019 | Year-on-year changes Increase/ (decrease) (%) |
|---|---|--------|---|
| | <i>(HK\$ in millions, except for percentages)</i> | | |
| | <i>(Restated)</i> | | |
| | <i>(Note 1)</i> | | |
| Revenue | 923.92 | 538.00 | 71.73% |
| Interactive entertainment and other digital products marketing | 803.53 | 509.72 | 57.64% |
| E-commerce products marketing | 118.73 | 26.16 | 353.86% |
| Other products ⁽¹⁾ | 1.66 | 2.12 | (21.70%) |
| Gross profit | 301.56 | 132.86 | 126.98% |
| Interactive entertainment and other digital products marketing | 206.25 | 111.11 | 85.63% |
| E-commerce products marketing | 94.98 | 20.92 | 354.02% |
| Other products ⁽¹⁾ | 0.33 | 0.83 | (60.24%) |
| Profit for the year (excluding non-recurring profit or loss) | 220.69 | 99.67 | 121.42% |
| Non-recurring profit or loss | | | |
| Foreign exchange profits and losses ⁽²⁾ | 57.74 | — | — |
| Listing expense ⁽³⁾ | 24.27 | 23.14 | 4.88% |
| Profit for the year | 138.68 | 76.53 | 81.21% |
| Profit for the year attributable to owners of the Company | 138.68 | 76.53 | 81.21% |
| Net profit margin excluding non-recurring profit or loss | 23.89% | 18.53% | 5.36% |
| Net profit margin | 15.01% | 14.22% | 0.79% |
| Earnings per share | | | |
| – Basic (<i>HK cents</i>) | 7.78 | 4.84 | 60.74% |
| – Diluted (<i>HK cents</i>) | 7.78 | — | — |

Notes:

- (1) Other products mainly refer to non-performance-based marketing campaigns we provided to customers.
- (2) Loss on translation of listing proceeds was due to the decline in Hong Kong dollar exchange rate.
- (3) Listing expenses related to initial public offering.

Highlights of the Group's operating information for the year ended December 31, 2020, together with comparative figures for the corresponding period in 2019, are as follows:

INFORMATION HIGHLIGHTS ON OPERATIONS

| | As at December 31, or for the year ended December 31, 2020 | 2019 | Year-on-year changes Increase (%) |
|---|--|---------|--|
| Number of customers and marketing product (quantities/types) | | | |
| Number of marketers | 276 | 203 | 35.96% |
| Number of interactive entertainment and other digital products | 1,320 | 726 | 81.82% |
| Number of e-commerce products | 183 | 92 | 98.91% |
| Number of marketing SaaS services customers (quantities) | | | |
| Customers on WeChat official accounts | 40,890 | 22,392 | 82.61% |
| Retention rate of active WeChat official accounts | 85% | 82% | 3% |
| Customers of Douyin | 21,771 | 2,074 | 949.71% |
| Customers of WeChat video channels | 8,763 | — | / |
| Number of realizable access points | 469,968 | 228,068 | 106.06% |
| R&D expenditure | | | |
| R&D expenditure (HK\$ million) | 27.37 | 7.73 | 254.08% |
| Number of data models (sets) | 148 | 109 | 35.78% |
| Transaction data | | | |
| ARPU of interactive entertainment and other digital products (HK\$) | 1.61 | 0.73 | 120.55% |
| E-commerce products GMV (HK\$ million) | 593.64 | 130.78 | 353.92% |

CORPORATE PROFILE

- **Overview**

The Group is a leading marketing technology company, engaged in mobile new media performance-based marketing and marketing SaaS services in China. The Group uses data and algorithms as the core competencies, and uses aggregation and matching technologies based on interest-based recommendations to help marketers' products and mobile new media content to achieve coupled transactions, so as to realize marketers' marketing goals such as product sales and promotions. We also help content publishers to realize the commercial value of their traffic.

Through years of accumulation and development, the Group has gradually become a leader in the field of mobile new media marketing technology. Thanks to its pioneering advantages and long-term efforts in the field of mobile new media marketing technology, the Group has built up a solid barrier in its business development, established a leading edge and won a good reputation. The rapid accumulation of resources in our customers, products and mobile new media content has contributed to the continuous optimization of our data and algorithm models, laying a solid foundation for the Group to further enhance its technology service capabilities and achieve leapfrog development in the future.

- **Our Business**

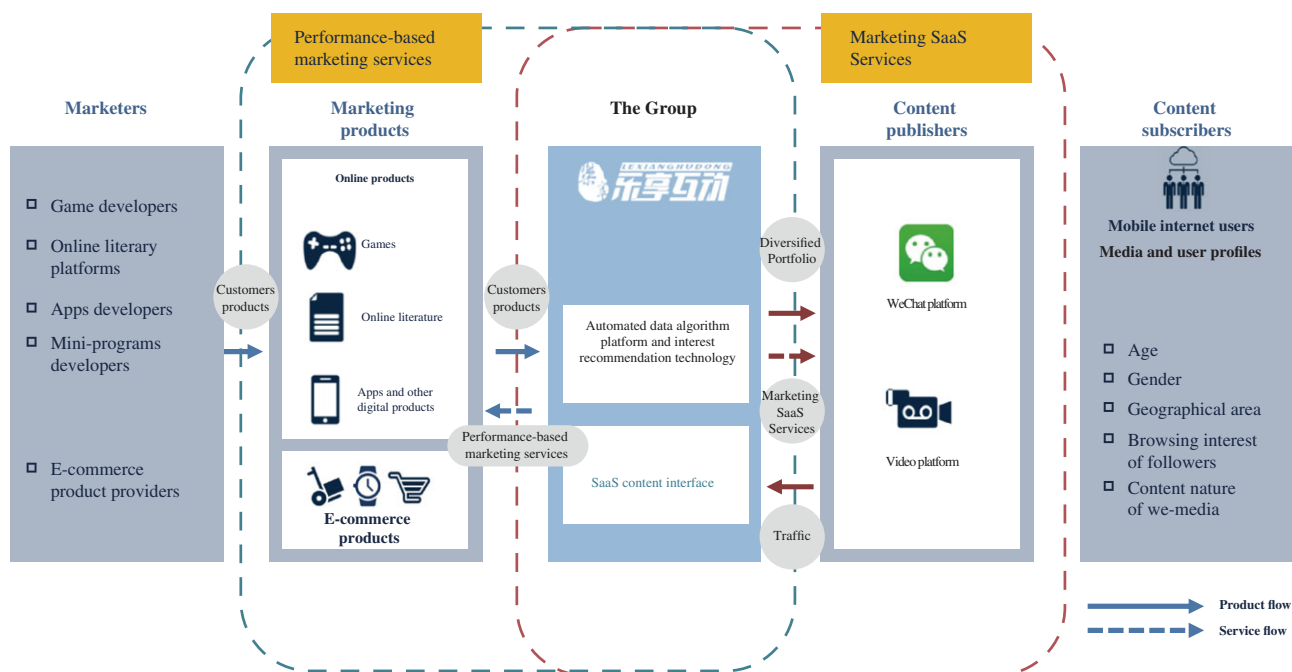
The Group connects marketers and mobile new media content publishers using proprietary technologies and platforms, providing services that address their respective needs.

Performance-based marketing service

From the perspective of serving marketers, the Group provides performance-based marketing service. Through data and algorithm-based interest recommendation technologies, we distribute or publish our marketers' products to high-quality and diversified mobile new media content for subscribers to purchase, download, install or top up for the content while helping marketers secure sales orders or promote their products. Marketers for our performance-based marketing business include interactive entertainment and other digital products providers (including game developers, online literature providers, app and other digital product developers, etc.) and those who promote their consumer goods through our video e-commerce marketing services.

Marketing SaaS Services

From the perspective of serving mobile new media content publishers, the Group also provides marketing SaaS services. We provide simple and easy-to-use SaaS tools to mobile new media content publishers to help them access the Group's diverse product pools, and matches the mobile new media content publishers and their user fans with appropriate products by using the Group's data- and algorithm-based product recommendation technologies, helping them realize commercial value through product sales or distribution. The following chart illustrates our services model:



Through the marketing SaaS services, the Group is able to obtain stable content resources automatically from the mobile new media content distribution platform. While efficiently providing monetizing services to content publishers, it also can analyze the marketing performance simultaneously and provide technical support for data accumulation and algorithm iteration, thereby gaining more marketers and improving profitability.

• Our Technologies

The Group has accumulated substantial anonymous user behavioral data through long-term service, which has enabled us to build a significant and valid data collection, strong data analysis capabilities and powerful technology platforms empowered by our proprietary business intelligence technologies. As a technology-driven company with data and algorithms based as its core competencies, the Group is able to analyze and conduct information structure processing on products and mobile new media content through an automated platform to recommend customized products distribution and marketing strategies to marketers, and provide content publishers with a portfolio of products based on the interests of content subscribers.

- **Our Strengths and Barriers**

Rapid Development of Industry

The mobile new media segment served by the Group is booming, and generating significant demand for marketing and monetizations from both marketers and content publishers. In particular, the popularity of mobile new media platforms based on video presentation and the successful application of data and algorithm-based interest recommendation technologies are providing an excellent marketing environment for marketers to promote their products.

The rapid growth of mobile new media content publishers and the number of content has also led to a surge in the demand for traffic monetizations. Mobile new media platforms (such as WeChat official accounts (微信公眾號) and Douyin (抖音)) are also continuing to improve their infrastructure and platform functions to facilitate traffic monetizations for content publishers to maintain and improve a healthy platform ecosystem. At the same time, the development and popularity of standardized and modular marketing SaaS services have also provided content publishers with low-threshold, more convenient and efficient tools and means.

