

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



Joy Spreader Group Inc.
樂享集團有限公司

(Incorporated in the Cayman Islands with limited liability)
 (Stock Code: 6988)

**ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED
 DECEMBER 31, 2021**

The Board is pleased to present the audited consolidated results of the Group for the year ended December 31, 2021, together with the comparative figures for the year ended December 31, 2020. The results of the Group have been reviewed by the Audit Committee.

The audited consolidated annual results of the Group for the year ended December 31, 2021 together with comparative figures for the corresponding period in 2020 are as follows:

FINANCIAL RESULTS HIGHLIGHTS

	For the year ended December 31,		Year-on -year changes Increase
	2021	2020	(%)
	<i>(HK\$ in millions, except for percentages)</i>		
Revenue	1,395.89	923.92	51.08%
Gross profit	451.85	301.56	49.84%
Profit for the year attributable to owners of the Company	244.64	138.68	76.41%
Net profit margin	17.53%	15.01%	2.52% ⁽¹⁾
Earnings per Share			
– Basic (HK cents)	11.30	7.78	45.24%
– Diluted (HK cents)	N/A	7.78	N/A

Note:

(1) Changes in percentage points.

Highlights of the Group's operational results for the year ended December 31, 2021, together with comparative figures for the corresponding period in 2020, are as follows:

OPERATIONAL RESULTS HIGHLIGHTS

	As of December 31 or for the year ended December 31,		Year-on -year changes Increase (Decrease) (%)
	2021	2020	
E-commerce related business			
GMV (HK\$ million)	1,189.16	593.64	100.32%
Domestic E-commerce products marketing	1,041.29	593.64	75.41%
Overseas sales of E-commerce goods ⁽¹⁾	147.87	–	N/A
Interactive entertainment products marketing			
Number of paid actions ⁽²⁾ ('000)	447,413	499,088	(10.35)%
Average revenue per paid action (HK\$)	2.14	1.61	32.92%
R&D Investments			
R&D expenditure (HK\$ million)	71.79	27.37	162.29%
Number of data models (sets)	178	148	20.27%

Notes:

⁽¹⁾ Overseas sales of E-commerce goods business commenced in the fourth quarter of 2021 ;

⁽²⁾ Referring to the total number of paid actions, including click, download and installation, and top-up, etc.

CORPORATE PROFILE

Overview

We are a leading mobile new media performance-based marketing technology company in China. We proactively pursue the philosophy of “technology empowers marketing and performance achieves value (科技賦能營銷、效果成就價值)”, aiming to use digital technology to help our marketing customers promote and sell their products on mobile internet new media platforms, and are working to expand our business to international markets.

The Group’s technical capabilities, industry experience and business resources allow us to charge our marketing customers fees in accordance to agreed performance targets; and charge commission fees primarily on the basis of performance-based billing models such as cost per sale (“**Cost per sale**” or “**CPS**”), cost per action (“**Cost per action**” or “**CPA**”) and cost per click (“**Cost per click**” or “**CPC**”). Unlike brand marketing companies, performance-based marketing model and the corresponding technical capabilities are the distinctive features and strengths of the Group’s existing businesses which also provide a solid foundation for us to expand into new business segments in the future.

In 2021, the Group has carefully assessed the situations and made a forward-looking layout regarding the long-term development of its business, and has started to bear fruit in overseas short video E-commerce, film and television cultural and entertainment marketing and other areas. In the fourth quarter of 2021, the Group began business trials for our overseas sales of short video E-commerce goods business and quickly expanded our business to a number of countries in Southeast Asia through a famous overseas short video platform. We have entered into a comprehensive strategic partnership relationship with Poly Film Investment Co., Ltd. (“**Poly Film**”), an enterprise managed by central government (the “**Central Enterprise**”) in the cultural sector, and will work together to steadily develop new businesses around the digital upgrade of the film and television cultural and entertainment industries.

In the future, the Group will continue to embrace the changes in industry regulation and business environment to constantly improve our business capabilities and service standards while steadily pushing forward the implementation of new businesses to consolidate our leading position in new media marketing.

