

netjoy⁺

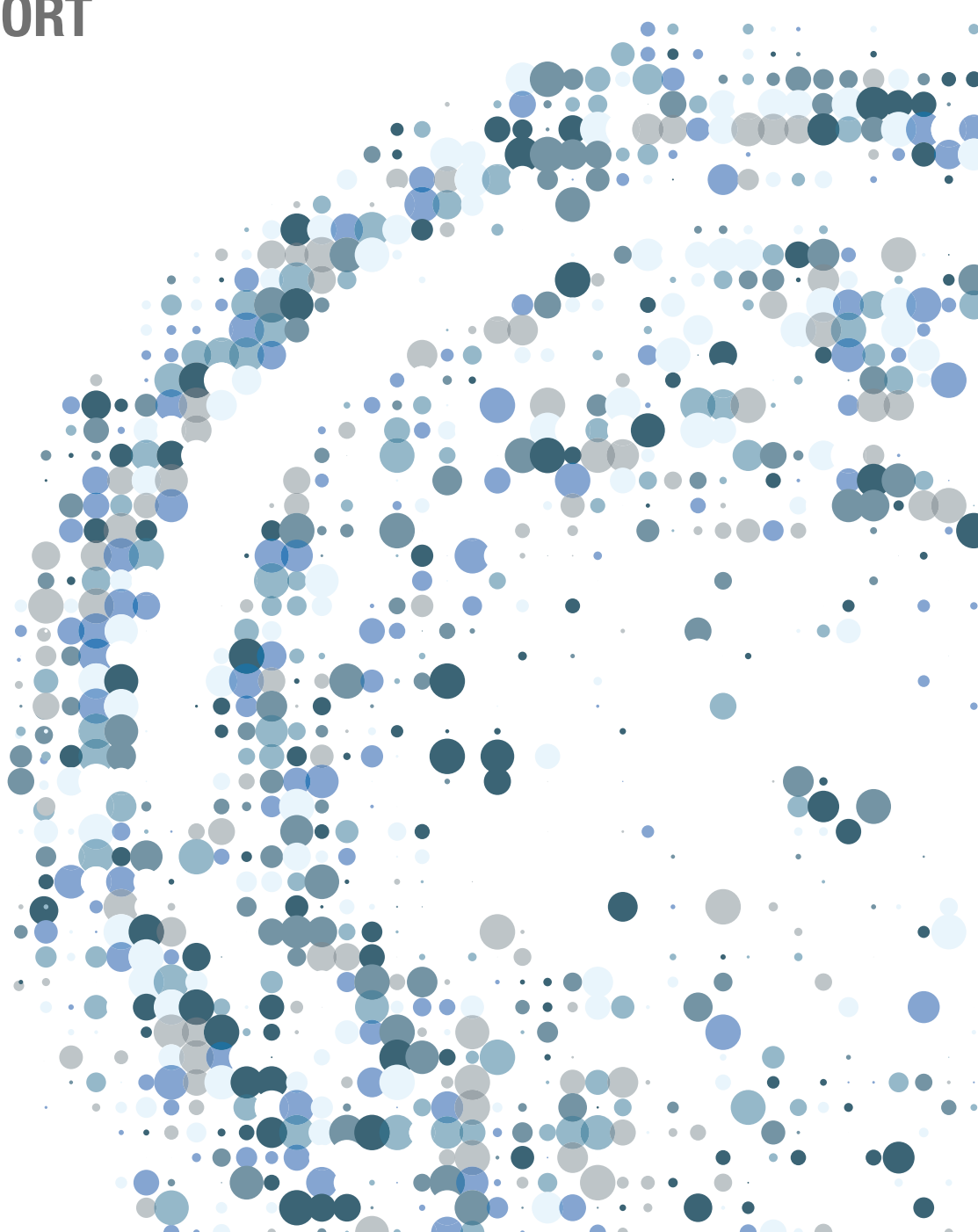
NETJOY HOLDINGS LIMITED

云想科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2131

2021 INTERIM REPORT



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Jiaqing (*Chairman*)

Mr. Wang Chen (*Chief Executive Officer*)

Non-executive Directors

Mr. Qin Miaomiao

Mr. Dai Liqun

Mr. Zhang Jianguo

Mr. Wang Jianshuo

Independent Non-executive Directors

Mr. Chen Changhua

Dr. Ru Liyun

Ms. Cui Wen

AUDIT COMMITTEE

Mr. Chen Changhua (*Chairman*)

Dr. Ru Liyun

Mr. Dai Liqun

REMUNERATION COMMITTEE

Dr. Ru Liyun (*Chairman*)

Mr. Chen Changhua

Mr. Dai Liqun

NOMINATION COMMITTEE

Mr. Xu Jiaqing (*Chairman*)

Mr. Chen Changhua

Dr. Ru Liyun

AUTHORIZED REPRESENTATIVES

Mr. Wang Chen

Ms. Peng Ting

JOINT COMPANY SECRETARIES

Ms. Peng Ting

Ms. Leung Shui Bing

LEGAL ADVISORS

As to Hong Kong laws

William Ji & Co. LLP

in Association with

Tian Yuan Law Firm Hong Kong Office

Suites 3304-3309, 33/F, Jardine House

One Connaught Place

Central, Hong Kong

As to PRC laws

DeHeng Law Offices

12/F Tower B, Focus Place

No.19 Finance Street

Xicheng District, Beijing

PRC

AUDITOR

Ernst & Young

Certified Public Accountants

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

CORPORATE INFORMATION

COMPLIANCE ADVISOR

Haitong International Capital Limited
Suites 3001-3006 and 3015-3016
One International Finance Centre
1 Harbour View Street, Central
Hong Kong

REGISTERED OFFICE

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103 South Church Street, George Town
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HEADQUARTERS IN THE PRC

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396 Guilin Road
Xuhui District, Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Shanghai Jing'anxincheng Branch
No. 2362-2366, Yishan Road
Minhang District, Shanghai
PRC

China Construction Bank Corporation
Shanghai Caohejing Branch
No. 418, Guiping Road
Xuhui District, Shanghai
PRC

STOCK CODE

2131

COMPANY WEBSITE

www.netjoy.com

FINANCIAL HIGHLIGHTS

| | Six months ended June 30, | | Change |
|--------------------------|--------------------------------------|---------------------|--------|
| | 2021 (Unaudited) | 2020 (Unaudited) | |
| | (RMB in millions, except percentage) | | |
| Revenue | 1,570.71 | 796.97 | 97.09% |
| Gross profit | 149.28 | 84.38 | 76.91% |
| Profit before income tax | 113.38 | 60.76 | 86.60% |
| Profit for the period | 104.22 | 57.08 | 82.59% |
| Adjusted net profit | 119.94 | 67.97 | 76.46% |

| | As at | As at | Change |
|---|---------------------------------------|-----------------------------------|--------|
| | June 30, 2021 (Unaudited) | December 31, 2020 (Audited) | |
| | (RMB in thousands, except percentage) | | |
| Non-current assets | 63,907 | 50,774 | 25.87% |
| Current assets | 2,344,713 | 1,988,937 | 17.89% |
| Current liabilities | 788,459 | 531,439 | 48.36% |
| Non-current liabilities | 3,920 | 3,250 | 20.62% |
| Total equity attributable to owners of the parent | 1,616,241 | 1,505,022 | 7.39% |

MANAGEMENT DISCUSSION AND ANALYSIS



RESULTS HIGHLIGHTS FOR THE FIRST HALF OF 2021

We focus on the field of short videos and strive to become a short video marketing solutions platform service provider with leading technological strength in the industry. We provide integrated services, comprising creative design, production, programmatic precise distribution, performance tracking and data analysis of short video marketing content, to our fast-growing and diversified customers, and assist the customers we serve to further reduce costs on various major short video media platforms, enhance marketing efficiency and optimize the effectiveness of advertisement placement through our self-developed cloud service platform, being an integrated service system comprising Tradeplus, a one-stop short video programmatic advertising and data management platform, and hepai.video, a video matchmaking trading platform. Meanwhile, we also speed up the implementation of online marketing full cycle service and full link data management with higher levels of automation and standardization through the platform.

With the stabilization of the COVID-19 pandemic in 2021 across the globe, economic development confronted with pressure and opportunities in the post-pandemic era, among which the online economy welcomed a larger room for growth. During this period, the Company accelerated the transformation and upgrade of business layout and technological capabilities to adapt to the evolving changes in market demand and sustained remarkable growth in the first half of 2021. On the basis of the large-scale development of the core online marketing business, the Company also realized the structural optimization as well as transformation and upgrade of businesses capitalizing on the innovative research and development in cloud service technologies. Currently, our major businesses include online marketing solutions, short video marketing cloud service and other business, including but not limited to, new business sectors which have undergone rapid development such as maker economy and brand live streaming operation.

During the Reporting Period, the net profit of the Company increased by 82.59% to RMB104.22 million. Our total revenue increased from RMB0.797 billion in the first half of 2020 to RMB1.571 billion in the first half of 2021. The gross billing increased by 122.18% period on period from RMB1.578 billion in the first half of 2020 to RMB3.506 billion in the first half of 2021. The gross profit increased from RMB84.38 million in the first half of 2020 to RMB149.28 million in the first half of 2021. As of June 30, 2021, our cash and cash equivalents amounted to RMB0.561 billion, indicating that we have abundant cash reserves and a healthy financial structure.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS HIGHLIGHTS FOR THE FIRST HALF OF 2021 (Continued)

We serve a fast-growing, diversified and balanced customer base. As of June 30, 2021, we provided services, mainly including internet services and tools, online gaming, e-commerce, financial services, etc., to over 5,618 customers in 199 sub-sectors of industry verticals. The number of advertising customers served by us increased 17.02% period on period from 470 in the first half of 2020 to 550 in the first half of 2021.

As the rapid and sound development of our business gained recognition from the international capital markets, we were officially admitted to the MSCI China Small Cap Index in May 2021. Meanwhile, through continuous innovation in technology, creativity and service capability, we won a number of honors and awards from our customers, the media and the industry in 2021, mainly including the “2021 TopDigital Innovative Marketing Award – Product of the Year (2021年TopDigital創新行銷獎年度產品獎)” of Tradeplus, the recognition as the “KA Effect 2021 Outstanding Partners (KA效果2021年度優秀合作夥伴)”, “KA Star 2021 Outstanding Partners (KA聚星2021年度優秀合作夥伴)” and “2021 Top 10 New Partners (2021年度十佳新銳合作夥伴)” by Kuaishou-Magnetic Engine, the “Innovation Power Award for the Year (年度變革力量獎)” at the 2021 Channel Award Ceremony (2021年度管道榮耀大典) by Tencent Advertisement, and the recognition as the “2021 Top 50 Leading Enterprises with Technological Strength (2021最具科技力量領軍企業TOP 50)” by Frost & Sullivan, a globally renowned growth consultancy firm.

BUSINESS REVIEW

With the arrival of the big data era and the popularization of the fifth-generation mobile communication (5G) technology of the operators in Mainland China, the application of short videos is expected to further penetrate into every aspect of people’s life. Accordingly, short video marketing has been gaining greater importance rapidly in the online marketing market. The short video market sustained tremendous growth in the first half of 2021 and the top six short video platforms covered most of the market share. In this area, programmatic advertising is the most dominant method of commercial monetization in the industry and for us. We seized the opportunity offered by programmatic advertising to forge a platform with comprehensive short video marketing eco-chain and technical services by way of extending our business coverage to sectors including short video marketing SaaS service, brand live streaming operation and maker economy.

Our short video commercialization business is a business with two drivers, being big data management ability and large-scale short video production capacity driven by data. Meanwhile, we recognize the enormous demand for marketing data management and full link cost reduction and efficiency enhancement in the online marketing industry driven by data, including but not limited to, short video commercialization business. Under the support of our technology platform and service capabilities, we empower our customers to attain scale expansion with quantifiable indicators, real-time tracking methods and low marketing costs, thereby helping them to achieve tremendous business growth, and bringing benefits to ourselves. This is also our intention for developing such cloud platforms as the Tradeplus platform and the deciding factor for the speeding up of commercialization in the first half of 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW (Continued)

On the back of market insight and exploration, we extended its reach to the short video marketing cloud service business, providing paid services of programmatic advertising and data management to the first batch of registered advertisers and service providers. The services provided, including but not limited to, cross-platform and cross-account advertising placement, material management and intelligent derivation, data report analysis and generation and other functions. As of June 30, 2021, Tradeplus generated income from subscription fees received from customers or commission fees calculated based on a certain percentage of the total advertising expenditure on the platform by customers. During the Reporting Period, the platform generated a SaaS service income of approximately RMB16.07 million, making a preliminary contribution to the Company's profit in the first half of the year.

With the rapid development of the short video industry, there has emerged an ever-growing demand for premium performance-based short video content creation, and its supply has always fallen short of demand. Meanwhile, hepai.video, a video content trading platform developed and operated by us, has achieved programmatic settlement with video suppliers, and is expediting the enhancement of video production capacity and speeding up the automatic video production process. Firstly, the finished short video advertisements delivered online by the video suppliers on hepai.video are promptly and accurately presented to the users of the short video platforms with which we have established connection through the Tradeplus programmatic trading system, and programmatic settlement between platform and video suppliers has been achieved. Secondly, quality video producers across the nation had joined our hepai.video trading platform to provide us and our partners with finished videos. The demand for short videos on hepai.video extended from information-based advertisements to such areas as e-commerce and local life. Meanwhile, hepai.video has employed our AI video auxiliary processing technologies such as scene replacement, audio subtitle conversion, automatic editing, etc., which facilitates the application of AI technologies in the automatic video production sector, enhances the level of mechanization in video production and expands our video production capacity and scale.

As of the date of this report, we had a production capacity of over 18,000 short videos per month, and hepai.video has established connections with over 380 video creators and institutions, allowing us to achieve capacity expansion, cost reduction and efficiency enhancement in short video production through the empowerment by the platform-based content creation and the application of AI technological research and development. As of June 30, 2021, the short videos we delivered and distributed programmatically had accumulated approximately over 619 billion impressions and over 153.2 billion video views.

Given our expectation that the short video industry will develop across sectors and platforms, we partnered directly with the top five short video platforms covering key markets and established business cooperation with Ali Group and Xiaohongshu to form a comprehensive coverage in the short video media and channel market. At the same time, leveraging on our constantly upgraded platform technical service capabilities, large-scale video production capacity and extensive experience in content creation, we seized the opportunity to promote these short videos in more sectors.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

Maintain our diversified media partner base, continue to deepen our cooperation with top online publishers, and explore more forms of cooperation in respect of short video technical services.