In recent years, benefiting from the development of technologies such as cloud computing, big data and artificial intelligence, marketing services based on data and algorithms and interest recommendation technologies could be charged in accordance with marketing performance, and have also been favored by marketers and mobile new media content publishers.

Data Advantages and Barriers

Since the Group started its business layout at the early stage when the mobile new media platforms such as WeChat official accounts and Douyin commenced commercialization, we began early and quickly gained advantages in data accumulation, which allowed us to have industry-leading data scale and data time dimension. Data accumulation has a decisive impact on model construction and model effectiveness, which has also built a competitive barrier for the Group's leading position in the industry. Our ample, large-scale, time-spanning and real-time interactive data helps us better test, build and improve our algorithm models, and protect our marketing performance and improve our services continuously.

Synergy Strengths of Performance-based Marketing and Marketing SaaS Businesses

As two mutually supportive components of the Group's business segment, our performance-based marketing business and marketing SaaS business form an organic whole, which together create a positive and interactive growth cycle of product library, traffic pool and model effect.

Service Capabilities of Cross-platform, Multi-product and Effect-based charging

From the perspective of marketers, the Group has the ability to distribute products for marketers across platforms, which enables us to meet the needs of multi-channel marketing promotion. From the perspective of mobile media content publishers, our product library contains a variety of products, including interactive online entertainment, online tools, consumer goods and other categories, which are in line with the requirements of laws and regulations, with high commercialization value that can provide better monetization results for content publishers. In addition, our income model is mainly based on the profit sharing or charge of marketing effect from marketers, which not only reduces the marketers' marketing threshold, but improves the input-output ratio of their marketing activities as well.

License Advantages and Barriers

In addition to possessing the national high-new technology enterprise qualification and Zhongguancun high-new technology enterprise qualification, the Group also obtained the Online Culture Operating License, which allows us to legally operate online cultural businesses such as games, e-commerce, online literature and live broadcasting, and acquire publishing, cooperating and distribution revenue on the basis of marketing effects.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back to 2020, the Group has successfully listed on the main board of the Stock Exchange on September 23, 2020, starting a new chapter in the Group's development. In respect of the business, the Group also proactively reinforces its technical advantages and market position by fully leveraging on the historical chance that China's mobile internet industry is moving forward to domains like algorithm recommendation, video, ecological improvement and so on.

- **Overview of Results for the Year**

The revenue of the Group increased 71.73% from HK\$538.00 million in 2019 to HK\$923.92 million in 2020. Such increase is mainly due to the high demand in the mobile new media performance-based marketing, thus largely increasing the number of new customers, marketing products and monetization access points based on reinforcement of cooperation with the existing marketers and marketing SaaS customers.

The Group has achieved gross profit of HK\$301.56 million in 2020, representing an increase of 126.98% as compared with HK\$132.86 million in 2019, or equivalent to 2.27 times of that in 2019. Gross profit margin increases from 24.70% in 2019 to 32.64% in 2020. The increase in gross profit margin is mainly attributed to (1) the enhancement of the Group's marketing performance; (2) a significant increase of e-commerce products marketing business of the Group thanks to the booming of video e-commerce industry; and (3) steady growth of the game products with higher gross profit margin.

- **Progress of Business for the Year**

With the development of the mobile internet ecological environment and marketing technology, the performance-based marketing, which features with strengths of accuracy and high cost efficiency, is becoming the major option of marketers to conduct product marketing and promotion, and the market demand keeps on growing. As the leading mobile new media performance-based marketing technology company in China, the Group has possessed the first-class marketing performance and technology standard in the industry, and accumulated a number of the most popular current mobile new media content resources (including WeChat official accounts and video channels, and Douyin) through abundant of product reserves and efficient marketing SaaS service capability, thus favored by many marketers. In 2020, the Group has achieved a delightful performance in both business segment of the performance-based marketing and marketing SaaS services.

- *Performance-based Marketing Services*

The marketers and the number of their product in the Group's performance-based marketing service have significantly increased in 2020. As at December 31, 2020, the marketers of the Group's performance-based marketing service covers approximately 20 industries, amounting up to 276.

In respect of interactive entertainment products, there were up to 209 game products recorded in the Group's product library as at December 31, 2020, an addition of 65 as compared with that of December 31, 2019. Online literature products amounted to 1,111 books across 84 genres, increasing 529 books and 17 genres, respectively, as compared with that of December 31, 2019.

In respect of e-commerce products, the e-commerce consumer goods included in the Group's product library were up to 183 items, an addition of 91 as compared with 92 types as of December 31, 2019, and the product category is expanding from electronic products towards more variety of consumer goods, including daily care and cosmetic products.

E-commerce product performance-based marketing is one of the fastest growing business segments and key drivers in the 2020 annual results of the Group. The proportion of revenue from e-commerce product marketing to the total revenue of the Group increased from 4.86% in 2019 to 12.85% in 2020. As revenue from e-commerce product marketing is recognized on a net basis, its contribution to the Group's gross profit is much greater than that of revenue. In 2020, the gross profit of e-commerce product performance-based marketing accounted for 31.50% of total gross profit of the Group, representing an increase of 15.75 percentage points as compared with 15.75% of 2019 (or the proportion was doubled).

- *Interactive Entertainment and Other Digital Product Performance-based Marketing Services*

In 2020, with the increase in the number of customers and product of interactive entertainment and other digital product marketing, together with the rising of ARPU value, our scale of business was boosted rapidly. In addition, the epidemic prevention and control measures in 2020 provided a growth opportunity for online recreational industry, including games, online literature and live broadcasting. Owing to the reinforcement of the user habits of interactive entertainment and other digital products, more online products consisted of mobile applications and mini programs came into the market, which also drove the demand of online performance-based marketing service. In 2020, the Group recorded revenue of HK\$803.53 million from interactive entertainment and other digital product performance-based marketing service, representing an increase of 57.64% as compared with HK\$509.72 million of the same period last year, of which the game products realized revenue of HK\$435.18 million, representing 2.13 times of HK\$204.66 million in 2019; online literature products realized revenue of HK\$152.71 million, representing 2.27 times of HK\$67.19 million in 2019.

- *E-commerce Product Performance-based Marketing Service*

The video e-commerce industry continued to grow remarkably in 2020, becoming an important channel for e-commerce product distribution. Due to the early business layout in the field of video e-commerce product marketing and the accumulation of relevant data and model algorithm, the Group began to take shape in conducting non-live e-commerce marketing business over video platform which revealed the potential of rapid growth. The e-commerce product GMV of HK\$594 million was achieved through the Group's performance-based marketing services, representing an increase of 353.92% as compared with HK\$131 million in 2019. As the revenue from the Group's e-commerce product performance-based marketing services was recognized on a net basis, revenue of HK\$118.73 million was recorded in 2020, representing 4.54 times of HK\$26.16 million in 2019.

- *Marketing SaaS Service*

The Group began to provide mobile new media publishers with marketing SaaS monetization service in 2013. With the development of SaaS platform, we provided the interface to content publishers, helping them to access our product library. We also recommended the product portfolios to their subscribers by using interest-based recommendation technology, and ultimately helped the content publishers to realize traffic monetization. Currently, the content publishers have not been charged in respect of SaaS services and the revenue sharing was obtained via the process of traffic monetization. The position of the Group's marketing SaaS services is to obtain the content resources and user behaviors data quickly and automatically, as well as to improve the model algorithm, which in turn promote the Group's marketing efficiency and effectiveness and ultimately improve our profitability.

As of December 31, 2020, the Group's marketing SaaS service customers (mobile new media resource library) comprised a total of 40,890 WeChat official accounts, representing 1.83 times of that of December 31, 2019. A total of 21,771 Douyin accounts, representing 10.50 times of that of December 31, 2019. Additionally, the Group has started to arrange WeChat video channels (such function available at the WeChat platform in 2020) marketing services, and 8,763 WeChat video channels were added in 2020. As of December 31, 2020, the Group has cooperated with 469,968 mobile new media marketing access points, representing an increase of 106.06% as compared with that of December 31, 2019.

- ***Progress on Research & Development***

The development expenditure of the Group mainly consist of data acquisition and algorithm modeling. The investment in R&D of performance-based marketing and marketing SaaS business based on WeChat official accounts was started in 2013, and the data and model algorithm accumulated at present is relatively mature, thus the iterative spending in every year can be managed at a lower level. In light of the emerging of video-related business opportunities and the rapid growth of its business scale, the Group in recent years began to increase the development investment year by year in respect of data collection, data disaggregation and algorithm modeling of video content. The Group recorded research and development expenses of HK\$27.37 million in 2020, of which data development expenses of HK\$20.10 million and algorithm research and development expenses of HK\$7.27 million, representing an increase of 254.08% as compared with HK\$7.73 million in 2019.

The Group is committed to establish competitive advantage on algorithm-based big data. As of December 31, 2020, anonymous users behaviors data in the Group's database amounted up to 1.9 billion, increasing 0.55 billion as compared with that of December 31, 2019. The data models based on various product categories amounted to 148 sets as of December 31, 2020, representing an increase of 35.78% as compared with 109 sets as of December 31, 2019. Data labels adopted by intelligent recommendation coupling model was 1,923, representing an increase of 38.15% as compared with 1,392 as of December 31, 2019. The expansion of data scale and enhancement of algorithm capability have made a solid foundation for the improvement of the Company's marketing business and further increasing the number of marketers and marketing SaaS customers.