Support from China's Policies

China attaches great importance to the healthy development of industries related to the digital economy, including new media marketing. In 2021, a series of development plans and incentives for the digital economy were promulgated and implemented successively.

In March 2021, China promulgated the Outline of the 14th Five-Year Plan for National Economic and Social Development of the People's Republic of China and Long-Range Objectives through the Year of 2035 (《中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》), which explicitly embraces the digital era, accelerate the construction of a digital economy and promote the deep integration of digital technology with the real economy by digital-transformation-driven production methods. In November 2021, the Ministry of Industry and Information Technology published the 14th Five-Year Plan for the Development of the Big Data Industry (《“十四五”大數據產業發展規劃》), which attaches importance to the value of data assets, encourages the promotion of new models such as accurate portraits and intelligent recommendations and facilitates the “high value” transformation of data. In December 2021, the State Council issued the “14th Five-Year Plan for the Development of the Digital Economy” (《“十四五”數字經濟發展規劃》), which further proposes that the digital economy will move towards a period of comprehensive expansion during the 14th Five-Year Plan period, and that the increased value of the core industries of the digital economy will reach 10% of GDP. It also calls for the use of data flow to promote the efficient integration of production, distribution, circulation and consumption, and accelerate the promotion of online marketing and other applications, as well as promote the gradual extension and expansion of the transformation of enterprises to full business and process digitisation.

As China puts great emphasis on the digital economy in the development of the national economy and continues to introduce new policies to encourage it, industries related to the digital economy, including new media marketing, are facing significant historical development opportunities.

Our Business

The Group's principal business is to help our marketing customers achieve their performance-based marketing objectives, such as product promotion and sales, through the use of internet digital technologies like big data, model algorithms and programmatic central platforms on new mobile internet platforms with high user traffic and high marketing conversion rates, including social media and short video, and to charge our customers commission fees based on marketing performance. We analyse data related to marketing campaigns on social media and short-form video platforms to help marketing customers tailor new media marketing strategies and implement them precisely, reach target audience groups and achieve conversion of marketing performance, such as consumptions, top-ups, downloads, installations and clicks, through industry-leading central platform technology.

At present, the Group's new media performance-based marketing business can mainly be divided into two segments according to the nature of the marketing products, namely, “interactive entertainment and digital products marketing” and “E-commerce related business”:

(I) Interactive Entertainment and Digital Products Marketing

(i) Existing Continuing Business

The Group was one of the first companies to launch its performance-based marketing business on WeChat public platform. Due to the characteristics of our interactive entertainment and digital products and the open commercialisation capabilities of the platform, the Group's interactive entertainment and digital products marketing business is currently focused around the WeChat platform. Our current marketing products consist of three main categories:

- (a) Mobile gaming products;
- (b) Online reading products;
- (c) Applications, applets and others.

In 2021, the online interactive entertainment industry in China, including games and online reading, underwent great regulatory adjustments. In such challenging business environment, the Group responded promptly by proactively adjusting its marketing product mix, resulting in steady growth in our interactive entertainment and digital products marketing business in 2021. In particular, the Group achieved revenue of HK\$959.67 million from the interactive entertainment and digital products marketing business, representing an increase of 19.43% from HK\$803.53 million in 2020, and gross profit of HK\$290.87 million, representing an increase of 41.03% from HK\$206.25 million in 2020.

(ii) New Layout in 2021: Comprehensive Strategic Cooperation with Poly Film, a Cultural Central Enterprise

On September 25, 2021, the Group and Poly Film entered into a comprehensive strategic cooperation agreement at the "11th Beijing International Film Festival – Beijing Market Signing Ceremony" (第十一屆北京國際電影節 — 北京市場簽約儀式). The Group will cooperate with Poly Film to develop a series of businesses combining film and television cultural and entertainment content with internet digital technology, including but not limited to the online promotion and distribution of film and television productions, and the commercial operations of new media etc.