We will continue to invest more resources, expand our professional team, and seek to diversify our media partner base while continuing to strengthen business and data cooperation with current top short video platforms in order to serve our customers with technologies and creatives in a larger scale and of higher efficiency.

We pay close attention to the new business opportunities brought about by changes in domestic and international market trends. For instance, having the Partner (電商優質服務商) qualification of the largest short video platform in China, we proactively provide live streaming operation services for e-commerce advertisers, help them establish and manage brand live streaming events, and achieve more effective online sales for their products. On one hand, we extend our scope of services for advertisers and further expand our business through the emerging business form. On the other hand, through the launch of new business, we strengthen and consolidate our online marketing and cloud service capabilities to develop more targeted and customized solutions, so as to seek in-depth development in our existing industry verticals and hasten the expansion and accumulation of eco-partner base which is more diversified and covers more vertically integrated industries.

Enhance big data analytics and the research and development and application of AI technologies, facilitate the commercialization of short video marketing SaaS service, and accelerate the upgrade to platform service provider.

We have preliminary realised our deployment for the commercialization of short video marketing SaaS service, as evidenced by the open-up of our one-stop short video programmatic advertising and data management platform, Tradeplus, to our partners, including agencies and service providers, so that the data, technologies, knowledge and experience accumulated by us can benefit our cooperation partners in the industry. During the process, we will continue to put great emphasis on the long term accumulation of data and technological assets and further improve the platform's big data analytics capability in the course of commercialization of our short video marketing service through close connection with the bidding systems of the top media partners in this field. Together with further enhancement of accurate cross-platform placement, statement data analysis, material management and derived intelligence as well as the level of automation, we will speed up our upgrade from a technology and creative service provider to a platform service provider. Moreover, we will develop the marketing SaaS service capabilities in emerging or specific industry verticals with a focus on short video marketing cloud service technologies, as well as create a more comprehensive marketing SaaS service platform and facilitate its commercialization, aiming at providing premium technologies and services to more industries and business partners while contributing to our own business growth.

Meanwhile, we recognise the tremendous value brought to the short video industry by the empowerment of AI technologies. We will continue to enhance the AI algorithm to improve the quality and frequency of the training of crowd modeling strategy and the accuracy of crowd labeling. At the same time, we will also continue to seek cooperation in the industrialized research and development in this field with more domestic AI technology companies, further exploring the application and innovation of AI video processing technologies in short video production, such as short video smart editing, virtual face replacement, etc. The revolutionary improvement of video production capabilities enables us and our partners to realize automatic production of short videos, further expanding our business scale and increasing our revenue, while supporting our video production on a larger scale. To this end, we will continue to expand our technology research and development team, and recruit more research and development personnel to take part in the research and innovation of short video marketing cloud service.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK (Continued)

Grasp industry opportunities, expedite the expansion into new business sectors, and consolidate the short video marketing eco-service layout.

We recognize our leading strengths in platform infrastructure, large-scale data accumulation and processing capabilities, and large-scale production of video creatives. We endeavour to bring these strengths into play in the upstream and downstream industry chain and derived industry chain of short video marketing and other related eco-industries, seeking a more diversified business model and remarkable growth in business scale driven by technologies in such areas as e-commerce live streaming operation, maker economy and local life.

In face of fast-changing needs of customers and the rapid upgrade of market environment, we recognize the opportunity for growth in brand e-commerce live streaming operation sector, and the potential demand for marketing technical services. Leveraging on our platform capabilities in such aspects as big data analytics, content production and full cycle operation, we plan to accelerate the establishment of our presence in tier-two and tier-three cities to drive the rapid growth in scale and diversify our service offerings and income model. Meanwhile, we plan to deepen our cooperation with existing customers through these businesses and bring in new important customer bases, so as to strive for further business achievements.

Selectively pursue strategic collaboration, investment and acquisition opportunities.

We are proactively seeking opportunities to invest in or acquire long-term strategic business companies that can supplement or enhance our existing business and develop business synergy. We set our targets on the companies with competitive advantages in SaaS service, big data analytics and AI capabilities, content development and production, upstream and downstream collaboration and other strategic resources.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Six months ended June 30, 2021 as compared with six months ended June 30, 2020:

| | | Six months ended June 30, | |
|---|--------------|---------------------------------------|--------------------------------|
| | <i>Notes</i> | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| REVENUE | 4 | 1,570,714 | 796,965 |
| Cost of sales | | (1,421,433) | (712,584) |
| Gross profit | | 149,281 | 84,381 |
| Other income and gains | 4 | 29,573 | 11,823 |
| Selling and distribution expenses | | (6,536) | (2,274) |
| Administrative expenses | | (30,625) | (21,656) |
| Impairment losses on financial assets, net | | (10,131) | (4,000) |
| Research and development expenses | | (3,531) | (4,370) |
| Other expenses | | (9,563) | – |
| Finance costs | 6 | (4,997) | (3,163) |
| Share of profits and losses of: | | | |
| Associates | 14 | (88) | 21 |
| PROFIT BEFORE TAX | 5 | 113,383 | 60,762 |
| Income tax expense | 9 | (9,161) | (3,686) |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 104,222 | 57,076 |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the parent | | 104,222 | 57,076 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | | | |
| – For profit for the period | 11 | RMB13.0 cents | RMB9.6 cents |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Key Operating Data

The following table sets forth our key operating data for the six months ended/as of June 30, 2021 and 2020.

| | Six months ended/ As of June 30, | |
|--|-------------------------------------|-----------|
| | 2021 | 2020 |
| Impressions (short videos) (millions) ⁽¹⁾⁽³⁾ | 127,898.14 | 80,750.1 |
| Click-throughs (short videos) (millions) ⁽²⁾⁽³⁾ | 3,568.36 | 1,643.0 |
| Click-through rate (short videos) (%) ⁽⁴⁾ | 2.79 | 2.0 |
| Likes (short videos) (thousands) ⁽⁵⁾ | 268,586.09 | 235,305.8 |

Notes:

- (1) Impressions are the total number of page views of our short video advertisements for the periods indicated. CPM and oCPM are pricing models on the basis of each one thousand impressions of the advertisement.
- (2) Click-throughs are the total number of clicks on the short video advertisements placed by us for the periods indicated. CPC and oCPC are pricing models on the basis of each click-through of the advertisement.
- (3) We charge advertisers for our online marketing solutions primarily based on oCPM, oCPC or CPC. Our revenue derived from online marketing solutions business is positively correlated to the total number of impressions and click-throughs.
- (4) Click-through rate is calculated as the total number of click-throughs divided by the total number of impressions.
- (5) Likes are given by video viewers when they enjoy our short video creatives. Likes indicate the popularity of our short video creatives, including short video advertisements.
- (6) CPC means cost per click, a performance-based pricing model where advertising is paid on the basis of each click of the advertisement.

CPM means cost per mille, a non-performance-based pricing model where advertising is paid on the basis of thousand impressions.

oCPC means optimized cost per click, a bid optimizing strategy which automatically adjusts advertisers' bid to achieve finer matching of bid and traffic quality of page view request granularity.

oCPM means optimized cost per mille, an optimized bid setting that allows advertisers to set maximum bids for ad inventories to achieve their desired campaign outcomes by automatically adjusting campaign parameters, such as advertising space, frequency and reach.

Our impressions and click-throughs recorded a significant increase during the Reporting Period, reflecting the stable growth of our short video marketing solutions business. Our click-through rate increased by 0.79% from 2.0% for the six months ended June 30, 2020 to 2.79% for the six months ended June 30, 2021, reflecting our efforts and success in further expanding our online marketing solutions business. Our pan-entertainment content service business is changing and upgrading its focus to original content, and is gradually expanding into the fields of creative content video production and commercialised live streaming operations, etc.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Key Financial Ratios

| | Six months ended June 30, | |
|---|---------------------------|-------|
| | 2021 | 2020 |
| Gross profit margin (%) ⁽¹⁾ | 9.50 | 10.59 |
| Net profit margin (%) ⁽²⁾ | 6.64 | 7.16 |
| Current ratio (times) ⁽³⁾ | 2.97 | 1.90 |
| Adjusted net profit margin (%) ⁽⁴⁾ | 7.64 | 8.53 |
| Debt-to-asset ratio (times) ⁽⁵⁾ | 0.33 | 0.49 |

Notes:

- (1) Gross profit margin is calculated based on gross profit for the period divided by revenue for the respective periods and multiplied by 100%.
- (2) Net profit margin is calculated based on profit for the period divided by revenue for the respective periods and multiplied by 100%.
- (3) Current ratio is calculated based on total current assets divided by total current liabilities.
- (4) Equals to adjusted net profit divided by revenue for the period and multiplied by 100%. For the reconciliation from net profit to adjusted net profit, see “– Non-IFRS Measures: Adjusted Net Profit” below.
- (5) Debt-to-asset ratio is calculated based on total liabilities divided by total assets.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue

We generate our revenue primarily from the provision of (i) our one-stop online marketing solutions to advertisers directly or through advertising agencies; (ii) SaaS service; and (iii) other business. Our total revenue increased by 97.09% from RMB796.97 million for the six months ended June 30, 2020 to RMB1,570.71 million for the six months ended June 30, 2021, which was mainly attributable to the increase in the revenue from our online marketing solution business.

Revenue by business segments

The following table sets forth our revenue by business segments for the periods indicated:

| | Six months ended June 30, | | | |
|-------------------------------------|---------------------------|----------------|--------------------------|----------------|
| | 2021 | | 2020 | |
| | (RMB'000) (unaudited) | % of the total | (RMB'000) (unaudited) | % of the total |
| Online marketing solutions business | 1,547,014 | 98.5 | 788,329 | 98.9 |
| SaaS service | 16,069 | 1.0 | – | – |
| Other business | 7,631 | 0.5 | 8,636 | 1.1 |
| Total | 1,570,714 | 100.0 | 796,965 | 100.0 |

Note: Other business includes pan-entertainment content services.

We enter into annual framework agreements with our advertising customers and charge them for our online marketing solutions based primarily on a mix of oCPM, oCPC and CPC. Our online marketing solutions business grew stably during the Reporting Period, benefiting from the increased recognition of short video marketing by both audiences and advertisers and the popularity of short video marketing. For the six months ended June 30, 2021, the revenue generated from our online marketing solutions business accounted for 98.5% of our total revenue. We commenced the operation of SaaS in the first half of 2021 and achieved key milestones in its gradual commercialization, with the income generated in the first half of 2021 accounting for 1.0% of the total revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue by business segments (Continued)

Revenue from online marketing solutions business by type of advertising customers

Our advertising customers include primarily advertisers, and to a lesser extent, advertising agencies.

The table below sets forth a breakdown of revenue generated from our online marketing solutions business by type of advertising customers for the periods indicated:

| | Six months ended June 30, | | | |
|----------------------|---------------------------|----------------|--------------------------|----------------|
| | 2021 | | 2020 | |
| | (RMB'000) (unaudited) | % of the total | (RMB'000) (unaudited) | % of the total |
| Advertisers | 1,502,530 | 97.1 | 728,551 | 92.4 |
| Advertising agencies | 44,484 | 2.9 | 59,778 | 7.6 |
| Total | 1,547,014 | 100.0 | 788,329 | 100.0 |

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Revenue by business segments (Continued)

Revenue from online marketing solutions business by industry verticals

The advertisers we serve operate in a wide array of industry verticals, which primarily include online gaming, financial services, e-commerce, internet services, advertising and culture & media.

The table below sets forth a breakdown of revenue generated from our online marketing solutions business by industry verticals for the periods indicated:

| | Six months ended June 30, | | | |
|-----------------------------------|---------------------------|----------------|--------------------------|----------------|
| | 2021 | | 2020 | |
| | (RMB'000) (unaudited) | % of the total | (RMB'000) (unaudited) | % of the total |
| Online gaming | 332,284 | 21.5 | 287,830 | 36.5 |
| Financial services ⁽¹⁾ | 253,059 | 16.4 | 143,755 | 18.2 |
| E-commerce | 219,650 | 14.2 | 146,336 | 18.6 |
| Internet services | 497,245 | 32.1 | 60,303 | 7.6 |
| Advertising | 65,428 | 4.2 | 95,557 | 12.1 |
| Culture & media | 63,952 | 4.1 | 11,313 | 1.4 |
| Others ⁽²⁾ | 115,396 | 7.5 | 43,235 | 5.6 |
| Total | 1,547,014 | 100.0 | 788,329 | 100.0 |

Notes:

- (1) Financial services primarily include online insurance, consumer financing and retail banking.
- (2) Others mainly include business services and healthcare.

During the six months ended June 30, 2021, the internet services industry was our largest group of advertising customers. Our revenue generated from the internet services industry accounted for 7.6% and 32.1% of our total revenue derived from online marketing solutions business for the six months ended June 30, 2020 and 2021, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature for the periods indicated:

| | Six months ended June 30, | | | |
|---------------------------|---------------------------|----------------|----------------|----------------|
| | 2021 | | 2020 | |
| | (RMB'000) | % of the total | (RMB'000) | % of the total |
| | (unaudited) | | (unaudited) | |
| Traffic acquisition cost | 1,389,247 | 97.8 | 700,584 | 98.3 |
| Employee benefit expenses | 20,354 | 1.4 | 9,266 | 1.3 |
| Others ⁽¹⁾ | 11,832 | 0.8 | 2,734 | 0.4 |
| Total | 1,421,433 | 100.0 | 712,584 | 100.0 |

Note:

(1) Others primarily comprise costs in relation to the rental of servers and the outsourcing of content production.

Our cost of sales primarily consists of traffic acquisition costs and employee benefit expenses. For the six months ended June 30, 2021, traffic acquisition costs constituted the largest portion of our cost of sales, and employee benefit expenses constituted the second largest portion of our cost of sales. For the six months ended June 30, 2020 and the six months ended June 30, 2021, our traffic acquisition costs amounted to RMB700.58 million and RMB1,389.25 million, respectively, accounting for approximately 98.3% and 97.8%, respectively, of our total cost of sales for the respective periods, which was in line with our business expansion. For the six months ended June 30, 2020 and the six months ended June 30, 2021, our employee benefit expenses amounted to RMB9.27 million and RMB20.35 million, respectively, accounting for approximately 1.3% and 1.4%, respectively, of our total cost of sales for the respective periods, which was attributable to the increases in the number of our employees and the general compensation level of the internet related industries.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Cost of Sales (Continued)

The following table sets forth a breakdown of our cost of sales by service offerings and revenue recognition methods for the periods indicated:

| | Six months ended June 30, | | | |
|-------------------------------------|---------------------------|----------------|--------------------------|----------------|
| | 2021 | | 2020 | |
| | (RMB'000) (unaudited) | % of the total | (RMB'000) (unaudited) | % of the total |
| Online marketing solutions business | 1,414,583 | 99.5 | 705,186 | 99.0 |
| SaaS service | 45 | – | – | – |
| Other business | 6,805 | 0.5 | 7,398 | 1.0 |
| Total | 1,421,433 | 100.0 | 712,584 | 100.0 |

Note: Other business includes pan-entertainment content services.