- ***Progress on Private Domain Traffic Expansion***

The deployment in private domain traffic (i.e. 1P traffic) is one of the major strategies in the Group's business development. The Group strives to nurture content publishers who are highly cooperative with us in marketing business by means of strategic cooperation, investment and incubation. Through mutual empowering, we will form private domain with the highest level of response among the content reserves of the Group, in order to achieve the tailor-made content production for key marketers and their products, significantly improving their marketing conversion effects.

On December 25, 2020, the Group and Cowin Capital, a professional private equity investment institution, made investments of RMB5 million and RMB15 million respectively in Yingyi, a company specialized in video content production. After the investment, Yingyi was valued at RMB160 million as recognized by all parties. As the first institutional investor of Yingyi, the Group made the first strategical investment in Yingyi in December 2018, after which Yingyi was valued at RMB30 million.

Yingyi is a platform company within video industry. With a lot of Key Opinion Leaders (KOL) and its own Professional Generated Content (PGC) traffic, it can provide smart commercial services to new media content publishers, and continuously accumulate its own traffic through specialized, segmented and smart PGC content production. It now ranks first in the List of Life Creativity – A Segment of Douyin (抖音細分領域生活創意類榜單) and has obtained the PGC certification from the leading platforms in the industry. As at December 31, 2020, it has over 90 million followers.

- **Future Strategic Layout**

- *Expansion of SaaS Services*

The Group will continue to optimize SaaS marketing platform and its services and actively expand the customer number of mobile new media marketing SaaS in order to reserve more enriched and diversified content traffic resources for our performance-based marketing business. We will attach importance to the layout in the mobile new media platforms that already opened or may open eco-traffic systems in the future, including but not limited to WeChat, Douyin, TikTok, Bilibili, Xiao Hong Shu, with a focus on developing marketing SaaS customer resources, and continue to expand the accumulation of WeChat video channels.

- *Expansion of Video E-commerce*

We will continue to increase efforts in developing the businesses with high added-value such as video e-commerce. In recent years, the rapid development of video platform has made it become the potential largest internet traffic entry points. As platforms such as Douyin, TikTok and WeChat video channels account thrive, the future of e-commerce marketing business based on video content is very promising. The Group is among the first batch of companies investing in the sector of video marketing and has equipped with first mover advantages. In the future, we will strengthen our ability in delivering video e-commerce marketing services so as to provide video content publishers and product manufacturers with more accurate and efficient performance-based marketing services. We will explore more product categories and continue to expand into new categories suitable for mobile video new media marketing while consolidating the existing product marketing service capabilities in order to enrich the Company's performance-based marketing products and services matrix.

- ***Expansion of Businesses in Overseas***

The Group has started to focus on the establishment of a global mobile new media marketing services system to expand its mobile new media performance-based marketing services and marketing SaaS services into the overseas market by the internationalization of mobile internet platforms of the PRC. We believe that the Chinese internet platforms including WeChat and TikTok have huge numbers of active users in overseas, therefore they are of very high commercial values. The Group intends to carry on cross-border e-commerce business and interactive entertainment products distribution business on the mobile internet overseas platforms of the PRC, promoting the PRC's leading performance-based marketing business and marketing SaaS business based on data algorithm and interest recommendation technologies.

- ***Driving Private Domain (IP) Traffic and Enhancing Profitability***

As part of our business development strategy, we intend to continue to promote our private domain traffic, and nurture content publishers who can be highly with us in marketing business by means of strategic partnership, investment and incubation. Through mutual empowering, we will form our own traffic with the highest level of response among the content pools of the Group, in order to achieve the tailor-made content production for key marketers and their products, significantly improving their marketing conversion effects.

- ***Data Algorithm Platform and R&D Investments***

As a technology-driven company with data and algorithm as its core capacity, we plan to continue the iteration and perfection of the smart automatic transaction matching system (智能自動化交易撮合系統) and technology platform, in a bid to build an industry-leading service system of mobile new media performance-based marketing and marketing SaaS. We will consolidate our core competitiveness, optimize the marketing effect through technical capabilities, expand business scale, increase market share and further strengthen our leading position in the industry.

As the emerging of video-related business opportunities and the rapid expansion of business scale, the Group will gradually increase its R&D investments in data collection, data sorting and algorithm modeling. It will make pre-deployment of R&D for the business expansion in overseas markets in order to accumulate technological reserves for the Group's performance-based marketing business and marketing SaaS business in advance.

- **Discussion and Analysis of Financial Statement**

Revenue

The revenue of the Group increased by 71.73% from HK\$538.00 million in 2019 to HK\$923.92 million in 2020. The increase was mainly due to the strong demand in mobile new media performance-based marketing market, which has led to a significant increase in the number of new customers, marketing products and realizable access points on the basis of enhanced cooperation between existing marketers and SaaS marketing customers.

The following table sets forth a breakdown of our revenue by product type for the periods indicated:

| | For the years ended December 31, | | | |
|---|---|---------------------|-------------------|-------------------|
| | 2020 | Percentage % | 2019 | Percentage |
| | <i>(HK\$ million, except for percentages)</i> | | <i>(Restated)</i> | |
| | | | <i>(Note 1)</i> | |
| Marketing revenue from interactive entertainment and other digital products | 803.53 | 86.97% | 509.72 | 94.74% |
| Games | 435.18 | 47.10% | 204.66 | 38.04% |
| Online literature | 152.71 | 16.53% | 67.19 | 12.49% |
| Apps and others | 215.64 | 23.34% | 237.87 | 44.21% |
| Marketing revenue from e-commerce products | 118.73 | 12.85% | 26.16 | 4.86% |
| Revenue from other products ⁽¹⁾ | 1.66 | 0.18% | 2.12 | 0.40% |
| Total revenue | 923.92 | 100.00% | 538.00 | 100.00% |

Notes:

(1) *Other products mainly refer to non-performance-based marketing services we provided to customers.*

Cost of Sales

The cost of sales of the Group increased by 53.62% from HK\$405.14 million in 2019 to HK\$622.36 million in 2020. The cost of sales was mainly comprised of purchase cost of traffic on project placement platform. The increase in cost of sales in 2020 primarily attributed to the increase in sales revenue.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of HK\$301.56 million in 2020, representing 2.27 times compared to a gross profit of HK\$132.86 million in 2019. The gross profit margin increased from 24.70% in 2019 to 32.64% in 2020. The increase in gross profit margin mainly attributed to (1) the improvement in the Group's performance-based marketing; (2) the rapid growth of the Group's e-commerce products marketing business, which contributed higher gross profit and its revenue were recognized on a net basis thanks to the booming development of the video e-commerce industry; and (3) the steady growth in game products with higher gross profit margins.

The following table sets forth a breakdown of our gross profit by product type for the periods indicated:

| | For the years ended December 31, | | | |
|--|---|---------------------|-------------------|-------------------|
| | 2020 | Percentage % | 2019 | Percentage |
| | <i>(HK\$ million, except for percentages)</i> | | <i>(Restated)</i> | |
| | | | <i>(Note 1)</i> | |
| Marketing gross profit from interactive entertainment and other digital products | 206.25 | 68.39% | 111.11 | 83.63% |
| Games | 100.66 | 33.38% | 44.80 | 33.72% |
| Online literature | 38.27 | 12.69% | 14.50 | 10.91% |
| Apps and others | 67.32 | 22.32% | 51.81 | 39.00% |
| Marketing gross profit from e-commerce products | 94.98 | 31.50% | 20.92 | 15.75% |
| Gross profit from other products ⁽¹⁾ | 0.33 | 0.11% | 0.83 | 0.62% |
| Total gross profit | 301.56 | 100.00% | 132.86 | 100.00% |

Note:

- (1) *Other products mainly refer to non-performance-based marketing services we provided to customers.*

Other Gains and Losses

The other gains and losses of the Group decreased from gains of HK\$0.51 million in 2019 to losses of HK\$60.65 million in 2020, primarily due to the Group's listing proceeds in 2020, which are denominated in Hong Kong dollars and the exchange translation loss of HK\$57.74 million arising from the decline in the exchange rate of Hong Kong dollars against Renminbi.

Research and Development Expenses

Research and development expenses of the Group mainly consisted of expenses on data acquisition and algorithm modeling. We have focused on performance-based marketing business on the platform of WeChat official accounts as well as research and development of marketing SaaS business. As we currently accumulated more data and developed our modeling algorithm to a relatively mature stage, we can control our iteration expenses at a lower level every year. In light of the video-related business opportunities and swift expansion of business scale, the Group has increased its investment in research and development in recent years, especially for data collection, data sorting and algorithm modeling. The Group recorded research and development expenses of HK\$27.37 million in 2020, of which data research and development expenses of HK\$20.10 million and algorithm research and development expenses of HK\$7.27 million, representing an increase of 254.08% from HK\$7.73 million in 2019.

Distribution and Selling Expenses

The distribution and selling expenses of the Group represented 0.58% of the revenue of the Group in 2020, decreased from 0.71% in 2019. The Group is a non-sales-oriented enterprise with technology as the main driver, and the distribution and selling expenses can be controlled at a lower level.

Administrative Expenses

The administrative expenses of the Group increased by 147.26% from HK\$16.80 million in 2019 to approximately HK\$41.54 million in 2020, primarily due to: (1) increase in professional service fees of HK\$13.97 million; (2) increase in depreciation and amortization of HK\$3.86 million; (3) increase in taxes of HK\$3.40 million; (4) increase in staff salary of HK\$1.34 million; and (5) increase in other expenses of HK\$2.17 million.

Other Comprehensive Income

In 2019 and 2020, the fair value gain on the Group's equity investment in Yingyi were HK\$4.41 million and HK\$20.19 million respectively, representing a year-on-year increase of 357.82%.

Finance costs

During the Reporting Period, finance costs of the Group were incurred from lease liabilities caused by leasing houses. The Group had no bank loans during the Reporting Period.