The significance of the Group's in-depth cooperation with Poly Film is that we have the opportunity to collaborate with a cultural Central Enterprise to jointly explore new businesses that combine film and television cultural and entertainment content with internet digital technology under new circumstances and in a new arena. With the rich industrial resources and compliance capabilities of Poly Film, a cultural Central Enterprise, and the digital technology capabilities of the Group in relation to the internet and marketing, the collaboration will enable both parties to leverage their respective strengths to better complement each other and capture business opportunities under the trend of digital upgrading of the film and television cultural and entertainment industry.

Starting from February 5, 2022, the snow sports themed TV series “To Our Dreamland of Ice” (《冰雪之名》), of which the Group and Poly Film participated in the production, was broadcasted on seven TV stations, namely Beijing TV, Zhejiang TV, Jiangsu TV, CCTV-8, Jilin TV, Hebei TV and Heilongjiang TV, and simultaneously uploaded to China’s three leading internet video sites, Tencent Video, iQIYI and Youku. This is not only a tribute to the 2022 Beijing Winter Olympics, but also a milestone in the implementation of the Group’s strategic partnership with Poly Film.

(II) E-commerce Related Business

(i) China’s Short Video Interest-Based E-commerce Marketing

The Group was one of the first companies to launch its E-commerce marketing business on short video platforms in China, particularly based on short videos of key opinion consumer (“Key opinion consumer” or “KOC”). Given the characteristics of E-commerce products and the commercialisation position of the platform, the Group’s marketing business for China’s E-commerce products is currently chosen to be implemented mainly around the Douyin platform. Currently our marketing products mainly comprise consumer electronics and daily use products.

The year of 2021 saw the continued development of commercialisation of China’s short video platforms. Although the industry has undergone a series of regulatory adjustments driven by the regulation, the consumption habits of users in interest-based E-commerce and the marketing needs of marketing customers in short video platforms were further strengthened during the year. The Group’s domestic short video interest-based E-commerce marketing business continued its high growth trend in 2021, achieving revenue of HK\$288.35 million, representing an increase of 142.86% from HK\$118.73 million in 2020, and gross profit of HK\$151.84 million, representing an increase of 59.87% from HK\$94.98 million in 2020.

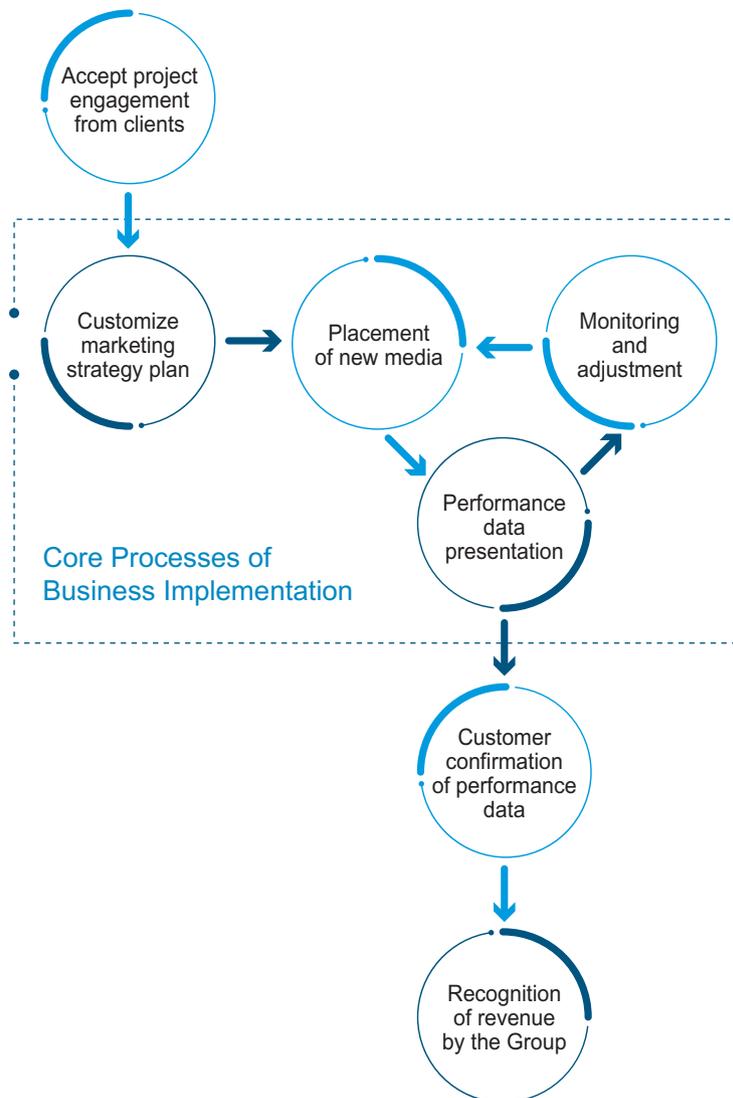
(ii) New Business in 2021: Overseas Sales of Short Video E-commerce Goods