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by service offerings and revenue recognition methods for the periods indicated:

| | Six months ended June 30, | | | |
|-------------------------------------|--|--------------------------|--|--------------------------|
| | 2021 | | 2020 | |
| | Gross profit (RMB'000) (unaudited) | Gross profit margin % | Gross profit (RMB'000) (unaudited) | Gross profit margin % |
| Online marketing solutions business | 132,431 | 8.6 | 83,142 | 10.5 |
| SaaS service | 16,024 | 99.7 | – | – |
| Other business | 826 | 10.8 | 1,239 | 14.3 |
| Total | 149,281 | 9.5 | 84,381 | 10.6 |

Note: Other business includes pan-entertainment content services.

Our gross profit consists of our revenue less cost of sales. The Group recorded gross profit of RMB149.28 million for the six months ended June 30, 2021, representing an increase of 76.91% as compared to the gross profit of RMB84.38 million for the six months ended June 30, 2020.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. Gross profit margin decreased from 10.6% for the six months ended June 30, 2020 to 9.5% for the six months ended June 30, 2021, mainly attributable to an increase in preliminary input cost as a result of the development of new businesses and the exploration of innovative business models, as well as some concessions given to new customers by the Company to speed up the expansion of market size and strengthen the market influence.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

OTHER INCOME AND GAINS

Our other income and gains increased from RMB11.82 million for the six months ended June 30, 2020 to RMB29.57 million for the six months ended June 30, 2021, which was mainly attributable to the increase in the additional deduction in value-added tax throughout 2021 as compared to 2020, as well as the receipt of listing subsidy of RMB10.00 million from the industrial park during the period.

SELLING AND DISTRIBUTION EXPENSES

Our selling and distribution expenses primarily consist of (i) employee benefit expenses for our sales and marketing staff; (ii) entertainment expenses for the maintenance and management of customer relationships; and (iii) travelling expenses for the transportation and accommodation of business travels of our sales and marketing staff.

Our selling and distribution expenses gradually increased from RMB2.27 million for the six months ended June 30, 2020 to RMB6.54 million for the six months ended June 30, 2021, which was mainly attributable to the expansion of sales personnel as a result of the rapid growth of the Company's business.

GENERAL AND ADMINISTRATIVE EXPENSES

Our administrative expenses primarily consist of (i) employee benefit expenses; (ii) professional fees; (iii) depreciation and amortization expenses; (iv) office and rental expenses; (v) travelling expenses; and (vi) entertainment expenses for hospitality.

Our administrative expenses gradually increased by 41.41% from RMB21.66 million for the six months ended June 30, 2020 to RMB30.63 million for the six months ended June 30, 2021, which was mainly attributable to the increase of RMB9.47 million in labor cost resulting from the increased staff in line with further business expansion, and the expenses of RMB2.72 million as a result of further expansion of office premises.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Impairment Losses on Financial Assets, Net

Impairment losses on financial assets, net represent provisions of impairment of trade receivables, net of reversal. We recorded impairment losses on financial assets, net of RMB10.13 million for the six months ended June 30, 2021, which was mainly attributable to the general provision made by us for the credit loss of trade receivables.

Research and Development Expenses

Our research and development expenses primarily comprise (i) employee benefit expenses; (ii) outsourcing development expenses; and (iii) others, mainly consisting of server rental expenses. Our research and development expenses decreased by 19.2% from RMB4.37 million for the six months ended June 30, 2020 to RMB3.53 million for the six months ended June 30, 2021, which was mainly attributable to the increases in the number and average remuneration level of our research and development staff and the capitalization of cloud service platform during the period.

Other Expenses

Our other expenses increased from RMBNil for the six months ended June 30, 2020 to RMB9.56 million for the six months ended June 30, 2021, which was mainly attributable to the loss from the translation of listing proceeds resulting from the changes in exchange rates.

Finance Costs

Our finance costs increased from RMB3.16 million for the six months ended June 30, 2020 to RMB5.00 million for the six months ended June 30, 2021. The increase in finance costs was mainly due to the corresponding increase of RMB1.61 million in the interest expenses of our bank borrowings resulting from the increase in bank borrowings in line with business expansion.

Income Tax Expenses

Our income tax expenses increased from RMB3.69 million for the six months ended June 30, 2020 to RMB9.16 million for the six months ended June 30, 2021, which was mainly due to the increase in revenue by 97.09% and the increase in net profit resulted in the corresponding increase in income tax expenses for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Profit for the Period

As a result of the above, our profit for the period increased by 82.59% from RMB57.08 million for the six months ended June 30, 2020 to RMB104.22 million for the six months ended June 30, 2021. Our net profit margin decreased from 7.16% for the six months ended June 30, 2020 to 6.64% for the six months ended June 30, 2021.

Non-IFRS Measure: Adjusted Net Profit

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management does not consider to be indicative of our operating performance. We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management.

However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

The following tables reconcile our adjusted net profit for the periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS:

| | Six months ended June 30, | |
|-------------------------------|---------------------------|--------------|
| | 2021 | 2020 |
| | (RMB in millions) | |
| | (unaudited) | (unaudited) |
| Net profit for the period | 104.22 | 57.08 |
| Add: | | |
| One-off income ⁽¹⁾ | (10.00) | – |
| Listing expense | – | 7.20 |
| Share-based compensation | 7.00 | – |
| Foreign exchange differences | 9.56 | – |
| Income tax expense | 9.16 | 3.69 |
| Adjusted net profit | 119.94 | 67.97 |

Note:

(1) It represents the listing subsidy given by the industrial park to listing companies during the six months ended June 30, 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Liquidity and Financial Resources

Our business operations and expansion plans require a significant amount of capital, including acquiring user traffic from online publishers, enhancing our content production capabilities, improving our big data analytics and AI capabilities, upgrading our proprietary DMP and other infrastructures as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, and capital contributions from Shareholders. Our cash and bank balances decreased from RMB1,020.86 million as at December 31, 2020 to RMB561.27 million as at June 30, 2021, mainly attributable to the replenishment of working capital with the expansion of business scale.

The table below sets out our liquidity as at December 31, 2020 and as at June 30, 2021, respectively:

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|-----------------------|---|---|
| Denominated in RMB | 559,916 | 140,311 |
| Denominated in HKD | 453 | 253,540 |
| Denominated in USD | 905 | 627,012 |
| Cash and bank balance | 561,274 | 1,020,863 |

As at June 30, 2021, our bank loans amounted to approximately RMB418.5 million (as at December 31, 2020: approximately RMB209.1 million). Our bank loans are denominated in Renminbi. The interest rates on our bank loans ranged from 3.5% to 5.1% (for the year ended December 31, 2020: 3.85% to 5.9%) per annum and the terms of the loans ranged from three months to one year. We will repay the above borrowings in due course on maturity.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Capital Expenditures

Our capital expenditures for the six months ended June 30, 2021 primarily consists of expenditures on (i) property, plant and equipment for office equipment and leasehold improvement; and (ii) intangible assets for software and the user right of a website.

The following table sets out our net capital expenditure as at the dates indicated:

| | As at June 30, 2021 (unaudited) (RMB in millions) | As at December 31, 2020 (audited) |
|-------------------------------|--|---|
| Property, plant and equipment | 3.1 | 4.6 |
| Intangible assets | 5.5 | 10.3 |
| Total | 8.6 | 14.9 |

We incurred capital expenditures of approximately RMB8.6 million for the six months ended June 30, 2021, primarily related to office furniture and decoration as well as purchases of servers, software and website. We intend to fund our planned capital expenditures through cash generated from operations.

Pledge of Assets

As at June 30, 2021 and December 31, 2020, we did not pledge any of our assets.

Foreign Exchange Risk Management

Foreign exchange risk refers to the risk of loss caused by the changes in foreign exchange rates. The operations of the Group are mainly located in the PRC with most transactions denominated and settled in Renminbi. The Group will closely monitor the relevant situation and take measures when necessary to ensure that the foreign exchange risk is within the controllable range.

Contingent Liabilities

As at June 30, 2021, we did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW (Continued)

Employees

As at June 30, 2021, we had 511 full-time employees, including 307 in Shanghai, 61 in Beijing, 13 in Guangzhou, 125 in Xi'an, and 5 in Xinjiang. As at June 30, 2021, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

Our employees typically enter into standard employment contracts with us. We place high value on recruiting, training and retaining our employees. We maintain high recruitment standards and provide competitive compensation packages. Remuneration packages for our employees mainly comprise base salary and bonus. We also provide both in-house and external trainings for our employees to improve their skills and knowledge. For the six months ended June 30, 2021, total staff remuneration expenses including Directors' remuneration amounted to RMB47.33 million.

We contribute to social security insurance and housing provident funds for our employees in accordance with applicable PRC laws, rules and regulations in all material aspects.

We have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

Pension scheme

The Group only operate defined contribution pension plans. The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the pension scheme.

Material Acquisition, Disposal of Subsidiaries, Associates and Joint Ventures and Significant Investment

During the six months ended June 30, 2021, the Group had no material acquisition, disposal of subsidiaries, associates and joint ventures or significant investment.

CORPORATE GOVERNANCE/OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its Shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code as its governance code.

During the Reporting Period, the Company has always complied with all the applicable code provisions set out in the Corporate Governance Code. The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

INTERIM DIVIDEND

The Board did not declare the payment of any interim dividend for the six months ended June 30, 2021.

AUDIT COMMITTEE

The Board has established an Audit Committee, consisting of two independent non-executive Directors, namely, Mr. CHEN Changhua (Chairman) and Dr. RU Liyun, and one non-executive Director, namely Mr. DAI Liqun. Written terms of reference have been adopted for the Audit Committee, which clearly specify its duties and responsibilities and are available for inspection on the websites of the Company and the Stock Exchange.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended June 30, 2021 is unaudited and has not been reviewed by the auditor of the Company, but has been reviewed by the Audit Committee.

The Audit Committee has, together with the management, reviewed the accounting policies adopted by the Group. They also discussed risk management, internal controls of the Group and financial reporting matters, including having reviewed and agreed to the unaudited interim condensed consolidated financial statements during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2021, none of the Company or any of its subsidiaries or its Consolidated Affiliated Entities had purchased, sold or redeemed any of the listed securities of the Company.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section headed “Use of the Net Proceeds from the Global Offering” in this report, the Group did not have any other immediate plans for material investment and capital assets as at the date of this report.

SUBSEQUENT EVENTS

From June 30, 2021 and up to the date of this report, there were no material events affecting the Group.

CORPORATE GOVERNANCE/OTHER INFORMATION

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received from the global offering of the Company in December 2020 (the “**Global Offering**”), after deducting the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, amounted to approximately HKD1,296.93 million. The Company did not receive any of the net proceeds from the sale of the over-allotment shares by the over-allotment option grantors in January 2021. For the six months ended June 30, 2021, the net proceeds from the Global Offering was utilized in the manner as follows:

| | Approximate percentage of the total net proceeds | Net proceeds from the Global Offering (HKD in millions) | Net proceeds utilized as of June 30, 2021 (HKD in millions) | Remaining net proceeds as of June 30, 2021 (HKD in millions) | Expected time to utilize the remaining net proceeds in full |
|--|--|---|---|--|---|
| Enhancing research and development capabilities and upgrading information technology infrastructure | | | | | |
| Upgrading information technology infrastructure | 9.1% | 118.34 | 8.24 | 110.10 | By the end of the year ending December 31, 2023 |
| Upgrading proprietary DMP | 3.6% | 47.10 | 0.00 | 47.10 | By the end of the year ending December 31, 2023 |
| Upgrading full service content production, exchange and distribution platform | 0.6% | 8.28 | 0.00 | 8.28 | By the end of the year ending December 31, 2023 |
| Visual optimization of Huabian Platform | 0.2% | 2.60 | 0.00 | 2.60 | By the end of the year ending December 31, 2023 |
| Expanding business | | | | | |
| Enlarging advertiser and media partner bases | 48.4% | 627.20 | 545.79 | 81.41 | By the end of the year ending December 31, 2023 |
| Enhancing content production capabilities | 5.5% | 71.60 | 0.00 | 71.60 | By the end of the year ending December 31, 2023 |
| Expanding domestic and international footprints | 3.7% | 47.93 | 0.00 | 47.93 | By the end of the year ending December 31, 2023 |
| Pursuit of strategic investments and acquisitions | | | | | |
| | 18.8% | 244.19 | 0.00 | 244.19 | By the end of the year ending December 31, 2023 |
| Working capital and general corporate purposes | | | | | |
| | 10.0% | 129.69 | 85.32 | 44.37 | By the end of the year ending December 31, 2023 |
| Total | | 1,296.93 | 639.35 | 657.58 | |

For the six months ended June 30, 2021, the Group has utilized HKD639.35 million of the net proceeds from the Global Offering, and the remaining net proceeds of HKD657.58 million was deposited with licensed banks in Hong Kong or the PRC. The Group will further utilize the net proceeds from the Global Offering in the manner as set out in the section headed “Future Plans and Use of Proceeds” of the Prospectus.