Trade and Other Receivables and Deposits

The Group had trade and other receivables and the balance of deposits of HK\$94.77 million as of December 31, 2019 and HK\$335.14 million as of December 31, 2020, respectively.

As of December 31, 2020, the balance of trade receivables of the Group amounted to HK\$320.88 million, representing an increase of 314.79% as compared to HK\$77.36 million at the end of 2019, which was mainly due to the rapid growth in business during the fourth quarter of 2020, during which the revenue amounted to HK\$329.60 million, accounting for 35.67% of our total revenue for the year. More revenue were realized from e-commerce product marketing business, especially during “Double 11” and “Double 12”, resulting in higher trade receivables as of December 31, 2020.

Other receivables and deposits are employee petty cash expenses, rental deposits, deposits to suppliers, etc. As of December 31, 2019, the balance of other receivables and deposits amounted to HK\$17.41 million and HK\$14.26 million as of December 31, 2020, which decreased by HK\$3.15 million as compared with HK\$17.41 million as at December 31, 2019.

Loan Receivables

The Group had loan receivables of HK\$33.52 million and HK\$37.43 million as of December 31, 2019 and December 31, 2020, respectively. The increase in balance was mainly temporary loans to cooperating companies based on the business contracts with cooperating companies and the expansion of new business model.

Prepayments

The Group had prepayments of HK\$197.91 million and HK\$610.85 million as of December 31, 2019 and December 31, 2020, respectively. The increase in balance was primarily attributable to the increase in purchase of prepaid data traffic to satisfy the Company’s business development needs in the following 3 months to 6 months, as well as negotiating a better pricing policy of procurement.

Equity Instruments at Fair Value through Other Comprehensive Income

The Group had balance of equity instruments of HK\$11.09 million and HK\$37.86 million at fair value through other comprehensive income as of December 31, 2019 and December 31, 2020, respectively, which was due to the increase in the fair value of the investment in Yingyi.

Bank Balances and Cash

The Group had bank balances and cash balances of HK\$146.79 million and HK\$1,210.45 million as of December 31, 2019 and December 31, 2020, respectively. The increase in balances was because the Company succeeded in listing of initial public offering and raised funds.

Trade and Other Payables

Trade and other payables of the Group primarily consist of (1) purchase for data traffic; and (2) other payables, primarily representing accrued listing expenses, tax payables and compensation payable to employee.

Trade payables of the Group decreased from HK\$14.91 million as of December 31, 2019 to HK\$11.75 million as of December 31, 2020. Other payables increased 173.96% from HK\$31.88 million as of December 31, 2019 to HK\$87.34 million as of December 31, 2020, primarily due to unsettled listing-related professional services and training expenses by the Company.

Lease Liabilities

Lease liabilities of the Group increased by 67.65% from HK\$12.55 million as of December 31, 2019 to HK\$21.04 million as of December 31, 2020, primarily due to addition of the lease of office premises.

Liquidity and Capital Resources

The following table sets forth a summary of our cash flows for the periods indicated:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---|---|---|
| | <i>HK\$ million</i> | <i>(Restated) (Note 1)</i> |
| Net cash used in operating activities | (411.08) | (76.21) |
| Net cash used in investing activities | (20.54) | (19.75) |
| Net cash from financing activities | 1,495.28 | 130.45 |
| Net increase in cash and cash equivalents | 1,063.66 | 34.49 |
| Cash and cash equivalents at the beginning of the year | 146.79 | 112.30 |
| Cash and cash equivalents at the end of the year | 1,210.45 | 146.79 |

As at December 31, 2020, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Cash flow from Operating Activities

For the year ended December 31, 2020, we had net cash outflow from operating activities of HK\$411.08 million, an increase of HK\$334.87 million on a year-on-year basis, which is mainly due to the significant increase of the business volume and the increased trade receivables and prepayment in 2020 over 2019.

Cash flow from Investing Activities

Our cash used in investing activities mainly consist of purchase of fixed assets, purchase of intangible assets, purchase of right-of-use assets, purchase of financial assets at FVTPL, redemption of financial assets at FVTPL, recovery of loan receivables, the increase in loan receivables.

For the year ended December 31, 2020, our net cash outflow from investing activities was HK\$20.54 million, primarily attributable to the expenses of HK\$14.22 million for purchasing fixed assets and intangible assets, equity investment to Yingyi of HK\$5.94 million and net temporary loans to other enterprises of HK\$1.31 million.

Cash flow from Financing Activities

Our cash inflow from financing activities primarily related to our corporate financings during the Reporting Period.

For the year ended December 31, 2020, our net cash generated from financing activities was HK\$1,495.28 million, primarily attributable to the public issue and listing of our Group on the Hong Kong Stock Exchange in 2020. The net fund raised was HK\$1,498.83 million.

Capital Expenditures

The principal capital expenditures of the Group primarily consist of fixed assets, right-of-use assets and intangible assets. The following table sets forth our net capital expenditures as at the dates indicated:

| | For the year ended December 31, 2020 | For the year ended December 31, 2019 |
|---------------------|---|---|
| | <i>HK\$ million</i> | (Restated) (Note 1) |
| Fixed assets | 16.00 | 5.53 |
| Right-of-use assets | 9.86 | 8.11 |
| Intangible assets | 2.32 | 5.89 |
| Total | 28.18 | 19.53 |

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Company

During the Reporting Period, the Group did not hold any significant investments or have any material acquisitions or disposals of subsidiaries or associated companies.

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group does not have any other plans for material investments or capital assets.

Indebtedness

Bank Borrowings

As of December 31, 2020 and as of the date of this announcement, the Group did not have any bank borrowings.

Contingent Liabilities, Charges of Assets and Guarantees

Contingent Liabilities

As at December 31, 2020, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

Charge of Assets and Guarantees

As at December 31, 2020, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at December 31, 2020, the gearing ratio of the Group was 5.34% (as at December 31, 2019: 12.09%).

Current Ratio

Current ratio represents current assets divided by current liabilities. Current ratio increased from 8.75 times as of December 31, 2019 to 20.63 times as of December 31, 2020.

Foreign Exchange Risk and Hedging

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. The Group will closely monitor the situation and take particular measures when necessary to ensure that foreign currency risk is under control.

Employees and Remuneration Policies

As of December 31, 2020, we had 73 full-time employees, the majority of whom were based in the PRC. As of December 31, 2020, over 82.19% of our employees were in the positions of research and development, technical and operation.

The Group recruits our personnel through professional search firms and recruiting websites. The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance, and has established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority.

We provide professional training programs for new employees we hired. We also customize in accordance to the needs of the employees in different departments, and provide regular and professional training both online and offline.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

| | | Year ended December 31, | |
|--|--------------|--------------------------------|-----------------|
| | | 2020 | 2019 |
| | <i>NOTES</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | (Restated) |
| Revenue | 4 | 923,916 | 538,001 |
| Cost of revenue | | (622,359) | (405,143) |
| Gross profit | | 301,557 | 132,858 |
| Other income | | 4,638 | 4,101 |
| Other gains and losses | 5 | (60,650) | 512 |
| Impairment losses, net of reversal | | (12,716) | (5,855) |
| Distribution and selling expenses | | (5,331) | (3,824) |
| Administrative expenses | | (41,543) | (16,798) |
| Research and development expenses | | (27,366) | (7,730) |
| Listing expenses | | (24,274) | (23,135) |
| Finance costs | | (958) | (385) |
| Profit before taxation | | 133,357 | 79,744 |
| Income tax credit/(expenses) | 6 | 5,322 | (3,218) |
| Profit for the year attributable to owners of the Company | | 138,679 | 76,526 |
| Other comprehensive income | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| Exchange differences on translation from functional currency to presentation currency | | 98,087 | (9,156) |
| Fair value gain on equity instruments at fair value through other comprehensive income | | 20,192 | 4,405 |
| Income tax relating to item that will not be reclassified | | (2,854) | (670) |
| Other comprehensive income for the year, net of income tax | | 115,425 | (5,421) |
| Total comprehensive income for the year attributable to owners of the Company | | 254,104 | 71,105 |
| Basic earnings per share (HK cents) | 7 | 7.78 | 4.84 |
| Diluted earnings per share (HK cents) | 7 | 7.78 | N/A |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2020

| | | As at December 31, | | As at |
|--|--------------|---------------------------|-----------------|-----------------|
| | | 2020 | 2019 | January 1, |
| | <i>NOTES</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | | (Restated) | (Restated) |
| NON-CURRENT ASSETS | | | | |
| Property, plant and equipment | | 20,173 | 5,977 | 1,125 |
| Right-of-use assets | | 18,732 | 12,721 | 7,891 |
| Intangible assets | | 8,722 | 8,528 | 9,208 |
| Deferred tax assets | | 1,300 | – | 341 |
| Other deposits | 9 | 2,791 | 2,503 | 1,403 |
| Prepayments | 10 | – | 4,066 | 4,028 |
| Equity instruments at fair value through other comprehensive income | | 37,862 | 11,092 | 6,848 |
| | | <u>89,580</u> | <u>44,887</u> | <u>30,844</u> |
| CURRENT ASSETS | | | | |
| Trade and other receivables and deposits | 9 | 332,345 | 92,264 | 51,808 |
| Loan receivables | | 37,427 | 33,524 | 23,088 |
| Prepayments | 10 | 610,854 | 193,840 | 59,493 |
| Financial assets at fair value through profit or loss | | – | – | 1,144 |
| Bank balances and cash | | 1,210,447 | 146,787 | 112,299 |
| | | <u>2,191,073</u> | <u>466,415</u> | <u>247,832</u> |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | 11 | 99,090 | 46,789 | 27,833 |
| Lease liabilities | | 6,152 | 4,667 | 1,594 |
| Income tax payable | | 986 | 1,861 | 96 |
| Contract liabilities | | – | – | 406 |
| | | <u>106,228</u> | <u>53,317</u> | <u>29,929</u> |
| NET CURRENT ASSETS | | <u>2,084,845</u> | <u>413,098</u> | <u>217,903</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>2,174,425</u> | <u>457,985</u> | <u>248,747</u> |