In the fourth quarter of 2021, our well-prepared overseas sales of short video E-commerce goods business successfully launched after business testing, achieving sales of HK\$147.87 million in 2021 and having expanded its online and offline distribution channels in a number of countries. In the overseas sales of short video E-commerce goods business, the Group has once again been keen to capture new market opportunities and has been one of the first in the industry to land the business, rapidly developing this business and continuing to expand its business scale. In the future, the overseas sales of short video E-commerce goods business will provide a strong driver for the Group’s new business growth.

Principal Business Process

The Group's business process is to undertake performance-based marketing projects for our clients' products. Through a series of technologies, data analysis and experience related to new media marketing, we customise new media marketing plans for our marketing clients and their products, identify new media platforms and accounts that meet the marketing objectives, and programmatically push the marketing products to the marketing points on these accounts for internet users who view the accounts to generate paid actions (such as consumption, top-up, download, installation, registration, etc.) related to the marketing products, and the clients are ultimately charged for the marketing performance at the end of the product marketing project.

The following diagram illustrates our main business processes:



Our Revenue and Cost Model

The Group is engaged in the new media performance-based marketing business and receives marketing fees from its customers based on the marketing performance. According to different business types, the Group's revenue can be mainly categorised into "cost per sale (i.e. CPS)", "cost per action (i.e. CPA)" and "revenue from sales of goods", as shown in the table below:

Business type	Main implementation platforms	Main revenue model
Interactive entertainment and digital products marketing		
Gaming	Tencent	CPS and CPA
Online reading	Tencent	CPS
Applications and others	Tencent	CPA
E-commerce related business		
Domestic E-commerce products marketing	Douyin	CPS
Overseas sales of E-commerce goods	A famous overseas short video platform	Revenue from sales of goods

At the completion of a marketing project, the Group and the customer will settle the payment based on the results achieved from the marketing project, such as the amount of sales of E-commerce products, the amount of top-ups for HTML5 games or online reading products, the number of downloads, installations and clicks of application products, etc. In accordance with the marketing performance, the project is mainly settled according to the performance-based billing model, such as cost per sale ("CPS"), cost per action ("CPA") and cost per click ("CPC"), which is distinctive for the Group's business model.

In order to place marketing products in new media marketing spots for exposure and display to internet users, we are required to purchase traffic from traffic agents of new media platforms. Traffic is usually purchased on the basis of the number of clicks ("CPC"), cost per mille ("Cost per mille" or "CPM"), cost per time ("Cost per time" or "CPT") etc. In order to ensure the quality and quantity supply of traffic necessary for the development of our performance-based marketing business and to obtain favorable services and pricing policies from our traffic agents, we will pay a certain amount of traffic purchase to our traffic agents in advance according to our business development needs to ensure the stable development of our business.

Data Security and Personal Information Protection

The Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》) was adopted by the 29th Session of the Standing Committee of the 13th National People's Congress of the People's Republic of China on June 10, 2021, with effect from September 1, 2021. The Personal Information Protection Law of the People's Republic of China (《中華人民共和國信息保護法》) was adopted by 30th Session of the Standing Committee of the 13th National People's Congress of the PRC on August 20, 2021, with effect from November 1, 2021.