CORPORATE GOVERNANCE/OTHER INFORMATION

CHANGE IN DIRECTORS' INFORMATION

Since the date of the 2020 annual report of the Company and up to the date of this report, there is no change of directors' information required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at June 30, 2021, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which have been entered in the register required to be kept pursuant to section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules, are as follows:

(i) Interests in the Shares of the Company

| Name of Director/ Chief executive | Nature of interest | Number of Shares | Approximate percentage of the total number of the Company's shares ⁽²⁾ |
|--------------------------------------|--|-------------------------------|--|
| Mr. Wang ⁽³⁾⁽⁴⁾⁽⁹⁾ | Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties/Beneficial owner | 242,241,745 (L) | 30.28% |
| Mr. Xu ⁽⁵⁾⁽⁶⁾⁽⁹⁾ | Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties/Beneficial owner | 242,241,745 (L) | 30.28% |
| Mr. Qin ⁽⁷⁾⁽⁹⁾ | Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties | 242,241,745 (L) | 30.28% |
| Mr. Dai ⁽⁸⁾⁽⁹⁾ | Founder of a discretionary trust/Interest in a controlled corporation Interest of spouse | 52,981,959 (L) 286,000 (L) | |
| | | 53,267,959 (L) | 6.66% |
| Mr. Wang Jianshuo ⁽¹⁰⁾ | Interest in a controlled corporation | 73,137,002 (L) | 9.14% |
| Ms. Peng Ting ⁽¹¹⁾⁽¹²⁾ | Beneficial Owner Interest of spouse | 286,000 (L) 52,981,959 (L) | |
| | | 53,267,959 (L) | 6.66% |

CORPORATE GOVERNANCE/OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES (Continued)

(i) Interests in the Shares of the Company (Continued)

Notes:

1. The letter "L" denotes a long position in these shares.
2. As at June 30, 2021, the Company had 800,000,000 issued shares in total.
3. Mr. Wang is interested in 286,000 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.
4. Wang SPV is the Direct Holding SPV of The Longhills Trust, which is set up by Mr. Wang (as the economic settlor and the protector) and Derun Investments (as the settlor). Derun Investments is the Offshore Holding Company wholly owned by Mr. Wang. Therefore, Mr. Wang (as the founder of The Longhills Trust and the sole shareholder of Derun Investments) is deemed to be interested in the Shares directly held by Wang SPV by virtue of the SFO.
5. Mr. Xu is interested in 436,000 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.
6. Xu SPV is the Direct Holding SPV of The FS Trust, which is set up by Mr. Xu (as the economic settlor and the protector) and Quantum Computing (as the settlor). Quantum Computing is the Offshore Holding Company wholly owned by Mr. Xu. Therefore, Mr. Xu (as the founder of The FS Trust and the sole shareholder of Quantum Computing) is deemed to be interested in the Shares directly held by Xu SPV by virtue of the SFO.
7. Qin SPV is the Direct Holding SPV of The MH's Family Trust, which is set up by Mr. Qin (as the economic settlor and the protector) and CareFree Planning (as the settlor). CareFree Planning is the Offshore Holding Company wholly owned by Mr. Qin. Therefore, Mr. Qin (as the founder of The MH's Family Trust and the sole shareholder of CareFree Planning) is deemed to be interested in the Shares directly held by Qin SPV by virtue of the SFO.
8. Dai SPV is the Direct Holding SPV of The RGRGU Trust, which is set up by Mr. Dai (as the economic settlor and the protector) and Global Awesomeness (as the settlor). Global Awesomeness is the Offshore Holding Company wholly owned by Mr. Dai. Therefore, Mr. Dai (as the founder of The RGRGU Trust and the sole shareholder of Global Awesomeness) is deemed to be interested in the Shares directly held by Dai SPV by virtue of the SFO.
9. Pursuant to the acting-in-concert agreement dated March 30, 2020, the Ultimate Controlling Shareholders (i.e. Mr. Wang, Mr. Xu and Mr. Qin), together with their respective Offshore Holding Companies (i.e. Derun Investments, Quantum Computing and CareFree Planning) and the Direct Holding SPVs of their respective Family Trust (i.e. Wang SPV, Xu SPV and Qin SPV), have confirmed that they had and would continue to act in concert by aligning their votes at the board meetings and shareholders' meetings of the members of the Group. As such, Mr. Wang, Mr. Xu and Mr. Qin, together with Derun Investments, Quantum Computing and CareFree Planning, are all deemed to be interested in the total Shares directly held by Wang SPV, Xu SPV and Qin SPV by virtue of the SFO.
10. Kijiji is a wholly-owned subsidiary of Baixing Net. Mr. Wang Jianshuo is entitled to exercise the voting rights attached to approximately 40.84% shares of Baixing Net which are directly held by himself and three entities (i.e. Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi). Each of Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi is a limited partnership established in the PRC, the sole general partner of which is Mr. Wang Jianshuo. Therefore, Baixing Net and Mr. Wang Jianshuo are deemed to be interested in the Shares directly held by Kijiji by virtue of the SFO.
11. Ms. Peng Ting, vice president and joint company secretary of the Company, is interested in 286,000 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.
12. Ms. Peng Ting is the spouse of Mr. Dai. Therefore, Ms. Peng is deemed to be interested in Mr. Dai's interests by virtue of the SFO.

CORPORATE GOVERNANCE/OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES (Continued)

(ii) Interests in associated corporation

| Name of Director/ Chief executive | Nature of interest | Name of associated corporation | Attributable registered capital (RMB) | Approximate percentage |
|--------------------------------------|---|--------------------------------------|--|---------------------------|
| Mr. Wang ⁽¹⁾ | Beneficial interest/Interest of concert parties | Netjoy Network | 21,556,808 | 40.27% |
| | Beneficial interest | Yuntu Video | 2,000,000 | 40.00% |
| Mr. Xu ⁽¹⁾ | Beneficial interest/Interest of concert parties | Netjoy Network | 21,556,808 | 40.27% |
| Mr. Qin ⁽¹⁾ | Beneficial interest/Interest of concert parties | Netjoy Network | 21,556,808 | 40.27% |
| Mr. Dai | Beneficial interest | Netjoy Network | 5,992,656 | 11.20% |
| | Beneficial interest | Yuntu Video | 3,000,000 | 60.00% |

Note:

- Pursuant to the original acting-in-concert agreement dated July 29, 2015, Mr. Wang, Mr. Xu and Mr. Qin have acknowledged and agreed to act in concert by aligning their votes at the board meetings and shareholders' meetings of Netjoy Network. As such, all of Mr. Wang, Mr. Xu and Mr. Qin are deemed to be interested in the total shares directly held by them in Netjoy Network by virtue of the SFO.

Save as disclosed above, as of June 30, 2021, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which shall be entered in the register required to be kept pursuant to section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

CORPORATE GOVERNANCE/OTHER INFORMATION

DIRECTORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

Except as disclosed in this report, the Company or its subsidiaries or Consolidated Affiliated Entities did not enter into any arrangement at any time during the Reporting Period to enable the Directors to acquire benefits by purchasing the shares or debentures of the Company or any other corporation, and no directors or their spouses or children under the age of 18 had been granted any right to subscribe for the equity or debt securities of the Company or any other corporation, or had exercised any such right.

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

As at June 30, 2021, to the knowledge of the Directors, the following persons (not being Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to section 336 of the SFO:

| Name of Shareholder | Nature of interest | Number of shares | Approximate percentage of the total number of the Company's shares ⁽²⁾ |
|---|--|------------------|---|
| PraxisIFM Fiduciaries (Hong Kong) Limited ⁽³⁾⁽⁵⁾⁽⁷⁾⁽⁸⁾⁽¹⁰⁾ | Trustee | 318,479,070 (L) | 39.81% |
| Mr. Wang ⁽⁴⁾⁽⁵⁾⁽⁹⁾ | Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties/Beneficial Owner | 242,241,745 (L) | 30.28% |
| Derun Investments ⁽⁵⁾⁽⁹⁾ | Founder of a discretionary trust/Interest of concert parties | 242,241,745 (L) | 30.28% |
| Wang SPV ⁽⁵⁾⁽⁹⁾ | Beneficial owner/Interest of concert parties | 242,241,745 (L) | 30.28% |
| Derun International ⁽⁵⁾ | Interest in a controlled corporation | 113,796,307 (L) | 14.22% |
| Mr. Xu ⁽⁶⁾⁽⁷⁾⁽⁹⁾ | Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties/Beneficial Owner | 242,241,745 (L) | 30.28% |
| Quantum Computing ⁽⁷⁾⁽⁹⁾ | Founder of a discretionary trust/Interest of concert parties | 242,241,745 (L) | 30.28% |
| Xu SPV ⁽⁷⁾⁽⁹⁾ | Beneficial owner/Interest of concert parties | 242,241,745 (L) | 30.28% |
| FSS Investment ⁽⁷⁾ | Interest in a controlled corporation | 96,149,153 (L) | 12.02% |
| Mr. Qin ⁽⁸⁾⁽⁹⁾ | Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties | 242,241,745 (L) | 30.28% |

CORPORATE GOVERNANCE/OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES (Continued)

| Name of Shareholder | Nature of interest | Number of shares | Approximate percentage of the total number of the Company's shares ⁽²⁾ |
|---|---|-----------------------|---|
| CareFree Planning ⁽⁸⁾⁽⁹⁾ | Founder of a discretionary trust/Interest of concert parties | 242,241,745 (L) | 30.28% |
| Qin SPV ⁽⁸⁾⁽⁹⁾ | Beneficial owner/Interest of concert parties | 242,241,745 (L) | 30.28% |
| Mr. Dai ⁽¹⁰⁾⁽¹²⁾ | Founder of a discretionary trust/Interest in a controlled corporation | 52,981,959 (L) | |
| | Interest of spouse | 286,000 (L) | |
| | | <u>53,267,959 (L)</u> | <u>6.66%</u> |
| Global Awesomeness ⁽¹⁰⁾ | Founder of a discretionary trust | 52,981,959 (L) | 6.62% |
| Dai SPV ⁽¹⁰⁾ | Beneficial owner | 52,981,959 (L) | 6.62% |
| Baxter Investment ⁽¹⁰⁾ | Interest in a controlled corporation | 52,981,959 (L) | 6.62% |
| Ms. Peng Ting ⁽¹¹⁾⁽¹²⁾ | Beneficial owner | 286,000 (L) | |
| | Interest of spouse | 52,981,959 (L) | |
| | | <u>53,267,959 (L)</u> | <u>6.66%</u> |
| Kijiji ⁽¹³⁾ | Beneficial owner | 73,137,002 (L) | 9.14% |
| Baixing Net ⁽¹³⁾ | Interest in a controlled corporation | 73,137,002 (L) | 9.14% |
| Mr. Wang Jianshuo ⁽¹³⁾ | Interest in a controlled corporation | 73,137,002 (L) | 9.14% |
| Wutong Holding | Beneficial owner | 60,144,666 (L) | 7.52% |
| Guzon Asset ⁽¹⁴⁾ | Beneficial owner | 43,468,795 (L) | 5.43% |
| Mr. Chen Shengfei ⁽¹⁴⁾ | Interest in a controlled corporation | 43,468,795 (L) | 5.43% |
| Jingheng Jianyong ⁽¹⁵⁾ (as defined below) | Beneficial owner | 40,468,390 (L) | 5.06% |
| Beijing Jingheng ⁽¹⁵⁾ (as defined below) | Interest in a controlled corporation | 40,468,390 (L) | 5.06% |
| Mr. Song Lingjie ⁽¹⁵⁾ | Interest in a controlled corporation | 40,468,390 (L) | 5.06% |
| Ms. Liu Yongyan ⁽¹⁵⁾ | Interest in a controlled corporation | 40,468,390 (L) | 5.06% |
| Schroders Plc ⁽¹⁶⁾ | Investment manager | 96,647,000 (L) | 12.08% |

CORPORATE GOVERNANCE/OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

1. The letter "L" denotes a long position in these shares.
2. As at June 30, 2021, the Company had 800,000,000 issued shares in total.
3. PraxisIFM Fiduciaries (Hong Kong) Limited (formerly known as PraxisIFM Nerine Fiduciaries (Hong Kong) Limited) is the trustee of the Family Trusts, the discretionary family trusts set up by our Ultimate Controlling Shareholders, Mr. Dai, and Mr. Ru respectively. Therefore, PraxisIFM Fiduciaries (Hong Kong) Limited is deemed to be interested in the Shares directly held by Wang SPV, Xu SPV, Qin SPV, Dai SPV, and Ru SPV by virtue of the SFO.
4. Mr. Wang is interested in 286,000 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.
5. Wang SPV is wholly owned by Derun International, which is in turn the holding vehicle of the Trustee of The Longhills Trust. The Longhills Trust is set up by Mr. Wang (as the economic settlor and the protector) and Derun Investments (as the settlor). Derun Investments is the Offshore Holding Company wholly owned by Mr. Wang. Therefore, each of Mr. Wang (as the founder of The Longhills Trust and the sole shareholder of Derun Investments), Derun Investments (as the founder of The Longhills Trust), Derun International (as the sole shareholder of Wang SPV) is deemed to be interested in the Shares directly held by Wang SPV by virtue of the SFO.
6. Mr. Xu is interested in 436,000 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.
7. Xu SPV is wholly owned by FSS Investment, which is in turn the holding vehicle of the Trustee of The FS Trust. The FS Trust is set up by Mr. Xu (as the economic settlor and the protector) and Quantum Computing (as the settlor). Quantum Computing is the Offshore Holding Company wholly owned by Mr. Xu. Therefore, each of Mr. Xu (as the founder of The FS Trust and the sole shareholder of Quantum Computing), Quantum Computing (as the founder of The FS Trust), FSS Investment (as the sole shareholder of Xu SPV) is deemed to be interested in the Shares directly held by Xu SPV by virtue of the SFO.
8. Qin SPV is wholly owned by SpringRain Planning, which is in turn the holding vehicle of the Trustee of The MH's Family Trust. The MH's Family Trust is set up by Mr. Qin (as the economic settlor and the protector) and CareFree Planning (as the settlor). CareFree Planning is the Offshore Holding Company wholly owned by Mr. Qin. Therefore, each of Mr. Qin (as the founder of The MH's Family Trust and the sole shareholder of CareFree Planning), CareFree Planning (as the founder of The MH's Family Trust), SpringRain Planning (as the sole shareholder of Qin SPV) is deemed to be interested in the Shares directly held by Qin SPV by virtue of the SFO.
9. Pursuant to the acting-in-concert agreement dated March 30, 2020, our Ultimate Controlling Shareholders (i.e. Mr. Wang, Mr. Xu and Mr. Qin), together with their respective Offshore Holding Companies (i.e. Derun Investments, Quantum Computing and CareFree Planning) and the Direct Holding SPVs of their respective Family Trust (i.e. Wang SPV, Xu SPV and Qin SPV), have confirmed that they had and would continue to act in concert by aligning their votes at the board meetings and shareholders' meetings of the members of the Group. As such, Mr. Wang, Mr. Xu and Mr. Qin, together with Derun Investments, Quantum Computing and CareFree Planning, are all deemed to be interested in the total Shares directly held by Wang SPV, Xu SPV and Qin SPV by virtue of the SFO.