| | | As at December 31, 2020 | 2019 | As at January 1, 2019 |
|--------------------------|----------|----------------------------|----------------|-----------------------------|
| NOTES | HK\$'000 | HK\$'000 | (Restated) | HK\$'000 (Restated) |
| NON-CURRENT LIABILITIES | | | | |
| Lease liabilities | | 14,890 | 7,886 | 6,132 |
| Deferred tax liabilities | | 573 | 625 | – |
| | | <u>15,463</u> | <u>8,511</u> | <u>6,132</u> |
| NET ASSETS | | <u>2,158,962</u> | <u>449,474</u> | <u>242,615</u> |
| CAPITAL AND RESERVES | | | | |
| Share capital | 12 | 22 | 16 | 16,072 |
| Reserves | | <u>2,158,940</u> | <u>449,458</u> | <u>226,543</u> |
| TOTAL EQUITY | | <u>2,158,962</u> | <u>449,474</u> | <u>242,615</u> |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended December 31, 2020

| | Share capital <i>HK\$'000</i> | Capital reserve <i>HK\$'000</i> | Fair value through other comprehensive income reserve <i>HK\$'000</i> | Statutory reserve funds <i>HK\$'000</i> | Translation reserve <i>HK\$'000</i> | Retained earnings <i>HK\$'000</i> | Total <i>HK\$'000</i> |
|--|-------------------------------------|---------------------------------------|---|---|---|---|--------------------------|
| At January 1, 2019 (Restated) | 16,072 | 137,931 | – | 10,743 | (10,801) | 88,670 | 242,615 |
| Profit for the year (Restated) | – | – | – | – | – | 76,526 | 76,526 |
| Other comprehensive income for the year (Restated) | – | – | 3,735 | – | – | – | 3,735 |
| Exchange difference on translation (Restated) | – | – | – | – | (9,156) | – | (9,156) |
| Profit and total comprehensive income for the year (Restated) | – | – | 3,735 | – | (9,156) | 76,526 | 71,105 |
| Issue of shares (Restated) (<i>note a</i>) | 1,546 | 140,640 | – | – | – | – | 142,186 |
| Share issuance expenses (Restated) (<i>note a</i>) | – | (6,448) | – | – | – | – | (6,448) |
| Appropriation of statutory reserve funds (Restated) | – | – | – | 9,047 | – | (9,047) | – |
| Issue of shares (Restated) (<i>note b</i>) | 16 | – | – | – | – | – | 16 |
| Adjustment arising from the Group Reorganisation (Restated) (<i>note c</i>) | (17,618) | 17,618 | – | – | – | – | – |
| At December 31, 2019 (Restated) | 16 | 289,741 | 3,735 | 19,790 | (19,957) | 156,149 | 449,474 |
| Profit for the year | – | – | – | – | – | 138,679 | 138,679 |
| Other comprehensive income for the year | – | – | 17,338 | – | – | – | 17,338 |
| Exchange difference on translation | – | – | – | – | 98,087 | – | 98,087 |
| Profit and total comprehensive income for the year | – | – | 17,338 | – | 98,087 | 138,679 | 254,104 |
| Issue of shares (<i>note d</i>) | 6 | 1,595,528 | – | – | – | – | 1,595,534 |
| Share issuance expenses (<i>note d</i>) | – | (140,150) | – | – | – | – | (140,150) |
| Appropriation of statutory reserve funds | – | – | – | 13,244 | – | (13,244) | – |
| At December 31, 2020 | 22 | 1,745,118 | 21,073 | 33,034 | 78,130 | 281,585 | 2,158,962 |

Notes:

- a. Beijing Joy Spreader Interactive Network Technology Co., Ltd (“**Joy Spreader**”), which was the holding company of the Group (see definition in note 1) before the Company (see definition in note 1) became the holding company of the Group on December 11, 2019, issued shares to a few new shareholders. Transaction costs of the issuance of these new shares were incurred and charged against equity.
- b. On February 19, 2019 and December 11, 2019, 9,883,333 and 6,429,299 ordinary shares of Hong Kong Dollar (“**HK\$**”)16,313, equivalent to approximately Renminbi (“**RMB**”)14,000 in total were issued by the Company and allotted to the offshore holding companies wholly-owned by the legal shareholders of Joy Spreader.
- c. On December 11, 2019, the Group completed the group reorganisation (the “**Group Reorganisation**”) of which details are set out in the section headed “History, Reorganisation and Corporate Structure” of the prospectus of the Company dated September 10, 2020 (the “**Prospectus**”) in connection with the initial public offering and listing of the Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”). As a result, the Company became the holding company of the Group since then.
- d. On September 23, 2020, 543,700,000 ordinary shares of the Company were issued at a price of HK\$2.88 per share in connection with the Listing, raising a total gross proceed of HK\$1,565,856,000. On October 28, 2020, the Company elected to allot and issue a further 10,305,000 ordinary shares at a price of HK\$2.88 per share, raising a total gross proceed of HK\$29,678,400. Transaction costs of the issuance of these new shares were incurred and charged against equity.

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended December 31, 2020*

| | Year ended December 31, | |
|--|--------------------------------|------------------------|
| | 2020 | 2019 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | | (Restated) |
| Net cash used in operating activities | <u>(411,078)</u> | <u>(76,207)</u> |
| Net cash used in investing activities | <u>(20,538)</u> | <u>(19,753)</u> |
| Net cash from financing activities | <u>1,495,276</u> | <u>130,448</u> |
| Net increase in cash and cash equivalents | 1,063,660 | 34,488 |
| Cash and cash equivalents at beginning of the year (Restated) | 146,787 | 112,299 |
| Effect of foreign exchange rate changes | <u>—</u> | <u>—</u> |
| Cash and cash equivalents at end of the year, represented by bank balances and cash | <u>1,210,447</u> | <u>146,787</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Joy Spreader Interactive Technology. Ltd (the “**Company**”) is a public limited company incorporated and registered in the Cayman Islands on February 19, 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company’s registered office is located at the office of Sertus Incorporations (Cayman) Limited, Sertus Chambers Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue P.O. Box 2547, Grand Cayman KY1-1104, Cayman Islands. The Company’s principal place of business is located in the People’s Republic of China (the “**PRC**”). The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are provision of digital marketing business and the relevant services.

The ultimate holding company and immediate holding company of the Company are ZZN. Ltd. and Laurence mate. Ltd., which were incorporated in the British Virgin Islands, and are ultimately controlled by Mr. Zhu Zinan, the chairman and chief executive officer of the Company (the “**Ultimate Controlling Shareholder**”).

The consolidated financial statements are presented in HK\$, which is different from the Company’s functional currency of RMB. The directors of the Company (the “**Directors**”) adopted HK\$ as presentation currency. For facilitating the reading of the consolidated financial statements of the Company by users and in view of the Group’s future internationalization strategy, the presentation currency of the Company was changed from RMB to HK\$ during the current year, and the consolidated financial statements are presented in HK\$, as the Company’s share are listed on The Stock Exchange of Hong Kong Limited in September 2020. The comparative information has been restated to reflect the change in presentation currency to HK\$ accordingly. The Group has also presented the consolidated statement of financial position as at January 1, 2019 without related notes.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Prior to the incorporation of the Company and the completion of the Group Reorganisation, the main operating activities of the Group were carried out by Joy Spreader and its subsidiaries, which were established in the PRC (collectively, the “**Consolidated Affiliated Entities**”). Joy Spreader was owned by the Ultimate Controlling Shareholder and other shareholders (collectively referred to as “**Joy Spreader Shareholders**”).

In preparation for the Listing, the Group underwent the Group Reorganisation involving the following steps: (i) incorporating the Company and certain investment holding companies including a wholly-owned subsidiary established in the PRC namely Beijing Joy Spreader Interactive Technology Limited (“**Joy Spreader WFOE**”), (ii) incorporating investment holding companies by each of the Joy Spreader Shareholders and each of them subscribing the shares of the Company with the equivalent shareholding percentage of Joy Spreader and (iii) entering into the Contractual Arrangements (see definition in note 2) as detailed below.

As the shares are proportionately issued to the shareholders of the Company, the Group resulting from the Group Reorganisation, which involves interspersing certain investment holding companies including the Company between Joy Spreader and the Joy Spreader Shareholders and execution of the Contractual Arrangements (see definition in the paragraph below), is regarded as a continuing entity throughout the two years ended December 31, 2020, regardless of the actual date when they legally form part of a group. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes of equity and consolidated statements of cash flows for the two years ended December 31, 2020 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the two years ended December 31, 2020, or since their respective dates of incorporation/establishment, where there is a shorter period.

The Group conducts its business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Internet cultural business industry in the PRC. Joy Spreader WFOE has entered into contractual arrangements with Joy Spreader and the Joy Spreader Shareholders on December 11, 2019 (the “**Contractual Arrangements**”). Pursuant to the Contractual Arrangements, Joy Spreader WFOE is able to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Joy Spreader WFOE;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Joy Spreader WFOE may exercise such options at any time until they have acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, pledge or dispose of any assets, or make any distributions to their equity holders without prior consent of Joy Spreader WFOE; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders as collateral security for payments of the Consolidated Affiliated Entities due to Joy Spreader WFOE and to secure performance of the Consolidated Affiliated Entities’ obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities, has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets, liabilities, revenue, income and expenses of the Consolidated Affiliated Entities in the consolidated financial statements.