The Group has always strictly complied with the laws, regulations and systems relating to data security and personal information protection in the countries and regions in which we operate. The data we analyse and apply in our R&D and operations mainly includes:

- (a) Marketing products data: information about the products that our clients entrust to us for marketing purposes, such as product parameters, target groups, target regions, pricing, samples, advertising materials, promotional materials, etc.;
- (b) Content data publicly published by new media accounts: content that has been publicly published by new media accounts and publishers, such as information contained in videos, audio, images and text which may be relevant to marketing; and
- (c) Anonymous behavioural data of user groups: the behavioural performance of fans on new media accounts that can be viewed publicly or through the official tools of the new media platform, such as the number of fans, reads or plays, likes, retweets, comments, shop visits, favourites, advertising performance, etc.

None of the above data involves any private information about citizens. Our database is under the protection of multi-dimensional and multi-layered encryption measures and is properly stored in the cloud and local server platforms trusted by the industry. Our data analysis and algorithm matching always uses privacy computing techniques and will not reveal confidential information of our clients and new media accounts.

Our Technologies and R&D

The Group has accumulated long-term and substantial project experience relating to mobile new media marketing through business practices, which has enabled the Group to build a technology platform combined with valid data collection capabilities, strong data analysis capabilities and highly automated central platform implementation capabilities. As a technology-driven company with data and algorithms being its core competencies, the Group is able to analyze and conduct information structure processing on data of marketing products, new media content and anonymous behaviour of user groups through an automated platform to recommend customized products distribution and marketing strategies to customers, and guarantee the smooth implementation of the marketing plan.

The implementation of our performance-based marketing business is highly automated through various technical aspects such as data analysis, tagging and portrait, algorithm matching, programmatic placement and performance monitoring, under the guidance of project management and technical staff. Through our own database and new media platform tools, we analyse marketing related data on the product and media sides and form portrait and tagging, match the product tags with the media tags with the help of our algorithm engine, programmatically place the hyperlinks of the marketing products to the successfully matched new media marketing spots, and automatically monitor the conversion performance of the marketing products on the marketing spots and make optimisation adjustments as necessary to achieve the best conversion results.

To ensure the execution performance of the Group's business, we will make investment in R&D based on our business development needs. Especially when entering new business markets and exploring new forms of media, we will need to enhance efforts on R&D to ensure the rapid implementation of business and achieve favorable marketing performance. In view of the rapid development of the marketing business in the domestic short video E-commerce and the Group's layout in the business of overseas sales of short video E-commerce goods, we increased our investment in R&D in the short video fields, especially on the overseas short video platform in 2021. In 2021, the Group invested a total of HK\$71.79 million in R&D, which was mainly applied to data analysis, algorithm modeling and the E-commerce business on a famous overseas short video platform.

The Group was one of the first Chinese companies to launch performance-based marketing business on a famous overseas short video platform, and we are optimistic about the tremendous business opportunities that lie on its platform. At the early stage of overseas sales of short video E-commerce goods business, we will continue to invest in R&D, accumulate experience and expand our business scale and improve service capabilities.

Our Strengths and Barriers

(I) Clear industry prospects and vast market space

The new media marketing business which the Group is engaged in has clear industry prospects and vast market space. With the implementation of a clear national digital economy strategy and encouragement and support policies provided by government at various levels, industries related to the digital economy, including new media marketing, will develop in a more regulated market environment in a robust and orderly manner, with potential for long-term growth. The development of short video platforms overseas has provided rare and unprecedented opportunities for companies engaged in new media marketing and overseas sales of E-commerce goods businesses.

As for media traffic, new media platforms, including Tencent, Douyin and a famous overseas short video platform, have accumulated a large number of users and maintain a significant number of user online hours with their powerful entertainment, information and social functions. At the same time, new media platforms have become important scenarios where internet users consume and sellers market and promote.