CORPORATE GOVERNANCE/OTHER INFORMATION

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES (Continued)

Notes: (Continued)

10. Dai SPV is wholly owned by Baxter Investment, which is in turn the holding vehicle of the Trustee of The RGRGU Trust. The RGRGU Trust is set up by Mr. Dai (as the economic settlor and the protector) and Global Awesomeness (as the settlor). Global Awesomeness is the Offshore Holding Company wholly owned by Mr. Dai. Therefore, Mr. Dai (as the founder of The RGRGU Trust and the sole shareholder of Global Awesomeness), Global Awesomeness (as the founder of The RGRGU Trust), Baxter Investment (as the sole shareholder of Dai SPV) is deemed to be interested in the Shares directly held by Dai SPV by virtue of the SFO.
11. Ms. Peng Ting, vice president and joint company secretary of the Company, is interested in 286,000 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.
12. Ms. Peng Ting is the spouse of Mr. Dai. Therefore, Ms. Peng is deemed to be interested in Mr. Dai's interests by virtue of the SFO.
13. Kijiji is a wholly-owned subsidiary of Baixing Net. Mr. Wang Jianshuo, a non-executive Director, is entitled to exercise the voting rights attached to approximately 40.84% shares of Baixing Net which are directly held by himself and three entities (i.e. Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi). Each of Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi is a limited partnership established in the PRC, the sole general partner of which is Mr. Wang Jianshuo. Therefore, Baixing Net and Mr. Wang Jianshuo are deemed to be interested in the Shares directly held by Kijiji by virtue of the SFO.
14. Guzon Asset is wholly owned by Mr. Cheng Shengfei (陳聖飛). Therefore, Mr. Cheng Shengfei is deemed to be interested in the Shares directly held by Guzon Asset by virtue of the SFO.
15. Hangzhou Jingheng Jianyong Equity Investment Partnership (Limited Partnership) (杭州靜衡堅勇股權投資合夥企業(有限合夥)) ("Jingheng Jianyong") is controlled by its general partner Beijing Jingheng Investment Management Co., Ltd. (北京靜衡投資管理有限公司) ("Beijing Jingheng"), which is in turn owned by Ms. Liu Yongyan (劉勇燕) as to 90%. Mr. Song Lingjie (宋靈潔) is a limited partner of Jingheng Jianyong holding approximate 41.96% (more than one-third) interests therein. Therefore, Beijing Jingheng, Mr. Song Lingjie and Ms. Liu Yongyan are deemed to be interested in the Shares directly held by Jingheng Jianyong by virtue of the SFO.
16. These Shares are directly held by Schroder Investment Management North America Limited as to 1,985,000, Schroder Investment Management Limited as to 375,000, Schroder Investment Management (Hong Kong) Limited as to 85,547,000 and Schroder Investment Management (Singapore) as to 8,740,000. Schroder Investment Management North America Limited is direct wholly-owned by Schroder Investment Management Limited, each of Schroder Investment Management Limited, Schroder Investment Management (Hong Kong) Limited and Schroder Investment Management (Singapore) Ltd is direct wholly-owned by Schroder International Holdings Limited, which is indirect wholly-owned by Schroder Administration Limited. Schroder Administration Limited is indirect wholly-owned by Schroders Plc, therefore Schroders Plc is deemed to be interested in these Shares by virtue of the SFO.

Save as disclosed above, as at June 30, 2021, to the knowledge of the Directors, no other persons (not being Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or which shall be entered in the register referred to in section 336 of the SFO.

CORPORATE GOVERNANCE/OTHER INFORMATION

POST-IPO SHARE OPTION SCHEME

The Company has adopted a post-IPO share option scheme approved by a written resolution passed by the then shareholders on November 17, 2020 and has taken effect from the Listing Date (the “**Post-IPO Share Option Scheme**”). The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants. For details of the principal terms of the Post-IPO Share Option Scheme, please refer to the Company’s 2020 annual report and Appendix IV to the Prospectus.

On January 15, 2021 (after trading hours), the Company granted share options under the Post-IPO Share Option Scheme to a total of ninety-five (95) eligible participants to subscribe for an aggregate of 8,808,000 Shares. For details, please refer to the announcement of the Company dated January 17, 2021.

The share options granted shall be valid for a period of ten (10) years from the date of grant. The share options shall be vested in accordance with the timetable below (for this purpose, the date or each such date on which the share options are vested being hereinafter referred to as a “**Vesting Date**”), subject to the grantees’ achievement of performance targets as of each Vesting Date:

| Vesting Date | Percentage of share options to vest |
|------------------|--|
| January 14, 2022 | Approximately one-third of the total number of share options granted |
| January 14, 2023 | Approximately one-third of the total number of share options granted |
| January 14, 2024 | Approximately one-third of the total number of share options granted |

The Board considers that it is not appropriate to state the value of the options granted pursuant to the Post-IPO Share Option Scheme as any valuation of the share options would be subject to a number of assumptions that would be subjective and uncertain. The Board believes that the valuation of options based upon speculative assumptions would not be meaningful and to some extent would be misleading to Shareholders.

Particulars and movements of the share options granted to the Directors, chief executives, senior management and other employees of the Group in under the Post-IPO Share Option Scheme during the Reporting Period are as follows. Save as disclosed below, as at June 30, 2021, no other options were granted under the Post-IPO Share Option Scheme.

| Name of grantee ⁽¹⁾ | Date of grant | Vesting Date ⁽²⁾ | Exercise price per share (HKD) | Number of Shares subject to outstanding options as at January 1, 2021 | Granted during the six months ended June 30, 2021 | Exercised during the six months ended June 30, 2021 | Cancelled during the six months ended June 30, 2021 | Lapsed during the six months ended June 30, 2021 | Number of Shares subject to outstanding options as at June 30, 2021 |
|--------------------------------|------------------|-----------------------------|--------------------------------|---|---|---|---|--|---|
| Directors | | | | | | | | | |
| Mr. Wang | January 15, 2021 | January 14, 2022 | 7.68 | - | 95,333 | - | - | - | 95,333 |
| | | January 14, 2023 | 7.68 | - | 95,333 | - | - | - | 95,333 |
| | | January 14, 2024 | 7.68 | - | 95,334 | - | - | - | 95,334 |
| Mr. Xu | January 15, 2021 | January 14, 2022 | 7.68 | - | 145,333 | - | - | - | 145,333 |
| | | January 14, 2023 | 7.68 | - | 145,333 | - | - | - | 145,333 |
| | | January 14, 2024 | 7.68 | - | 145,334 | - | - | - | 145,334 |

CORPORATE GOVERNANCE/OTHER INFORMATION

POST-IPO SHARE OPTION SCHEME (Continued)

| Name of grantee ⁽¹⁾ | Date of grant | Vesting Date ⁽²⁾ | Exercise price per share (HKD) | Number of Shares subject to outstanding options as at January 1, 2021 | Granted during the six months ended June 30, 2021 | Exercised during the six months ended June 30, 2021 | Cancelled during the six months ended June 30, 2021 | Lapsed during the six months ended June 30, 2021 | Number of Shares subject to outstanding options as at June 30, 2021 |
|--|------------------|-----------------------------|--------------------------------|---|---|---|---|--|---|
| Vice president and joint company secretary Ms. Peng Ting | January 15, 2021 | January 14, 2022 | 7.68 | - | 95,333 | - | - | - | 95,333 |
| | | January 14, 2023 | 7.68 | - | 95,333 | - | - | - | 95,333 |
| | | January 14, 2024 | 7.68 | - | 95,334 | - | - | - | 95,334 |
| Senior management and other employees | January 15, 2021 | January 14, 2022 | 7.68 | - | 2,600,000 | - | - | - | 2,600,000 |
| | | January 14, 2023 | 7.68 | - | 2,600,000 | - | - | - | 2,600,000 |
| | | January 14, 2024 | 7.68 | - | 2,600,000 | - | - | - | 2,600,000 |
| Total | | | | - | 8,808,000 | - | - | - | 8,808,000 |

Notes:

- (1) There are no options granted to suppliers of goods or services or other participants.
- (2) The validity period of the granted options will be ten (10) years from the date of grant, i.e. January 15, 2021.
- (3) The closing price of the Shares immediately before the date of which the share options were granted, i.e. January 14, 2021, was HKD7.51.

By order of the Board
Netjoy Holdings Limited
XU Jiaqing
Chairman of the Board

Shanghai • China, August 25, 2021

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

For the six months ended June 30, 2021

| | | Six months ended June 30, | |
|---|-------|--------------------------------|--------------------------------|
| | Notes | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| REVENUE | 4 | 1,570,714 | 796,965 |
| Cost of sales | | (1,421,433) | (712,584) |
| Gross profit | | 149,281 | 84,381 |
| Other income and gains | 4 | 29,573 | 11,823 |
| Selling and distribution expenses | | (6,536) | (2,274) |
| Administrative expenses | | (30,625) | (21,656) |
| Impairment losses on financial assets, net | | (10,131) | (4,000) |
| Research and development expenses | | (3,531) | (4,370) |
| Other expenses | | (9,563) | – |
| Finance costs | 6 | (4,997) | (3,163) |
| Share of profits and losses of: | | | |
| Associates | 14 | (88) | 21 |
| PROFIT BEFORE TAX | 5 | 113,383 | 60,762 |
| Income tax expense | 9 | (9,161) | (3,686) |
| PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | 104,222 | 57,076 |
| Profit and total comprehensive income attributable to: | | | |
| Owners of the parent | | 104,222 | 57,076 |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic and diluted | | | |
| – For profit for the period | 11 | RMB13.0 cents | RMB9.6 cents |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2021

| | <i>Notes</i> | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|---|--------------|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 12 | 6,632 | 4,669 |
| Right-of-use assets | | 9,623 | 4,866 |
| Intangible assets | 13 | 21,681 | 17,249 |
| Prepayments, other receivables and other assets | 16 | 1,719 | 2,055 |
| Deferred tax assets | 22 | 16,582 | 14,187 |
| Investments in associates | 14 | 7,660 | 7,748 |
| Fair value through other comprehensive income | | 10 | – |
| Total non-current assets | | 63,907 | 50,774 |
| CURRENT ASSETS | | | |
| Trade receivables | 15 | 1,556,556 | 688,150 |
| Prepayments, other receivables and other assets | 16 | 226,883 | 279,924 |
| Restricted cash | 18 | 18 | 1,964 |
| Cash and cash equivalents | 18 | 561,256 | 1,018,899 |
| Total current assets | | 2,344,713 | 1,988,937 |
| CURRENT LIABILITIES | | | |
| Trade payables | 19 | 252,781 | 212,732 |
| Other payables and accruals | 20 | 30,968 | 52,590 |
| Interest-bearing bank borrowings | 21 | 419,347 | 209,947 |
| Lease liabilities | | 6,420 | 2,457 |
| Contract liabilities | 17 | 59,286 | 36,811 |
| Tax payable | | 19,657 | 16,902 |
| Total current liabilities | | 788,459 | 531,439 |
| NET CURRENT ASSETS | | 1,556,254 | 1,457,498 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 1,620,161 | 1,508,272 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 3,111 | 2,322 |
| Deferred income | | 809 | 928 |
| Total non-current liabilities | | 3,920 | 3,250 |
| NET ASSETS | | 1,616,241 | 1,505,022 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | 23 | 149 | 149 |
| Reserves | 24 | 1,616,092 | 1,504,873 |
| TOTAL EQUITY | | 1,616,241 | 1,505,022 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended June 30, 2021

| | Attributable to owners of the parent | | | | |
|--|--------------------------------------|----------------------------|--------------------------------------|-----------------------------|------------------|
| | Share capital RMB'000 | Capital reserve RMB'000 | Statutory surplus reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
| (unaudited) | | | | | |
| At January 1, 2020 | – | 124,822 | 27,433 | 129,422 | 281,677 |
| Profit and total comprehensive income for the period | – | – | – | 57,076 | 57,076 |
| Capital injection | 84 | – | – | – | 84 |
| Transfer from retained profits | – | – | 13,184 | (13,184) | – |
| At June 30, 2020 | 84 | 124,822 | 40,617 | 173,314 | 338,837 |
| (unaudited) | | | | | |
| At January 1, 2021 | 149 | 1,244,410 | 32,225 | 228,238 | 1,505,022 |
| Profit and total comprehensive income for the period | – | – | – | 104,222 | 104,222 |
| Equity-settled share-based payment arrangements | – | 6,997 | – | – | 6,997 |
| Transfer from retained profits | – | – | 3,966 | (3,966) | – |
| At June 30, 2021 | 149 | 1,251,407 | 36,191 | 328,494 | 1,616,241 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021

| | | Six months ended June 30, | |
|--|----|---------------------------|-------------|
| | | 2021 | 2020 |
| | | RMB'000 | RMB'000 |
| | | (unaudited) | (unaudited) |
| <i>Notes</i> | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Profit before tax | | 113,383 | 60,762 |
| Adjustments for: | | | |
| Share of (profits)/losses of associates | 14 | 88 | (21) |
| Interest income | 4 | (3,197) | (46) |
| Investment income from financial assets at fair value through profit or loss | 4 | – | (534) |
| Finance costs | 6 | 4,997 | 3,163 |
| Impairment losses on financial assets, net | 5 | 10,131 | 4,000 |
| Depreciation of property, plant and equipment | 12 | 1,172 | 717 |
| Depreciation of right-of-use assets | | 3,557 | 2,274 |
| Amortisation of intangible assets | 13 | 1,026 | 452 |
| Loss on disposal of items of non-current assets | | – | – |
| Effect of foreign exchange rate changes, net | | 9,563 | – |
| | | 140,720 | 70,767 |
| Increase in trade receivables | | (878,537) | 87,074 |
| Increase in prepayments, other receivables and other assets | | 53,377 | (62,218) |
| Increase in restricted cash | | 1,946 | – |
| Increase in trade payables | | 40,049 | (64,592) |
| Increase in other payables and accruals | | (22,106) | 26,262 |
| (Increase)/decrease in contract liabilities | | 22,475 | 25,403 |
| Cash (used in)/generated from operations | | (642,076) | 82,696 |
| Interest received | 4 | 3,197 | 46 |
| Interest paid | 6 | (249) | (148) |
| Income tax paid | | (8,801) | (11,018) |
| Net cash used in operating activities | | (647,929) | 71,576 |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended June 30, 2021

| | | Six months ended June 30, | |
|---|--------------|--------------------------------|--------------------------------|
| | <i>Notes</i> | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchases of items of property, plant and equipment | | (3,135) | (1,195) |
| Additions to intangible assets | | – | (111) |
| Additions to financial assets at fair value through profit or loss | | – | (42,000) |
| Purchase of an investment property | | (10) | – |
| Investments in associates | | – | (3,000) |
| Investment income received from financial assets at fair value through profit or loss | | – | 534 |
| Net cash flows used in investing activities | | (3,145) | (45,772) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| New bank loans | | 385,500 | 79,500 |
| Repayment of bank loans | | (176,100) | (90,018) |
| Loans from related parties | | – | 3,710 |
| Repayment of loans from related parties | | – | (3,710) |
| Principal portion of lease payments | | (1,957) | (2,315) |
| Capital injection from non-controlling shareholders | | – | 84 |
| Interest paid | | (4,449) | (3,099) |
| Dividends paid | | – | – |
| Net cash flows used in financing activities | | 202,994 | (15,848) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | | (448,080) | 9,956 |
| Cash and cash equivalents at the beginning of period | | 1,018,899 | 34,840 |
| Effect of foreign exchange rate changes, net | | (9,563) | – |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | | 561,256 | 44,796 |
| ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS | | | |
| Cash and cash equivalents as stated in the statement of financial position | 18 | 561,256 | 44,796 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on March 29, 2019. The registered office address of the Company is 4th Floor, Harbour Place, 103 South Church Street, George Town, P.O. Box 10240, Grand Cayman KY1-1002, Cayman Islands.