3. **APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)**

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the “**IASB**”) for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2020 for the preparation of the consolidated financial statements:

| | |
|---|---------------------------------------|
| Amendments to IAS 1 and IAS 8 | <i>Definition of Material</i> |
| Amendments to IFRS 3 | <i>Definition of a Business</i> |
| Amendments to IFRS 9, IAS 39 and IFRS 7 | <i>Interest Rate Benchmark Reform</i> |

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

| | |
|--|--|
| IFRS 17 | <i>Insurance Contracts and the related Amendments¹</i> |
| Amendments to IFRS 16 | <i>Covid-19-Related Rent Concessions⁴</i> |
| Amendments to IFRS 3 | <i>Reference to the Conceptual Framework²</i> |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | <i>Interest Rate Benchmark Reform – Phase 2⁵</i> |
| Amendments to IFRS 10 and IAS 28 | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i> |
| Amendments to IAS 1 | <i>Classification of Liabilities as Current or Non-current¹</i> |
| Amendments to IAS 1 and IFRS Practice Statement 2 | <i>Disclosure of Accounting Policies¹</i> |
| Amendments to IAS 8 | <i>Definition of Accounting Estimates¹</i> |
| Amendments to IAS 16 | <i>Property, Plant and Equipment: Proceeds before Intended Use²</i> |
| Amendments to IAS 37 | <i>Onerous Contracts – Cost of Fulfilling a Contract²</i> |
| Amendments to IFRS Standards | <i>Annual Improvements to IFRS Standards 2018-2020²</i> |

¹ Effective for annual periods beginning on or after January 1, 2023

² Effective for annual periods beginning on or after January 1, 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after January 1, 2020

⁵ Effective for annual periods beginning on or after January 1, 2021

The Directors anticipate that the application of all new and amendments to IFRSs that have been issued but are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE AND SEGMENT INFORMATION

The Group is engaged in the provision of performance-based we-media marketing services for various types of products (including mobile applications, mobile games, online literature, branding and activities, etc.). Performance-based we-media promotion refers to the form of promotion which is displayed on we-media, which are mainly online accounts registered by their users having the traffic to publish internet content (including text, pictures, audio or games or video contents) to the public. The Group normally acquires the advertising traffic of different online platforms from the suppliers (which are we-media publishers including WeChat official accounts and information flow platforms) and places the internet content provided by the customers in the appropriate we-media platforms (such as WeChat) which can target the interests of their subscribers.

Disaggregation of revenue by type of products promoted

| | Year ended December 31, | |
|---|-------------------------|--------------------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 (Restated) |
| Marketing revenue from interactive entertainment and other digital products | 803,531 | 509,725 |
| Marketing revenue from e-commerce products | 118,727 | 26,155 |
| Revenue from other products | 1,658 | 2,121 |
| | 923,916 | 538,001 |

Timing of revenue recognition

| | Year ended December 31, | |
|---------------|-------------------------|--------------------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 (Restated) |
| Point in time | <u>923,916</u> | <u>538,001</u> |

Performance obligations for contracts with customers

The Group mainly acts as the principal to all contracts with customers and therefore recognised revenue earned and costs incurred related to the transactions on a gross basis where the Group is the primary obligor and are responsible for (i) identifying and contracting with individual customers and negotiating with them the contract price; (ii) identifying and contracting with suppliers (normally the Group made prepayments to suppliers for the advertising traffic to be used for a future period, for example nine months); and (iii) bearing sole responsibility for fulfillment of the services. Such revenue is recognised at a point in time when specific services were provided based on different pricing models (for example, cost per action or cost per click for performance-based advertising services to advertising agencies as a result of the placement of advertisements in relevant we-media platforms). Normally, the payment terms for the contract is 90 days after the number of the specified actions is agreed with the customers monthly.

Transaction price allocated to the remaining performance obligation for contracts with customers

All performance-based we-media marketing services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Segment information

The Group has been operating in one reporting segment, being the performance-based we-media marketing service.

For the purpose of resources allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented. In this regard, no segment information is presented.

Geographical information

The Group is located in the PRC and all of the Group's revenue is generated from contracts with customers in the PRC based on the place of establishment of the customers, and all of the Group's non-current assets are located in the PRC. Thus, no geographical information is presented.

5. OTHER GAINS AND LOSSES

| | Year ended December 31, | |
|--|-------------------------|--------------------------------|
| | 2020 HK\$'000 | 2019 HK\$'000 (Restated) |
| Loss on disposal of property, plant and equipment, net | 399 | — |
| Foreign exchange losses, net | 57,741 | — |
| Others | <u>2,510</u> | <u>(512)</u> |
| | <u>60,650</u> | <u>(512)</u> |

6. INCOME TAX (CREDIT)/EXPENSES

| | Year ended December 31, | |
|---|-------------------------|--------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Current enterprise income tax | 2,516 | 2,858 |
| (Over-provision)/under-provision in prior years | (3,666) | 54 |
| Deferred tax | (4,172) | 306 |
| | <u>(5,322)</u> | <u>3,218</u> |

Tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

| | Year ended December 31, | |
|--|-------------------------|---------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Profit before taxation | <u>133,357</u> | <u>79,744</u> |
| Tax at the applicable tax rate of 25% | 33,339 | 19,936 |
| Tax effect of expenses not deductible for tax purpose | 716 | 440 |
| Effect of tax exemptions granted | (34,912) | (8,719) |
| Effect of research and development expenses that are additionally deducted | (799) | (257) |
| Effect on different tax rate resulting from subsidiaries entitling as High-New Technology Enterprises (“HNTE”) | – | (8,236) |
| (Over-provision)/under-provision in prior years | <u>(3,666)</u> | <u>54</u> |
| Tax (credit)/charge | <u>(5,322)</u> | <u>3,218</u> |

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% for both years.

Joy Spreader, one of the Group’s subsidiaries, was qualified as a HNTE and was subject to a preferential income tax rate of 15% for three years starting from January 1, 2018.

Wuyou Technology, one of the Group’s subsidiaries, was qualified as a HNTE and was subject to a preferential income tax rate of 15% for three years starting from January 1, 2019.

According to “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” (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC, two of the Group’s subsidiaries, Horgos Yaoxi Internet Technology Co., Ltd and Horgos Wuyou Internet Technology Co., Ltd, which were founded in 2017 and located in Horgos city in the PRC, were exempted from income tax from 2017 to 2021. Two of the Group’s subsidiaries, Horgos Zhipu Shulian Internet Technology Co., Ltd and Horgos Joyspreader Interactive Technology Co., Ltd, which were founded in 2020 and located in Horgos city in the PRC, were exempted from income tax from 2020 to 2024.

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

| | Year ended December 31, | |
|---|--------------------------------|------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Profit for the year attributable to owners of the Company | 138,679 | 76,526 |
| Basic earnings per share (HK cents) | 7.78 | 4.84 |
| Diluted earnings per share (HK cents) | 7.78 | N/A |
| Number of shares | | |

| | Year ended December 31, | |
|--|--------------------------------|-----------|
| | 2020 | 2019 |
| | '000 | '000 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 1,782,057 | 1,580,091 |
| Effect of dilutive potential ordinary shares: – over-allotment options | 36 | N/A |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 1,782,093 | N/A |

The number of ordinary shares for the purposes of calculating basic earnings per share for the years ended 2019 and 2020 has been determined on the assumption that the Group Reorganisation, the Share Subdivision (defined in note 12(b)) and the capitalisation issuance of the shares of the Company as set out in note 12 had been effective on January 1, 2019.

No diluted earnings per share for both 2020 and 2019 were presented as there were no potential ordinary shares in issue for both 2020 and 2019.

8. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019 and 2020.

9. TRADE AND OTHER RECEIVABLES AND DEPOSITS

| | As at December 31, | |
|---|--------------------|---------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Trade receivables | 340,126 | 82,885 |
| Less: Allowance for credit losses | (19,252) | (5,527) |
| | <u>320,874</u> | <u>77,358</u> |
| Deferred shares issue costs | – | 7,780 |
| Deposits paid to suppliers | 2,376 | 2,233 |
| Rental and other deposits | 3,074 | 2,553 |
| Receivable for disposal of intangible assets (Note) | – | 4,577 |
| Other receivables | 9,694 | 1,028 |
| Less: Allowance for credit losses | (882) | (762) |
| | <u>14,262</u> | <u>17,409</u> |
| Total trade and other receivables and deposits | <u>335,136</u> | <u>94,767</u> |
| Analysis as | | |
| Non-current | 2,791 | 2,503 |
| Current | <u>332,345</u> | <u>92,264</u> |
| | <u>335,136</u> | <u>94,767</u> |

Note: The Group disposed of its adaptation rights for production and distribution of television works and games for a consideration of HK\$4,393,000 (Restated) (excluding VAT) during the year ended December 31, 2019, which were fully settled in July 2020.

As at January 1, 2019, trade receivables from contracts with customers amounted to HK\$47,873,000.