As for the marketing clients, it has become an indispensable digital business tool for marketing purposes to use the huge amount of user traffic on new media platforms. Benefiting from the development of mobile internet technology, new media marketing has the basis to direct to consumer (“DTC”), acquire new users and sales orders, and make settlement based on performance. As a result, the performance-based marketing model, which makes settlement with reference to cost per sale (“CPS”) and cost per action (“CPA”), is becoming increasingly popular among marketing clients.

In response to the current stage of development and future trends in the new media marketing market, we have observed that:

- (a) Currently, the market of short video interest-based E-commerce is flourishing in China in various forms, which has become the fastest growing online consumption scenario. Major short video platforms are also improving their infrastructures and functions to promote the commercialization of the platform;
- (b) Overseas short-video new media platforms have accumulated a large number of users and diversified contents. Currently they are still in the early stage of commercialisation and have huge development potentials for marketing business;
- (c) Film and television cultural and entertainment content can attract a large amount of user traffic in the mobile internet, including new media platforms, and there is great potential for new media promotion and distribution, commercialisation realization of content, film and game linkage and other businesses based on film and television cultural and entertainment content; and
- (d) Brand marketing is investing more in the new media segment and has greater market capacity. With the fragmentation of content and content distribution based on user interests, companies with strong data analysis capabilities, central platform technology and first-party traffic resource will have the opportunity to gain a competitive advantage in the industry upgrade that combines brand marketing and new media.

(II) The Platform Evolution Provides Historical Opportunities to Cross-platform Ecological Service Companies

Under the backdrop of national regulatory measures such as anti-monopoly, strengthening personal information protection, regulating algorithmic applications and combating tax violations, it is becoming a trend for new internet media platform companies to strengthen business integration, open up their ecology, combat irregularities and fine-tune their operations. Under this trend, new media platforms will open up more business opportunities to partners to strengthen cross-platform cooperation in the form of purchasing third-party services, replacing closed business systems with ecological construction.

The evolution trend of internet platform companies provides unprecedented opportunities to the ecological service companies such as the Group. In addition, as a result of absence of exclusive cooperation relationship as an agency with a certain platform, the Group will have opportunities to leverage its experience and capacity of cross-platform services in the business integration among platforms, thus further enabling it to meet the ecological development strategy and business needs.

(III) Serve Customers with Performance-based Settlement Model, Help Customers Improve Marketing Conversion and Lower Marketing Threshold

The important characteristics of the Group in its current business model are to provide services to marketing customers through performance-based settlement model. Under this model, the Group can help marketing customers direct to consumer (“DTC”), acquire new users and sales orders, realize product promotion through our technology capabilities and services, and then conduct settlement with customers pursuant to performance indicators.

The performance-based settlement model can satisfy customers’ basic promotion and sales requirements, and improve the return on investment of marketing activities. Meanwhile, as it is driven by performance instead of customer budget, the performance-based settlement model also lowers the threshold for customers to conduct product marketing. The success of the performance-based settlement model mainly attributes to the realization of sufficient sales volume or billable user behavior (such as click, download and installation, and top-up, etc.) to cover the costs relating to data, model algorithm and traffic, which depends on long-term R&D investment and the optimization of model algorithm and the profound understanding of commercialization operation for products and traffic.

(IV) First-mover Advantages and Barriers of Data and Model Algorithm

The Group started to conduct the R&D of data and model algorithm on the WeChat official accounts platform as early as in 2013 and did the same on Douyin platform since 2018. As a first-mover advantage, we have industry-leading data scale and data time dimension. Data accumulation has a decisive impact on model construction and model effectiveness, which has also built a competitive barrier for the Group’s leading position in the industry. Richly-structured, large-scale, time-spanning and real-time interactive data helps us better test, build and improve our algorithm models, and ensure our marketing performance and improve our services continuously.

In 2021, the Group once again took the lead in starting marketing business related R&D on a famous overseas short video platform, and has implemented business in the fourth quarter of 2021. We carry out R&D layouts in advance, and the first-mover advantage of data and model algorithms helps the Group to stay ahead in new markets and new businesses.