The Company and its subsidiaries and consolidated affiliated entities (collectively referred to as the “**Group**”) were principally involved in the business of providing online advertising services in the People’s Republic of China (the “**PRC**”).

Information about subsidiaries

Particulars of the Company’s principal subsidiaries are as follows:

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|--|------------|-------------------------------------|
| | | | Direct % | Indirect % | |
| MIX Technology Co.,Ltd. (“ Heguang Technology ”) (合光(寧波) 科技有限公司) (Note (a)) | PRC/ Mainland China | USD10,000,000 | – | 100 | Technical and consultation services |
| Netjoy International Limited | British Virgin Islands | USD50,000 | 100 | – | Investment holding |
| Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (“ Yunxiang Information ”) (雲想數科(上海) 信息技術有限公司) (Note (a)) | PRC/ Mainland China | RMB50,000,000 | – | 100 | Technical and consultation services |
| Letui (Shanghai) Culture Broadcast Co., Ltd. (“ Letui Culture ”) (樂推(上海) 文化傳播有限公司) (Note (b)) | PRC/ Mainland China | RMB10,101,010 | – | 100 | Marketing services |
| Yunxiang Entertainment (Shanghai) Co., Ltd. (“ Yunxiang Entertainment ”) (雲想娛樂(上海) 有限公司) (Note (b)) | PRC/ Mainland China | RMB5,000,000 | – | 100 | Technical and consultation services |
| Letui Chuanshi (Shanghai) Information Technology Co., Ltd. (“ Letui Information ”) (樂推傳視(上海) 信息技術有限公司) (Note (b)) | PRC/ Mainland China | RMB5,000,000 | – | 100 | Technical and consultation services |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

| Name | Place of incorporation/ registration/ and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|--|---|---|--|---------------|--|
| | | | Direct % | Indirect % | |
| Letui Zhixiao (Shanghai) Cultural Communication Co., Ltd. (“ Letui Zhixiao ”) (樂推智效(上海)文化傳播有限公司) (Note (b)) | PRC/ Mainland China | RMB5,000,000 | – | 100 | Marketing services |
| Horgos Quantum Dynamic Culture Media Co., Ltd. (“ Quantum Culture Media ”) (霍爾果斯量子動態文化傳媒有限公司) (Note (b)) | PRC/ Mainland China | RMB1,000,000 | – | 100 | Marketing services |
| Guangzhou Guomeng Network Technology Co., Ltd. (“ Guomeng Internet ”) (廣州果盟網絡科技有限公司) (Note (b)) | PRC/ Mainland China | RMB1,000,000 | – | 100 | Technical and consultation services |
| Qizheng (Shanghai) Culture Communication Co., Ltd. (“ Qizheng Culture ”) (啟征(上海)文化傳播有限公司) (Note (b)) | PRC/ Mainland China | RMB1,000,000 | – | 100 | Technical and consultation services |
| Zheng Han Bio-tech Research Co., Limited (“ Zheng Han ”) (正漢生物科技研發有限公司) | Hong Kong, China | HKD20,000,000 | 100 | – | Investment holding |
| Netjoy International (Hong Kong) Limited | Hong Kong, China | HKD1 | – | 100 | Technical and consultation services |
| Indirectly controlled by the Company pursuant to the contractual agreements | | | | | |
| Netjoy (Shanghai) Network Technology Co., Ltd. (“ Netjoy Network ”) (嗨皮(上海)網絡科技有限公司) (Note (b)) | PRC/ Mainland China | RMB53,528,203 | – | 100 | Entertainment – oriented content platform operation |
| Yuntu (Shanghai) Video Technology Co., Ltd. (“ Yuntu Video ”) (雲圖(上海)視頻技術有限公司) (Note (b)) | PRC/ Mainland China | RMB5,000,000 | – | 100 | Platform operation |

Notes:

- (a) The entity is registered as a wholly-foreign-owned enterprise under the PRC law.
- (b) The entity is registered as a limited liability company under the PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Netjoy Network provides value added telecommunications services and radio and TV program production and operation services to customers. As of the date of this report, Yuntu Video provided radio and TV program production and operation services to customers. Due to regulatory restrictions on foreign ownership in providing value added telecommunications services and prohibition on foreign ownership in providing radio and TV program production and operation services in the PRC, the wholly-owned subsidiary of the Company, Yunxiang Information has entered into contractual arrangements (the “**Contractual Arrangements**”) with Netjoy Network and Yuntu Video and their respective registered shareholders. The arrangements of the Contractual Arrangements enable Yunxiang Information to effectively control, recognise and receive substantially all the economic benefit of the business and operations of Netjoy Network and Yuntu Video.

In summary, the Contractual Arrangements enable our Group to, among others:

- receive substantially all of the economic benefits from Netjoy Network and Yuntu Video in consideration for the services provided by Yunxiang Information to Netjoy Network and Yuntu Video;
- exercise effective control over Netjoy Network and Yuntu Video; and
- hold an exclusive option to acquire all or part of the equity interests in and/or the assets of Netjoy Network and Yuntu Video when and to the extent permitted by the PRC laws and regulations.

Accordingly, Netjoy Network and Yuntu Video are controlled by the Company based on the Contractual Arrangements though the Company does not have any direct or indirect equity interest in Netjoy Network and Yuntu Video.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the condensed consolidated financial statements of the Group for the six months ended June 30, 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

| | |
|--|--|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | <i>Interest Rate Benchmark Reform -Phase 2</i> |
| Amendment to IFRS 16 | <i>Covid-19-Related Rent Concessions (early adopted)</i> |

- (a) The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.
- (b) The Group has elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic for the six months ended June 30, 2021. The adoption of the amendments to IFRS 16 *Covid-19-Related Rent Concessions* has had no significant impact on the financial position and/or financial performance of the Group because there are no changes to the terms of the leases during the period.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in providing online marketing solutions services, SaaS service, pan-entertainment content services and other business such as live streaming to customers in Mainland China.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the six months ended June 30, 2021, the Group operated within one geographical area because all of its revenue was generated in Mainland China and all of its non-current assets/capital expenditure were located/incurred in Mainland China. Accordingly, no geographical information is presented.

The non-current asset information above is based on the locations of the assets and excludes financial instruments, prepayments and deferred tax assets.

Information about one major customer

Revenue of approximately RMB142,072,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: RMB73,159,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | Six months ended June 30, | |
|---------------------------------------|---------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Revenue from contracts with customers | 1,570,714 | 796,965 |

Revenue from contracts with customers

(i) Disaggregated revenue information

| | Six months ended June 30, | |
|--|---------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Types of services | | |
| Online marketing solutions services | | |
| – All-in-one services | 1,466,376 | 760,114 |
| – Advertisement distribution services | 80,638 | 28,215 |
| SaaS service | 16,069 | – |
| Other business | 7,631 | 8,636 |
| Total revenue from contracts with customers | 1,570,714 | 796,965 |
| Timing of revenue recognition | | |
| Marketing services transferred at a point in time | 1,570,714 | 785,861 |
| Marketing services transferred over time | – | 11,104 |
| Total revenue from contracts with customers | 1,570,714 | 796,965 |

The following table shows the amounts of revenue recognised in the current accounting period that were included in the contract liabilities at the beginning of the Reporting Period:

| | Six months ended June 30, | |
|--|---------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period: | 36,811 | 37,353 |

There is no revenue recognised in the current accounting period from performance obligations satisfied in previous periods for the six months ended June 30, 2020 and June 30, 2021, respectively.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

4. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Online marketing solutions services

The performance obligation is satisfied on a user's optimised click (oCPC) on one of the customer sponsored links or on optimised the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (oCPM).

SaaS service

Tradeplus generates revenue by charging customers subscription fees for the platform or a commission calculated as a percentage of the total consumption of advertisement placed by customers on the platform.

Other business

It includes the original pan-entertainment business as well as the newly expanded exhibition business and live streaming businesses.

The performance obligation is satisfied on a pro-rata basis over the contractual term for cost per time advertising arrangements, commencing on the start date of the display of the advertisement or on the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (CPM).

The transaction prices allocated to the remaining performance obligations unsatisfied as at June 30, 2021 are RMB59,286,000 (June 30, 2020: RMB36,811,000).

All the remaining performance obligations unsatisfied as at June 30, 2021 are expected to be recognised within one year as the performance obligations are part of contracts that have an original expected duration of one year or less.

An analysis of other income and gains is as follows:

| | Six months ended June 30, | |
|--|---------------------------|---------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Other income and gains | | |
| Bank interest income | 3,197 | 46 |
| Investment income from financial assets at fair value through profit or loss | – | 534 |
| Government grants | 26,376 | 10,493 |
| Others | – | 750 |
| | 29,573 | 11,823 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

5. PROFIT BEFORE TAX

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

| | Notes | Six months ended June 30, | |
|--|-------|--------------------------------|--------------------------------|
| | | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Cost of services provided | | 1,421,433 | 712,584 |
| Depreciation of property, plant and equipment | 12 | 1,172 | 717 |
| Depreciation of right-of-use assets | | 3,557 | 2,274 |
| Amortisation of intangible assets | 13 | 1,026 | 452 |
| Research and development costs (excluding amortisation of intangible assets, depreciation of property, plant and equipment and employee benefit expense) | | 439 | 1,182 |
| Lease payments not included in the measurement of lease liabilities | | 546 | 330 |
| Auditors' remuneration | | – | 1,730 |
| Government grants | 4 | (26,376) | (10,493) |
| Employee benefit expense (excluding directors' and chief executive's remuneration (note 7)): | | | |
| Wages and salaries | | 19,182 | 10,389 |
| Pension scheme contributions | | 2,003 | 374 |
| Impairment losses on trade receivables | 15 | 10,131 | 4,000 |
| Bank interest income | 4 | (3,197) | (46) |
| Investment income from financial assets at fair value through profit or loss | 4 | – | (534) |
| Interest on lease liabilities | 6 | 249 | 148 |
| Interest on interest-bearing bank borrowings | 6 | 4,748 | 3,012 |
| Foreign exchange differences, net | | 9,563 | – |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

| | Six months ended June 30, | |
|--|--------------------------------|--------------------------------|
| | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Interest on interest-bearing bank and other borrowings | 4,748 | 3,012 |
| Interest on lease liabilities | 249 | 148 |
| Other finance costs | – | 3 |
| | 4,997 | 3,163 |

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executives' remuneration for the period, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

| | Six months ended June 30, | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | 846 | 631 |
| Pension scheme contributions | 59 | 12 |
| | 905 | 643 |

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the period were as follows:

| | Six months ended June 30, | |
|-------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Mr. Chen Changhua | 100 | – |
| Dr. Ru Liyun | 75 | – |
| Ms. Cui Wen | 75 | – |
| | 250 | – |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors and non-executive directors

| | Salaries, allowances and benefits in kind RMB'000 (unaudited) | Pension scheme contributions RMB'000 (unaudited) | Total remuneration RMB'000 (unaudited) |
|---------------------------------------|---|---|---|
| Six months ended June 30, 2021 | | | |
| Executive Directors: | | | |
| Mr. Wang Chen* | 300 | 27 | 327 |
| Mr. Xu Jiaqing | 289 | 27 | 316 |
| | 589 | 54 | 643 |
| Non-executive Directors: | | | |
| Mr. Qin Miaomiao | 7 | 5 | 12 |
| Mr. Dai Liqun | – | – | – |
| Mr. Zhang Jianguo | – | – | – |
| Mr. Wang Jianshuo | – | – | – |
| | 596 | 59 | 655 |
| Six months ended June 30, 2020 | | | |
| Executive Directors: | | | |
| Mr. Wang Chen* | 300 | 4 | 304 |
| Mr. Xu Jiaqing | 300 | 4 | 304 |
| | 600 | 8 | 608 |
| Non-executive Directors: | | | |
| Mr. Qin Miaomiao | 31 | 4 | 35 |
| Mr. Dai Liqun | – | – | – |
| Mr. Zhang Jianguo | – | – | – |
| Mr. Wang Jianshuo | – | – | – |
| | 631 | 12 | 643 |

* Mr. Wang Chen is appointed as the chief executive officer of the Company on June 16, 2020.

No bonuses and directors' fees have been paid to the Company's executive directors and non-executive directors for the six months ended June 30, 2020 and the six months ended June 30, 2021. There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the period.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the period included two directors (June 30, 2020: two), details of whose remuneration are set out in note 7 above. Details of the remuneration for the period of the remaining three (June 30, 2020: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | Six months ended June 30, | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Salaries, allowances and benefits in kind | 744 | 727 |
| Pension scheme contributions | 81 | 24 |
| | 825 | 751 |

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

| | Six months ended June 30, Number of employees | |
|---------------------|--|------|
| | 2021 | 2020 |
| Nil to HKD1,000,000 | 3 | 3 |

No bonuses have been paid to the Company's five highest paid employees for the six months ended June 30, 2020 and the six months ended June 30, 2021.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

9. INCOME TAX

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

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands (“BVI”), Netjoy Holdings Limited is not subject to tax on income or capital gains. In addition, upon payments of dividends by Netjoy Holdings Limited to its shareholder, no BVI withholding tax is imposed.

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended June 30, 2021 (June 30, 2020: Nil).

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to Enterprise Income Tax (“EIT”) at a rate of 25% on the taxable income. Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprise, and are subject to a preferential income tax rate of 15% in certain years.