The Group usually allows a credit period of 90 days to its customers which is interest free with no collateral. Aging of trade receivables net of allowance for credit losses, is prepared based on invoice dates, which approximated the respective revenue recognition dates, are as follows:

| | As at December 31, | |
|-----------------|---------------------------|-----------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Within 3 months | 264,444 | 60,312 |
| 3-6 months | 53,244 | 4,833 |
| 7-12 months | 3,186 | 10,880 |
| 1-2 years | – | 1,333 |
| | 320,874 | 77,358 |

As at December 31, 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amounts of HK\$56,430,000 (December 31, 2019: HK\$17,046,000 (Restated)) which are past due as at that date. Out of the past due balance, HK\$3,186,000 (December 31, 2019: HK\$718,000 (Restated)) has been past due 90 days or more and is not considered as in default because the amount is due from a number of independent reputable customers with good credit rating. The Group considers that there is no significant change in these customers credit risk. The Group does not hold any collateral or other credit enhancement over these balances.

10. PREPAYMENTS

| | As at December 31, | |
|---|---------------------------|-----------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Current | | |
| Prepayments for purchases of traffic | 609,369 | 192,188 |
| Prepaid share issue cost or listing expense | – | 521 |
| Other prepayments | 1,485 | 1,131 |
| | 610,854 | 193,840 |

| | As at December 31, | |
|--|---------------------------|-----------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Non-current | | |
| Prepayments for acquisition of buildings (<i>Note</i>) | – | 1,833 |
| Prepayment for short-form video making | – | 2,233 |
| | – | 4,066 |

Note: The Group disposed of these buildings under prepayments to an independent third party with a total cash consideration of HK\$1,675,000 (Restated), HK\$893,000 (Restated) of which was settled in June 2020, the remaining consideration will be settled upon the reception of these buildings.

11. TRADE AND OTHER PAYABLES

| | As at December 31, | |
|--|--------------------|---------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Trade payables | 11,748 | 14,911 |
| Employee compensation payable | 8,799 | 6,555 |
| Other tax payable | 18,766 | 2,366 |
| Accrued listing expense/shares issue costs | 52,513 | 18,419 |
| Deposits received from customers | 2,376 | 2,233 |
| Amounts due to shareholders | – | 1,670 |
| Other payables and accruals | 4,888 | 635 |
| | <u>99,090</u> | <u>46,789</u> |

The following is an aged analysis of trade payables by age presented based on the invoice date.

| | As at December 31, | |
|-----------------|--------------------|---------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Within 3 months | 5,555 | 9,977 |
| 3–6 months | 2,469 | 2,637 |
| 7–12 months | 2,218 | 2,297 |
| 1–2 years | 1,506 | – |
| | <u>11,748</u> | <u>14,911</u> |

The average credit period on purchases of goods or services is 90 days.

12. SHARE CAPITAL OF THE COMPANY

| | Number of shares | Share capital HK\$ |
|--|---------------------------|-----------------------|
| Ordinary shares of HK\$0.001 each Authorised At February 19, 2019 (the date of incorporation) (<i>Note a</i>) | 50,000,000 | 50,000 |
| At December 31, 2019 | 50,000,000 | 50,000 |
| Share subdivision into HK\$0.00001 each (<i>Note b</i>) | 4,950,000,000 | – |
| At December 31, 2020 | 5,000,000,000 | 50,000 |
| Issued and fully paid At February 19, 2019 (the date of incorporation) (<i>Note a</i>) | 9,883,333 | 9,883 |
| Issue of shares on December 11, 2019 (<i>Note a</i>) | 6,429,299 | 6,430 |
| At December 31, 2019 | 16,312,632 | 16,313 |
| Share subdivision (<i>Note b</i>) | 1,614,950,568 | – |
| Issue of shares on September 23, 2020 (<i>Note c</i>) | 543,700,000 | 5,437 |
| Issue of shares on October 28, 2020 (<i>Note d</i>) | 10,305,000 | 103 |
| At December 31, 2020 | 2,185,268,200 | 21,853 |
| | As at December 31, | |
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | | (Restated) |
| Presented as | 22 | 16 |

Notes:

- a. The Company was incorporated on February 19, 2019 with an initial authorised share capital of HK\$50,000 divided into 50,000,000 shares of a par value of HK\$0.001 each. On February 19, 2019 and December 11, 2019, 9,883,333 and 6,429,299 ordinary shares of HK\$16,313 in total were issued by the Company and allotted to the offshore holding companies wholly-owned by the legal shareholders of Joy Spreader, the holding company of the Group before the completion of the Group Reorganisation.
- b. On August 26, 2020, a written resolution was passed by the shareholders of the Company to approve the subdivision of each share of the Company's issued and unissued share capital with par value of HK\$0.001 each into 100 shares of the corresponding class with par value of HK\$0.00001 each before the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure" of the Prospectus (the "Share Subdivision"). According to the Share Subdivision, 1,614,950,568 shares were issued to existing shareholders of the Company in proportion to their shareholding in the Company before the Listing.
- c. On September 23, 2020, 543,700,000 ordinary shares of the Company of HK\$0.00001 each were issued at a price of HK\$2.88 per share in connection with the Listing, raising a total gross proceed of HK\$1,565,856,000.
- d. On October 28, 2020, the Company elected to allot and issue a further 10,305,000 ordinary shares of HK\$0.00001 each at a price of HK\$2.88, raising a total gross proceed of HK\$29,678,400.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Contractual Arrangements

For the year ended December 31, 2020, the Board has reviewed the overall performance of the contractual arrangements and believed that the Group has complied with the contractual arrangements in all material respects.

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and took effect on January 1, 2020. The Foreign Investment Law stipulates forms of foreign investment as below:

- (i) foreign investors set up foreign invested enterprises in China severally or jointly with other investors;
- (ii) foreign investors acquire shares, equity, properties or other similar interests in any domestic enterprise;
- (iii) foreign investors invest in new projects in China severally or jointly with other investors; and
- (iv) foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.

The Foreign Investment Law stipulates that the Negative List is applied in certain industry sectors. The Negative List set out in the Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalog of Prohibitions (《禁止外商投資產業目錄》) and the Catalog of Restrictions (《限制外商投資產業目錄》), respectively. Where any foreign investor directly or indirectly holds shares, equity, properties or other interests in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalog of Prohibitions. Foreign investors are allowed to invest in sectors set out in the Catalog of Restrictions, subject to certain conditions. Foreign investors are allowed to invest in any sector beyond the Negative List and shall be managed on the same basis as domestic investments.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in internet culture businesses and other related businesses. In particular, under the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》), which was revised in 2017 and the Negative List, certain of the Group's performance-based marketing services fall into the internet culture businesses which is considered prohibited. To comply with PRC laws and regulations, the Group conducts our performance-based marketing in China through Beijing Joyspreader and its subsidiaries, based on a series of Contractual Arrangements by and among WFOE, Beijing Joyspreader and the Registered Shareholders. As a result of these Contractual Arrangements, the Group

exerts control over Beijing Joyspreader and its subsidiaries and consolidates their results of operations into the Group's financial statements. Beijing Joyspreader and its subsidiaries hold the licenses, approvals and key assets that are essential for the operations of the Group's Relevant Businesses. For the efforts made and actions taken by the Group in compliance with the qualification requirements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

As of the date of this announcement, there has been no update on the Foreign Investment Law and the Group has complied with the Foreign Investment Law and the implementation rules in relation to the qualification requirements.

Nevertheless, as disclosed above, even if the Company and its Shareholders have taken steps with the aim to meet the Qualification Requirements, each of the Consolidated Affiliated Entities conducting Restricted Businesses must also hold the Online Culture Operating License which prohibits foreign investments, and therefore the Company would not be able to hold any equity interest in the Consolidated Affiliated Entities. In case that in future the Company or any of the Consolidated Affiliated Entities may provide value-added telecommunications services that require ICP License only, the Company will, where necessary, consider to set up new subsidiary(ies) or transfer the relevant business to proper subsidiary(ies) in order to directly hold the maximum percentage of ownership interests permissible under the relevant PRC laws and regulations.

Use of Proceeds from Listing

The Company was successfully listed on the Main Board of Stock Exchange on September 23, 2020. The Over-allotment Option was partially exercised by the Joint Representatives (on behalf of the International Underwriters) on October 15, 2020 (after trading hours). The net proceeds from the Global Offering, after deduction of underwriting fees, commissions and related expenses payable by the Company, amounted to approximately HK\$1,498.83 million. An analysis of the utilization of the Group's proceeds from Listing as of December 31, 2020 is as follows:

| The intended use of the net proceeds as described in the Prospectus | Net proceeds (including net proceeds from the exercise of the Over-allotment Option) (HK\$ million) | Approximate percentage of net proceeds (%) | Utilized net proceeds (HK\$ million) | Unutilized net proceeds (HK\$ million) | Expected timetable for the use of unutilized net proceeds |
|--|---|--|--------------------------------------|--|---|
| To develop our short-form video mobile new media monetization business, the net proceeds: | | | | | |
| (1) Will be used to invest in developing our self-owned user traffic; | 511.11 | 34.10% | 260.00 | 251.11 | over the next five years |
| (2) Will be used to expand our team; | 61.45 | 4.10% | – | 61.45 | over the next five years |