(V) License Advantages and Barriers

In addition to possessing the national high-new technology enterprise qualification and Zhongguancun high-new technology enterprise qualification, the Group also obtained the Internet Culture Operation License (網絡文化經營許可證), which allows us to legally participate in the joint operation of online cultural products, rather than just advertising. Through joint operation, we not only can charge front-end delivery fees to online literature marketing clients such as games and online reading, but also share the revenue of back-end operations with clients, so as to improve the profitability of the Group’s performance-based marketing business.

MANAGEMENT DISCUSSION AND ANALYSIS

In 2021, the Group has carefully assessed the situations and made a forward-looking layout regarding the long-term development of its business, and has started to bear fruit in overseas short video E-commerce, film and television cultural and entertainment content marketing and other areas.

- **Overview of Results for the Year**

The revenue of the Group increased by 51.08% from HK\$923.92 million in 2020 to HK\$1,395.89 million in 2021. The increase was mainly attributed to the rapid growth of the domestic E-commerce product marketing business and the successful launching of the Group's overseas sales of E-commerce goods business based on a famous overseas short video platform in the fourth quarter of 2021, which provides new impetus for the Group's performance growth.

In terms of profitability, the Group achieved gross profit of HK\$451.85 million in 2021, representing an increase of 49.84% as compared with HK\$301.56 million in 2020. The Group realized profit of HK\$244.64 million for the year of 2021, representing an increase of 76.41% as compared with HK\$138.68 million in 2020.

- **Progress of Business for the Year**

In 2021, the Group has carefully assessed the situations and made a forward-looking layout regarding the long-term development of its business, and has started to bear fruit in overseas E-commerce marketing, film and television cultural and entertainment content marketing and other fields. In the fourth quarter of 2021, the Group began business testing for our overseas sales of E-commerce goods business and quickly expanded our business to a number of countries through a famous overseas short video platform, which achieve a sales revenue of HK\$147.87 million. We have entered into a comprehensive strategic partnership with Poly Film, a cultural Central Enterprise, and will steadily develop new businesses around the digital upgrade of the film and television cultural and entertainment industries together.

- ***Performance-based Marketing Services***

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

In 2021, China's online interactive entertainment industry, including games and online reading, underwent relatively in-depth regulatory adjustments. In such challenging business environment, the Group responded in a timely manner by proactively adjusting its marketing product mix, resulting in steady growth in the interactive entertainment and digital products marketing business in 2021. In particular, the average revenue achieved by each marketing paid action (such as click, download and installation and top-up, etc.) increased from HK\$1.61 in 2020 to HK\$2.14 in 2021, representing an increase of 32.92%. This shows the results of the Group's efforts in improving marketing efficiency in 2021.

In 2021, the Group recorded revenue of HK\$959.67 million from interactive entertainment and other digital product performance-based marketing services, representing an increase of 19.43% as compared with HK\$803.53 million of the same period last year.

- *E-commerce Related Business*

The year of 2021 saw the continued development of commercialisation of China's short video platforms. Although the industry has undergone a series of regulatory adjustments driven by regulation, the consumption habits of users in interest-based E-commerce and the marketing needs of marketing customers on short video platforms were further strengthened during the year. The Group's domestic short video E-commerce marketing business continued its high growth trend in 2021, and is the fastest growing business sector and one of the major drivers for the growth of the Group's 2021 results.

In 2021, the Group achieved HK\$1,189.16 million of E-commerce related business GMV, representing an increase of 100.32% as compared with HK\$593.64 million in 2020; in particular, revenue from domestic E-commerce products marketing of HK\$288.35 million was recorded in 2021, representing 2.43 times of HK\$118.73 million in 2020; and the overseas sales of E-commerce goods business launched in the fourth quarter of 2021 contributed revenue from sales of products of HK\$147.87 million to the Group.