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

| | Six months ended June 30, | |
|--------------------------|---------------------------|--------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Current – Mainland China | | |
| Charge for the period | 11,556 | 4,071 |
| Deferred | (2,395) | (385) |
| | 9,161 | 3,686 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

9. INCOME TAX (Continued)

Mainland China (Continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of 25% for Mainland China in which the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

| | Six months ended June 30, | | | |
|---|---------------------------|-------------|-------------|------|
| | 2021 | | 2020 | |
| | RMB'000 | % | RMB'000 | % |
| | (unaudited) | | (unaudited) | |
| Profit before tax | 113,383 | | 60,762 | |
| Tax at the statutory tax rate | 28,346 | 25 | 15,191 | 25 |
| Preferential tax rates enacted by local authority | (23,101) | (20) | (13,325) | (22) |
| Additional deduction on research and development expenses | (495) | – | (814) | (1) |
| Effect on deferred tax of changes in tax rates | – | – | – | – |
| Income not subject to tax | 13 | – | (5) | – |
| Tax losses not recognised | 3,635 | 3 | 2,605 | 4 |
| Group reorganisation related tax | – | – | – | – |
| Expenses not deductible for tax | 763 | 1 | 34 | – |
| Tax charge at the effective rate | 9,161 | 8 | 3,686 | 6 |

10. DIVIDENDS

No dividends had been declared for the six months ended June 30, 2021.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 800,000,000 (June 30, 2020: 599,902,665) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended June 30, 2020 and 2021 in respect of a dilution as the Group had no potentially ordinary dilutive ordinary shares in issue during the six months ended June 30, 2020 and 2021.

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

| | Six months ended June 30, | |
|--|---------------------------|-------------|
| | 2021 | 2020 |
| | RMB'000 | RMB'000 |
| | (unaudited) | (unaudited) |
| Earnings | | |
| Profit attributable to ordinary equity holders of the parent | 104,222 | 57,706 |

| | Number of shares | |
|--|---------------------------|-------------|
| | Six months ended June 30, | |
| | 2021 | 2020 |
| | (unaudited) | (unaudited) |
| Shares | | |
| Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation | 800,000,000 | 599,902,665 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

12. PROPERTY, PLANT AND EQUIPMENT

| | Furniture and fixtures RMB'000 | Office equipment RMB'000 | Leasehold improvements RMB'000 | Total RMB'000 |
|--|--------------------------------------|--------------------------------|--------------------------------------|------------------|
| (unaudited) | | | | |
| June 30, 2021 | | | | |
| At January 1, 2021: | | | | |
| Cost | 76 | 3,465 | 4,626 | 8,167 |
| Accumulated depreciation | (16) | (1,097) | (2,385) | (3,498) |
| Net carrying amount | 60 | 2,368 | 2,241 | 4,669 |
| At January 1, 2021, net of accumulated depreciation | 60 | 2,368 | 2,241 | 4,669 |
| Additions | 2 | 1,767 | 1,366 | 3,135 |
| Disposals | – | – | – | – |
| Depreciation provided during the period | (11) | (585) | (576) | (1,172) |
| At June 30, 2021, net of accumulated depreciation | 51 | 3,550 | 3,031 | 6,632 |
| At June 30, 2021: | | | | |
| Cost | 78 | 5,232 | 5,992 | 11,302 |
| Accumulated depreciation | (27) | (1,682) | (2,961) | (4,670) |
| Net carrying amount | 51 | 3,550 | 3,031 | 6,632 |
| (audited) | | | | |
| December 31, 2020 | | | | |
| At January 1, 2020: | | | | |
| Cost | 11 | 1,621 | 1,961 | 3,593 |
| Accumulated depreciation | (10) | (533) | (925) | (1,468) |
| Net carrying amount | 1 | 1,088 | 1,036 | 2,125 |
| At January 1, 2020, net of accumulated depreciation | 1 | 1,088 | 1,036 | 2,125 |
| Additions | 65 | 1,889 | 2,665 | 4,619 |
| Disposals | – | (2) | – | (2) |
| Depreciation provided during the year | (6) | (607) | (1,460) | (2,073) |
| At December 31, 2020, net of accumulated depreciation | 60 | 2,368 | 2,241 | 4,669 |
| At December 31, 2020: | | | | |
| Cost | 76 | 3,465 | 4,626 | 8,167 |
| Accumulated depreciation | (16) | (1,097) | (2,385) | (3,498) |
| Net carrying amount | 60 | 2,368 | 2,241 | 4,669 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

13. INTANGIBLE ASSETS

| | Use right of a website RMB'000 | Software RMB'000 | Total RMB'000 |
|--|--------------------------------------|---------------------|------------------|
| (unaudited) June 30, 2021 | | | |
| Cost at January 1, 2021, net of accumulated amortisation | 5,840 | 11,409 | 17,249 |
| Additions | – | 5,458 | 5,458 |
| Disposal | – | – | – |
| Amortisation provided during the period | (352) | (674) | (1,026) |
| At June 30, 2021 | 5,488 | 16,193 | 21,681 |
| At June 30, 2021: | | | |
| Cost | 7,021 | 17,554 | 24,575 |
| Accumulated amortisation | (1,533) | (1,361) | (2,894) |
| Net carrying amount | 5,488 | 16,193 | 21,681 |
| (audited) December 31, 2020 | | | |
| Cost at January 1, 2020, net of accumulated amortisation | 6,553 | 1,740 | 8,293 |
| Additions | – | 10,341 | 10,341 |
| Amortisation provided during the year | (713) | (672) | (1,385) |
| At December 31, 2020 | 5,840 | 11,409 | 17,249 |
| At December 31, 2020 and at January 1, 2021: | | | |
| Cost | 7,021 | 12,096 | 19,117 |
| Accumulated amortisation | (1,181) | (687) | (1,868) |
| Net carrying amount | 5,840 | 11,409 | 17,249 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

14. INVESTMENTS IN ASSOCIATES

| | Six months ended June 30, | |
|---------------------|--------------------------------|--------------------------------|
| | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Share of net assets | 7,660 | 7,748 |

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | Six months ended June 30, | |
|--|--------------------------------|--------------------------------|
| | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Share of the associates' profit/(loss) for the period | (88) | 21 |
| Share of the associates' total comprehensive income | (88) | 21 |
| Aggregate carrying amount of the Group's investments in the associates | 7,660 | 7,748 |

Particulars of the Group's associates are as follows:

| Name | Particulars of issued shares held | Place of registration | Percentage of equity attributable to the Group | Principal activities |
|---|-----------------------------------|-----------------------|--|---|
| Shanghai Buwei Information Technology Co., Ltd. (" Buwei ") (上海不維信息技術有限公司) | Ordinary shares | Shanghai | 20%* | Marketing services |
| Tianjin Yunlin Culture Broadcast Co., Ltd. (" Yunlin ") (韻林(天津)文化傳媒有限公司) | Ordinary shares | Tianjin | 30% | Radio and TV programs production and operation services |
| Shanju (Shanghai) Culture Broadcast Co., Ltd. (" Shanju Culture ") (閃劇(上海)文化傳媒有限公司) | Ordinary shares | Shanghai | 30% | Radio and TV programs production and operation services |

* In 2017, the Group invested RMB1,000,000 in Buwei and accounted for 9.91% of the total equity interest. In 2019, the Group invested an additional RMB2,328,000 and the equity interest percentage increased from 9.91% to 20%.

During the reporting period, the board of directors of Buwei consisted of 3 directors, of which 1 director who has substantive voting rights in daily operations was nominated by the Group. As a result, Buwei was classified as an associate over which the Group has significant influence since the first investment was made.

The Group's shareholdings in the associates all comprise equity shares held by Netjoy Network and Yunxiang Entertainment.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

15. TRADE RECEIVABLES

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|-------------------|---|---|
| Trade receivables | 1,609,741 | 731,204 |
| Impairment | (53,185) | (43,054) |
| | 1,556,556 | 688,150 |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentrations of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|------------------|---|---|
| Less than 1 year | 1,555,315 | 685,621 |
| 1 to 2 years | 1,241 | 2,529 |
| | 1,556,556 | 688,150 |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|------------------------|---|---|
| At beginning of period | 43,054 | 35,123 |
| Impairment losses, net | 10,131 | 7,931 |
| At end of period | 53,185 | 43,054 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

15. TRADE RECEIVABLES (Continued)

The increase in the loss allowance was due to the following change in the gross carrying amount:

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at June 30, 2021 (unaudited)

| | Expected credit loss rates | Gross carrying amounts RMB'000 | Impairment RMB'000 |
|-----------------------|----------------------------|--------------------------------|--------------------|
| Defaulted receivables | 100.00% | 28,917 | 28,917 |
| Less than 1 year | 0.99% | 1,570,804 | 15,490 |
| 1 to 2 years | 66.69% | 3,727 | 2,485 |
| 2 to 3 years | 100.00% | 4,900 | 4,900 |
| Over 3 years | 100.00% | 1,393 | 1,393 |
| | 3.30% | 1,609,741 | 53,185 |

As at December 31, 2020 (audited)

| | Expected credit loss rates | Gross carrying amounts RMB'000 | Impairment RMB'000 |
|-----------------------|----------------------------|--------------------------------|--------------------|
| Defaulted receivables | 100.00% | 28,917 | 28,917 |
| Less than 1 year | 1.03% | 692,723 | 7,102 |
| 1 to 2 years | 65.83% | 7,402 | 4,873 |
| 2 to 3 years | 100.00% | 1,128 | 1,128 |
| Over 3 years | 100.00% | 1,034 | 1,034 |
| | 5.89% | 731,204 | 43,054 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

16. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|------------------------------------|---|---|
| Included in non-current assets: | | |
| Prepayments | 1,719 | 2,055 |
| Included in current assets: | | |
| Prepayments | 139,414 | 220,607 |
| Prepayments for investment in film | 5,000 | 5,000 |
| Other receivables | 2,596 | 5,063 |
| Value-added tax recoverable | 46,704 | 34,688 |
| Deposits | 33,169 | 14,566 |
| | 226,883 | 279,924 |

17. CONTRACT LIABILITIES

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|-------------------------------------|---|---|
| Included in current liabilities | | |
| Online marketing solutions services | 59,286 | 36,811 |

Contract liabilities include short-term advances received to provide online marketing solutions services.

Contract liabilities primarily consist of the unrecognised revenue on online marketing services from the amount prepaid by customers, where there is still an implied obligation to be provided by the Group.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

18. CASH AND BANK BALANCES

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|-------------------------------------|---|---|
| Cash and bank balances | 561,274 | 1,020,863 |
| Denominated in RMB | 559,916 | 140,311 |
| Denominated in HKD | 453 | 253,540 |
| Denominated in USD | 905 | 627,012 |
| | 561,274 | 1,020,863 |
| Cash and bank balances | 561,274 | 1,020,863 |
| Less: judicial frozen bank deposits | (18) | (1,964) |
| Cash and cash equivalents | 561,256 | 1,018,899 |

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

19. TRADE PAYABLES

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

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|----------------|---|---|
| Within 90 days | 251,636 | 211,608 |
| 91 to 365 days | 211 | 408 |
| Over 1 year | 934 | 716 |
| | 252,781 | 212,732 |

The trade payables are non-interest-bearing and are normally settled within 30 to 90 days.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

20. OTHER PAYABLES AND ACCRUALS

| | <i>Notes</i> | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|----------------------------|--------------|---|---|
| Payroll and bonus payables | | 7,313 | 8,564 |
| Other tax payables | | 14,169 | 13,342 |
| Collections from customers | (a) | 5,450 | 8,574 |
| Other payables | (b) | 4,036 | 22,110 |
| | | 30,968 | 52,590 |

Notes:

- (a) Collections from customers are collections from customers seeking for advertisement distribution services.
- (b) Other payables are non-interest-bearing and repayable on demand.

21. INTEREST-BEARING BANK BORROWINGS

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|---------------------------|---|---|
| Current | | |
| Bank loans – guaranteed | 220,370 | 153,893 |
| Bank loans – unguaranteed | 198,977 | 56,054 |
| | 419,347 | 209,947 |
| Analysed into: | | |
| Bank loans repayable: | | |
| Within one year | 419,347 | 209,947 |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

22. DEFERRED TAX ASSETS

The movements in deferred tax assets during the six months ended June 30, 2021 and during the year ended December 31, 2020 are as follows:

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|---|---|---|
| At the beginning of the period | 14,187 | 12,917 |
| Deferred tax credited to the profit or loss during the period | 2,395 | 1,270 |
| At the end of the period | 16,582 | 14,187 |

23. SHARE CAPITAL

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|---|---|---|
| Shares | | |
| Issued and fully paid: | | |
| 438,386,430 (2020: 438,386,430) ordinary shares of USD0.00005 each | 149 | 149 |

24. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting periods are presented in the consolidated statement of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the sum of capital reserves of the entities now comprising the Group, after elimination of intra-group balances, attributable to the controlling shareholder.

Statutory surplus reserve

In accordance with the Company Law of the PRC, the subsidiaries of the Group which are domestic enterprises, are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC GAAP, to their statutory surplus reserve until the reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

25. POST-IPO SHARE OPTION SCHEME

The Company operates a share option scheme (the “**Post-IPO Share Option Scheme**”) for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and encouraging eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Post-IPO Share Option Scheme will also provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible participants. Eligible participants of the Post-IPO Share Option Scheme include any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the board of directors of the Company or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options.

The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 80,000,000, being no more than 10% of the shares in issue on the date the shares commence trading on the Stock Exchange (excluding any shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme). The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme of the Company at any time must not exceed 30% of the shares of the Company in issue from time to time.

Unless approved by shareholders, the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company’s shares at the date of grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders’ approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 20 business days from the date of offer letter delivered, upon payment of a nominal consideration of HKD1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company’s shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company’s shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

The Post-IPO Share Option Scheme is passed by the resolutions in writing of the shareholders of the Company on November 17, 2020 and adopted by the Company.

On January 15, 2021, 8,808,000 share options were granted to a total of ninety-five (95) eligible participants. The share options granted vest by 1/3, 1/3 and 1/3 of the total number of share options vested on January 14, 2022, January 14, 2023 and January 14, 2024, respectively. The share options granted have an exercise price of HKD7.680 per share. The price of the Company’s shares at the date of grant was HKD7.600 per share. The share options granted shall be valid for a period of 10 years from the date of grant.