| The intended use of the net proceeds as described in the Prospectus | Net proceeds (including net proceeds from the exercise of the Over-allotment Option) (HK\$ million) | Approximate percentage of net proceeds (%) | Utilized net proceeds (HK\$ million) | Unutilized net proceeds (HK\$ million) | Expected timetable for the use of unutilized net proceeds |
|---|---|--|--------------------------------------|--|---|
| (3) Will be used to further develop our short-form video technology infrastructure; | 37.47 | 2.50% | – | 37.47 | over the next five years |
| (4) Will be used to procure high quality copyrights or ownership of high quality interactive entertainment products or license-in high quality interactive entertainment products; and | 265.29 | 17.70% | – | 265.29 | over the next five years |
| (5) Will be used to continuously develop and optimize our algorithms and data collection capabilities to increase the effectiveness of recommendation algorithms for short-form videos. | 23.98 | 1.60% | 22.52 | 1.46 | over the next five years |
| To continue to strengthen our capabilities in performance-based mobile new media marketing services, the net proceeds: | | | | | |
| (1) Will be used for potential investments in, or acquisitions of suitable licensed or large agents of top mobile new media platforms; | 106.42 | 7.10% | – | 106.42 | over the next five years |
| (2) Will be used for upgrading and optimizing our technologies, platforms and algorithms; | 46.46 | 3.10% | – | 46.46 | over the next five years |
| (3) Will be used to expand our interactive entertainment product offerings; and | 121.41 | 8.10% | – | 121.41 | over the next five years |
| (4) Will be used to increase and diversify our collaboration with licensed or large agents of popular we-media platforms in order to capture high-quality mobile new media resources. | 22.48 | 1.50% | – | 22.48 | over the next five years |
| To finance our international expansion, the net proceeds: | | | | | |
| (1) Will be used to establish an overseas office in South Korea or countries in Southeast Asia and to establish an international sales and marketing team; | 61.45 | 4.10% | – | 61.45 | over the next five years |
| (2) Will be used for exploring potential investments and acquisitions, including talent trainee agency companies with strong talent resources in South Korea and Southeast Asia; | 38.97 | 2.60% | – | 38.97 | over the next five years |

| The intended use of the net proceeds as described in the Prospectus | Net proceeds (including net proceeds from the exercise of the Over- allotment Option) (HK\$ million) | Approximate percentage of net proceeds (%) | Utilized net proceeds (HK\$ million) | Unutilized net proceeds (HK\$ million) | Expected timetable for the use of unutilized net proceeds |
|---|---|---|--|--|---|
| (3) Will be used for procuring user traffic from overseas mobile new media platforms or their agents that provide traffic resources to extend our performance-based mobile new media marketing services to overseas platforms for both domestic marketers and foreign marketers that seek to market their products on overseas short-video platforms; and | 29.98 | 2.00% | – | 29.98 | over the next five years |
| (4) Will be used to develop overseas versions of our technology platforms. | 22.48 | 1.50% | – | 22.48 | over the next five years |
| For our working capital and general corporate purposes | 149.88 | 10.00% | 39.08 | 110.80 | over the next five years |
| Total | 1,498.83 | 100.00% | 321.60 | 1,177.23 | |

The Company will use the remaining proceeds for the purposes disclosed in the Prospectus and in accordance with the expected implementation schedule disclosed in the Prospectus.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended December 31, 2020.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value and accountability. The Board is of the view that the Company has adopted the principles and code provisions of the CG Code since the date of listing of the Company's shares on the Main Board of the Stock Exchange on September 23, 2020, except for a deviation from the code provision A.2.1 of the CG Code, that the roles of chairman and chief executive officer of the Company are not separated and are both performed by Mr. Zhu Zinan. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors, and we believe that there is sufficient check and balance in the Board; (ii) Mr. Zhu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary. Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors. Prior to the Listing Date of the Company, the Model Code did not apply to all Directors.

Having made specific enquiries of all Directors, all of them have confirmed that they have complied with the required standards contained in the Model Code during the period from the Listing Date to December 31, 2020.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

Except for the Company's Global Offering (including the exercise of Over-allotment Options) as described in the Prospectus, the Company and its subsidiaries did not purchase, sell or redeem any of the Company's listed securities for the year ended December 31, 2020.

AUDIT COMMITTEE

The Board has established the Audit Committee with written terms of reference in compliance with the requirements of the CG Code. The terms of reference of the Audit Committee are set out on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.adjoy.com.cn).

As at the date of this announcement, the Audit Committee comprises three independent non-executive Directors, namely Mr. Tang Wei (Chairman), Mr. Xu Chong and Mr. Yap Jin Meng Bryan, and one non-executive Director, Mr. Guo Sijia. The principal duties of the Audit Committee are to review and supervise the Group's financial reporting process and internal control system, review and approve connected transactions, oversee the audit process, supervise the Group's risk management, provide advice to the Board and perform such other duties as may be assigned by the Board.

The Audit Committee has reviewed with the management and the external auditors of the Company the accounting principles and policies adopted by the Company, and discussed and reviewed internal control, risk management and reporting matters.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2020. The Audit Committee considered that the audited consolidated financial statements for the year ended December 31, 2020 complied with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. Accordingly, the Audit Committee recommends the Board to approve the audited consolidated financial statements of the Group for the year ended December 31, 2020.

SCOPE OF WORK OF THE AUDITOR OF THE COMPANY

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

The Group did not have any significant events after the Reporting Period.

PROPOSED CHANGE OF COMPANY NAME AND PROPOSED SECOND AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

On March 19, 2021, the Board proposes to change the English name of the Company from “Joy Spreader Interactive Technology. Ltd” to “Joy Spreader Group Inc.” and the dual foreign name in Chinese of the Company from “乐享互动有限公司” to “樂享集團有限公司”. The proposed change of the Company’s name is subject to (i) the passing of a special resolution by poll on the forthcoming annual general meeting of the Company approving the Proposed Change of Company Name and (ii) the Registrar of Companies in the Cayman Islands approving the Proposed Change of Company Name by issuing a certificate of incorporation on change of name. Details of the annual general meeting and the progress of such change will be announced in due course.

PUBLICATION OF THE ANNUAL RESULTS AND THE 2020 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.adjoy.com.cn), and the annual report for the year ended December 31, 2020 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to all the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

| | |
|-----------------------|--|
| “app” | mobile application |
| “ARPU” | Average Revenue Per User |
| “Audit Committee” | the audit committee of the Board |
| “Beijing Joyspreader” | Beijing Joy Spreader Interactive Network Technology Co., Ltd (北京樂享互動網絡科技股份有限公司), a company established under the laws of the PRC with limited liability on October 9, 2008, and by virtue of the Contractual Arrangements, accounted for as our subsidiary |
| “Board” | the board of Directors |
| “CG Code” | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| “Chairman” | the Chairman of the Board |
| “China” or “the PRC” | the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan |

| | |
|--|--|
| “Consolidated Affiliated Entities” | the entities we control through the Contractual Arrangements, namely Beijing Joyspreader and its subsidiaries |
| “Contractual Arrangements” | the series of contractual arrangements entered into by, among others, WFOE, Beijing Joyspreader and the Registered Shareholders |
| “Director(s)” | the director(s) of the Company |
| “FVTPL” | fair value through profit or loss |
| “GMV” | Gross Merchandise Volume |
| “Group”, “the Group”, “we” or “us” | our Company, its subsidiaries and the consolidated affiliated entities at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the subsidiaries of our Company or the businesses operated by its present subsidiaries (as the case may be) |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong dollars” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “interactive entertainment product(s)” | Interactive entertainment product(s), primarily comprising games and internet literature, etc. |
| “Joyspreader”, “Company”, or “We” | Joy Spreader Interactive Technology. Ltd (乐享互动有限公司), a company incorporated in the Cayman Islands on February 19, 2019 as an exempted company with limited liability |
| “Listing” | the listing of the Shares on the Main Board on September 23, 2020 |
| “Listing Date” | September 23, 2020, being the date on which the Shares were listed on the Main Board |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time |
| “Main Board” | the Main Board of the Stock Exchange |
| “Model Code” | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules |
| “Over-allotment Option” | has the meaning ascribed thereto in the Prospectus |
| “private domain traffic” | Traffic that can be freely controlled and utilized repeatedly by community and content publishers vis-à-vis public domain traffic |

| | |
|-----------------------------|---|
| “Prospectus” | the prospectus issued by the Company dated September 10, 2020 |
| “Registered Shareholder(s)” | being Mr. Zhu Zinan, Shenzhen Nanhai Chengzhangtongying, Nantong Pinghengchuangye, Beijing Zinan and Friends, Jiaxing Baozheng, Beijing Daoyoudao, Nanjing Pingheng Capital, Mr. Zhang Zhidi, Mr. Chen Liang, Shanghai Jinjia, Mr. Guo Zhiwei, Ms. Zhang Yue, Ms. Zhang Wenyan, Ms. Xue Xiaoli, Ms. Zhu Xifen, Mr. Xiong Chi and Ms. Huang Huijuan, who are shareholders of Beijing Joyspreader |
| “Renminbi” or “RMB” | Renminbi Yuan, the lawful currency of China |
| “Reporting Period” | the 12 months period from January 1, 2020 to December 31, 2020 |
| “SaaS” | Software as a Service |
| “Shareholder(s)” | holder(s) of Shares |
| “Share(s)” | ordinary shares in the share capital of our Company with the nominal value of HK\$0.00001 each |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “WFOE” | Beijing Joy Spreader Interactive Technology Co., Ltd (北京樂享互動科技有限公司), a limited liability company established in the PRC on May 22, 2019 and a wholly-owned subsidiary of us |
| “Yingyi” | Shenzhen Yingyi Vision Technology Co., Ltd. (深圳影濤視界科技有限公司), a limited liability company established in the PRC on September 14, 2020 |

In this announcement, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By order of the Board
Joy Spreader Interactive Technology. Ltd
Zhu Zinan
Chairman

Beijing, the PRC

March 19, 2021

As at the date of this announcement, the Board comprises Mr. Zhu Zinan, Mr. Zhang Zhidi and Mr. Cheng Lin as executive Directors; Mr. Guo Sijia, Mr. Hu Qingping and Ms. Chen Yuanyuan as non-executive Directors; and Mr. Xu Chong, Mr. Tang Wei, Mr. Fang Hongwei and Mr. Yap Jin Meng Bryan as independent non-executive Directors.