On the date of approval of these financial statements, the Company had 8,808,000 share options outstanding under the Post-IPO Share Option Scheme, which represented approximately 1.10% of the Company’s shares in issue as at that date.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

26. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the period:

| | Six months ended June 30, | |
|--|--------------------------------|--------------------------------|
| | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Services provided to related parties: | | |
| Shanju (Shanghai) Culture Media Co., Ltd | 187 | – |
| Baixing Net Co., Ltd. | 566 | 108 |
| Shanghai Kijiji Information Technology Co., Ltd. | – | – |
| Services provided by related parties: | | |
| Shanghai Buwei Information Technology Co., Ltd | – | – |
| Baixing Net Co., Ltd. | – | – |
| Yunling (Tianjin) Culture Media Co., Ltd | – | – |
| Borrowings from: | | |
| Mr. Dai Liqun | – | 3,710 |
| Baixing Net Co., Ltd. | – | – |
| Mr. Xu Jiaqing | – | – |
| Mr. Wang Chen | – | – |
| Repayment of borrowings to: | | |
| Mr. Dai Liqun | – | 3,710 |
| Baixing Net Co., Ltd. | – | – |
| Mr. Xu Jiaqing | – | – |
| Mr. Wang Chen | – | – |

NOTES TO UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended June 30, 2021

26. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

| | As at June 30, 2021 RMB'000 (unaudited) | As at December 31, 2020 RMB'000 (audited) |
|--|---|---|
| Amounts due from related parties | | |
| Baixing Net Co., Ltd. | – | – |
| Amounts due to related parties | | |
| Shanghai Kijiji Information Technology Co., Ltd. | 263 | 237 |
| Tianjin Shangzequn Business Information | 70 | 70 |
| Baixing Net Co., Ltd. | 11 | 38 |
| Shanju (Shanghai) Culture Media Co., Ltd | 4 | – |
| Horgos Buwei Culture Media Co., Ltd | – | – |
| Shanghai Buwei Information Technology Co., Ltd | – | – |
| Yunling (Tianjin) Culture Media Co., Ltd | – | – |

Amounts due to related parties were interest-free and unsecured and had no fixed repayment terms.

Compensation of key management personnel of the Group:

| | Six months ended June 30, | |
|---|--------------------------------|--------------------------------|
| | 2021 RMB'000 (unaudited) | 2020 RMB'000 (unaudited) |
| Short-term employee benefits | 906 | 764 |
| Pension scheme contributions | 109 | 17 |
| Total compensation paid to key management personnel | 1,015 | 781 |

Further details of directors' emoluments are included in note 7 to the financial statements.

No bonuses have been paid to the Company's five highest paid employees for the six months ended June 30, 2021 and the six months ended June 30, 2020.

27. APPROVAL OF THE FINANCIAL STATEMENTS

The unaudited interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on August 25, 2021.

DEFINITIONS

| | |
|------------------------------------|--|
| “AI” | artificial intelligence |
| “Audit Committee” | the audit committee of the Board |
| “Baixing Net” | Baixing Co., Ltd. (百姓網股份有限公司), a joint stock limited liability company established in the PRC on September 30, 2005, the shares of which are listed on NEEQ (stock code: 836012), and the holding company of Kijiji |
| “Baxter Investment” | Baxter Investment Holding Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Fiduciaries (Hong Kong) Limited for the administration of The RGRGU Trust and the immediate shareholder of Dai SPV |
| “Board” or “Board of Directors” | the board of Directors |
| “BVI” | the British Virgin Islands |
| “CareFree Planning” | CareFree Planning Technology Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Qin, the settlor of The MH’s Family Trust and one of the Controlling Shareholders |
| “China” or “PRC” | the People’s Republic of China, but for the purpose of this interim report and for geographical reference only, except where the context requires, references in this interim report to “China” and the “PRC” do not apply to Hong Kong, Macau and Taiwan |
| “Company” | Netjoy Holdings Limited (云想科技控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 29, 2019 |
| “Consolidated Affiliated Entities” | the entities we control through the Contractual Arrangements, namely Netjoy Network and Yuntu Video |
| “Contractual Arrangements” | the series of contractual arrangements, as the case may be, entered into by, among others, Yunxiang Information, Netjoy Network and its registered shareholders on March 30, 2020, and reproduced by, among others, Yuntu Video and its registered shareholders on June 16, 2021 |
| “Controlling Shareholder(s)” | has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang, Mr. Xu, Mr. Qin, Derun Investments, Quantum Computing, CareFree Planning, Wang SPV, Xu SPV and Qin SPV |
| “Corporate Governance Code” | the Corporate Governance Code set out in Appendix 14 to the Listing Rules |
| “Dai SPV” | Blackburn Capitals Holding Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Baxter Investment, and directly holding the relevant Shares on behalf of The RGRGU Trust |

DEFINITIONS

| | |
|---|---|
| “Derun International” | Derun International Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Fiduciaries (Hong Kong) Limited for the administration of The Longhills Trust and the immediate shareholder of Wang SPV |
| “Derun Investments” | Derun Investments Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Wang, the settlor of The Longhills Trust and one of the Controlling Shareholders |
| “Director(s)” | director(s) of the Company |
| “DMP” | data management platform |
| “Family Trust(s)” | the relevant discretionary family trust set up by each of the Ultimate Controlling Shareholders, Mr. Dai and Mr. Ru, namely The Longhills Trust, The FS Trust, The MH’s Family Trust, The RGRGU Trust and The Ru Liang’s Trust |
| “FSS Investment” | FSS Investment Holding Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Fiduciaries (Hong Kong) Limited for the administration of The FS Trust and the immediate shareholder of Xu SPV |
| “Global Awesomeness” | Global Awesomeness Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Dai, the settlor of The RGRGU Trust |
| “Global Offering” | the offering by the Company of the Shares for subscription to the public in Hong Kong and the offering of Shares outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act in December 2020 |
| “Group”, “we”, or “us” | the Company, its subsidiaries and its Consolidated Affiliated Entities from time to time or, where the context so requires, in respect of the period before the Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be) |
| “Guomeng Internet” | Guangzhou Guomeng Network Technology Co., Ltd. (廣州果盟網絡科技有限公司), a limited liability company established in the PRC on May 20, 2019 and an indirectly wholly-owned subsidiary of the Company |
| “Guzon Asset” | Shanghai Guzon Asset Management Co., Ltd. (上海巨漳資產管理有限公司), a limited liability company established in the PRC on September 9, 2015 and a Shareholder of the Company |
| “HK\$” or “HKD” or “Hong Kong Dollars” | Hong Kong dollars and cents respectively, the lawful currency of Hong Kong |

DEFINITIONS

| | |
|-------------------------------|---|
| “Heguang Technology” | MIX Technology Co.,Ltd. (合光(寧波)科技有限公司), a limited liability company established on March 19, 2021 and an indirect wholly-owned subsidiary of the Company |
| “holding company(ies)” | has the meaning ascribed thereto under the Listing Rules |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Huabian Platform”, “Huabian” | Huabian Website (www.huabian.com) and its mobile terminal, our self-operated pan-entertainment oriented content platform |
| “IFRSs” | International Financial Reporting Standards |
| “Jingke International” | Jingke International Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Fiduciaries (Hong Kong) Limited for the administration of The Ru Liang’s Trust and the immediate shareholder of Ru SPV |
| “Kijiji” | Shanghai Kijiji Information Technology Co., Ltd. (上海客齊集信息技術股份有限公司), a joint stock limited liability company established in the PRC on June 16, 2005 and a Shareholder of the Company |
| “Letui Culture” | Letui (Shanghai) Culture Broadcast Co., Ltd. (樂推(上海)文化傳播有限公司), a limited liability company established in the PRC on December 19, 2013 and an indirect wholly-owned subsidiary of the Company |
| “Letui Information” | Letui Chuanshi (Shanghai) Information Technology Co., Ltd. (樂推傳視(上海)信息技術有限公司), a limited liability company established in the PRC on August 2, 2019 and an indirect wholly-owned subsidiary of the Company |
| “Letui Zhixiao” | Letui Zhixiao (Shanghai) Cultural Communication Co., Ltd. (樂推智效(上海)文化傳播有限公司), a limited liability company established in the PRC on January 6, 2020 and an indirect wholly-owned subsidiary of the Company |
| “Listing” | the listing of the Shares on the Main Board |
| “Listing Date” | December 17, 2020, i.e. the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time |
| “Main Board” | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange |

DEFINITIONS

| | |
|-------------------------|--|
| “Mr. Dai” | Mr. Dai Liqun (戴立群), a non-executive Director |
| “Mr. Qin” | Mr. Qin Miaomiao (覃渺渺), a non-executive Director and a member of the Controlling Shareholders |
| “Mr. Ru” | Mr. Ru Liang (茹良), the ultimate controller of The Ru Liang’s Trust and a Registered Shareholder of Netjoy Network |
| “Mr. Wang” | Mr. Wang Chen (王晨), an executive Director, the chief executive officer of the Company, and a member of the Controlling Shareholders |
| “Mr. Xu” | Mr. Xu Jiaqing (徐佳慶), an executive Director, the chairman of the Board, and a member of the Controlling Shareholders |
| “NEEQ” | The National Equities Exchange and Quotations (全國中小企業股份轉讓系統) of the PRC |
| “Netjoy Network” | Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司) (formerly known as Netjoy (Shanghai) Network Technology Holdings Co., Ltd. (嗨皮(上海)網絡科技股份有限公司)), a limited liability company established in the PRC on November 15, 2012 and a Consolidated Affiliated Entity indirectly controlled by the Company through the Contractual Arrangements |
| “Prospectus” | the prospectus of the Company dated December 7, 2020 |
| “Qin SPV” | CareFree Technology Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by SpringRain Planning, and directly holding the relevant Shares on behalf of The MH’s Family Trust, and one of the Controlling Shareholders |
| “Qizheng Culture” | Qizheng (Shanghai) Culture Communication Co., Ltd. (啟征(上海)文化傳播有限公司), a limited liability company established in the PRC on May 28, 2019 and an indirect wholly-owned subsidiary of the Company |
| “Quantum Computing” | Quantum Computing Power Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Xu, the settlor of The FS Trust and one of the Controlling Shareholders |
| “Quantum Culture Media” | Horgos Quantum Dynamic Culture Media Co., Ltd. (霍爾果斯量子動態文化傳媒有限公司), a limited liability company established on June 8, 2017 and an indirect wholly-owned subsidiary of the Company |
| “Reporting Period” | the six months ended June 30, 2021 |
| “RMB” or “Renminbi” | the lawful currency of the PRC |

DEFINITIONS

| | |
|---|---|
| “Ru SPV” | Jingke Global Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Jingke International, and directly holding the relevant Shares on behalf of The Ru Liang’s Trust |
| “SaaS” | software as a service |
| “SFC” | the Securities and Futures Commission of Hong Kong |
| “SFO” or “Securities and Futures Ordinance” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time |
| “Shanghai Fangxi” | Shanghai Fangxi Investment Management Partnership (Limited Partnership) (上海訪溪投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo |
| “Shanghai Paisen” | Shanghai Paisen Investment Management Partnership (Limited Partnership) (上海派森投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo |
| “Shanghai Xiangnong” | Shanghai Xiangnong Investment Management Partnership (Limited Partnership) (上海香農投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo |
| “Share(s)” | ordinary share(s) in the share capital of the Company with nominal value of US\$0.00005 each |
| “Share Option(s)” | the right to subscribe for a specified number of shares pursuant to the Post-IPO Share Option Scheme |
| “Shareholder(s)” | holder(s) of the Shares |
| “SpringRain Planning” | SpringRain Planning Technology Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Fiduciaries (Hong Kong) Limited for the administration of The MH’s Family Trust and the immediate shareholder of Qin SPV |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “subsidiary(ies)” | has the meaning ascribed thereto under the Listing Rules |
| “substantial shareholder” | has the meaning ascribed thereto under the Listing Rules |
| “The FS Trust” | a discretionary family trust set up by Mr. Xu (as the economic settlor and the protector), Quantum Computing (as the settlor) and PraxisIFM Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Quantum Computing (as the initial beneficiary) and other beneficiaries as nominated by Mr. Xu from time to time |

DEFINITIONS

| | |
|---------------------------------|---|
| “The Longhills Trust” | a discretionary family trust set up by Mr. Wang (as the economic settlor and the protector), Derun Investments (as the settlor) and PraxisIFM Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Derun Investments (as the initial beneficiary) and other beneficiaries as nominated by Mr. Wang from time to time |
| “The MH’s Family Trust” | a discretionary family trust set up by Mr. Qin (as the economic settlor and the protector), CareFree Planning (as the settlor) and PraxisIFM Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of CareFree Planning (as the initial beneficiary) and other beneficiaries as nominated by Mr. Qin from time to time |
| “The RGRGU Trust” | a discretionary family trust set up by Mr. Dai (as the economic settlor and the protector), Global Awesomeness (as the settlor) and PraxisIFM Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Global Awesomeness (as the initial beneficiary) and other beneficiaries as nominated by Mr. Dai from time to time |
| “The Ru Liang’s Trust” | a discretionary family trust set up by Mr. Ru (as the economic settlor and the protector), Luminous Stars (as the settlor) and PraxisIFM Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Luminous Stars (as the initial beneficiary) and other beneficiaries as nominated by Mr. Ru from time to time |
| “U.S.” or “United States” | the United States of America, its territories and possessions, any State of the United States, and the District of Columbia |
| “US\$”, “USD” or “U.S. dollars” | United States dollars, the lawful currency of the United States |
| “Wang SPV” | Derun System Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Derun International, and directly holding the relevant Shares on behalf of The Longhills Trust, and one of the Controlling Shareholders |
| “Wutong Holding” | Wutong Holding Group Co., Ltd. (吳通控股集團股份有限公司), a limited liability company established in the PRC on June 22, 1999, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300292), and a Shareholder of the Company |
| “Xu SPV” | Magne Core Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by FSS Investment, and directly holding the relevant Shares on behalf of The FS Trust, and one of the Controlling Shareholders |
| “Yuntu Video” | Yuntu (Shanghai) Video Technology Co., Ltd. (雲圖(上海)視頻技術有限公司), a limited liability company established in the PRC on May 6, 2021 and a Consolidated Affiliated Entity controlled by the Company through the Contractual Arrangements |

DEFINITIONS

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| “Yunxiang Entertainment” | Yunxiang Entertainment (Shanghai) Co., Ltd. (雲想娛樂(上海)有限公司), a limited liability company established in the PRC on August 28, 2018 and an indirect wholly-owned subsidiary of the Company |
| “Yunxiang Information” | Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (雲想數科(上海)信息技術有限公司), a limited liability company established in the PRC on August 29, 2019 and an indirect wholly-owned subsidiary of the Company |
| “%” | per cent |