- *Progress on R&D*

To ensure the execution performance of the Group's business, we will make investment in R&D based on our business development needs. Especially when entering new business markets and exploring new forms of media, we need to enhance efforts on R&D to ensure the rapid implementation of business and achieve favorable marketing performance. In view of the rapid development of the marketing business in the domestic short video E-commerce and the Group's layout in the overseas sales of short video E-commerce goods business, we increased our investment in R&D in the short video fields, especially on the overseas short video platform in 2021. In 2021, the Group invested a total of HK\$71.79 million in R&D, which was mainly applied to data analysis, algorithm modeling and the E-commerce business on a famous overseas short video platform.

The data models of the Group based on various product categories amounted to 178 sets as of December 31, 2021, representing an increase of 20.27% as compared with 148 sets as of December 31, 2020. Data labels adopted by intelligent recommendation coupling model amounted to 2,684, representing an increase of 39.57% as compared with 1,923 as of December 31, 2020. The improvement of data models and enhancement of algorithm capability have made a solid foundation for the Group to improve its marketing business and expand new business categories in the future.

The Group was one of the first Chinese companies to launch performance-based marketing business on a famous overseas short video platform, and we are optimistic about the tremendous business opportunities that lie on its platform. At the early stage of overseas sales of short video E-commerce goods business, we will continue to invest in R&D, accumulate experience and expand our sales of goods business scale and improve service capabilities.

- **Future Strategic Layout**

- ***Expansion of Overseas Sales of Short Video E-commerce Goods Businesses***

The Group's overseas sales of E-commerce goods business based on a famous overseas short video platform successfully launched in the fourth quarter of 2021 and the Company was one of the first Chinese companies to launch performance-based marketing business on such platform. Based on the Group's historical experience accumulated in new media marketing business in China, as well as the huge user base and commercialization needs of overseas short video platforms, we recognize that there are huge marketing business opportunities on overseas short video platforms. We will continue to maintain R&D investment, accumulate local business resources and experience, and expand the scale of our overseas sales of short video E-commerce goods business, so as to provide new growth impetus for the Group's long-term development.

- ***Cooperative Exploration of New Businesses with Central Enterprise in Film and Television Culture and Entertainment Content Marketing***

In 2021, the Group entered into a contract with Poly Film, a cultural Central Enterprise, through which a comprehensive strategical partnership has been reached. The significance of the Group's in-depth cooperation with Poly Film is that we have the opportunity to collaborate with a cultural Central Enterprise to jointly explore new businesses that combine film and television culture and entertainment content with internet digital technology under new circumstances and in a new arena. With the rich industrial resources and compliance capabilities of Poly Film, a cultural Central Enterprise, and the digital technology capabilities of the Group in relation to the internet and marketing, the collaboration will enable both parties to leverage their respective strengths to better complement each other and capture business opportunities under the trend of digital upgrading of the film and television culture and entertainment industry.

In February, 2022, the snow sports themed TV series "To Our Dreamland of Ice" (《冰雪之名》), of which the Group and Poly Film participated in the production, has been officially launched. We will continue to deepen cooperation with Poly Film and explore new businesses in film and television culture and entertainment content, enrich our product lines in interactive entertainment marketing and solidify our leading position in performance-based marketing business of interactive entertainment.

- ***First-party Traffic and Brand Marketing Business***

As part of the Group's long-term business development strategy, we intend to continue to cultivate first-party traffic to achieve tailor-made content production for key customers and their marketing products, so as to significantly improve marketing conversion performance.

Meanwhile, the Group is actively carrying out preparatory work, including setting up a new business team and accumulating customer resources, and plans to use our first-party traffic resources such as film and television culture and entertainment content as well as cooperative MCN agency influencers, to expand into the new media brand marketing market when appropriate, thus to provide more comprehensive and one-stop integrated marketing services for our marketing customers.

- **Discussion and Analysis of Financial Statement**

Revenue

The revenue of the Group increased by 51.08% from HK\$923.92 million in 2020 to HK\$1,395.89 million in 2021. The increase was mainly attributable to the rapid growth of the domestic E-commerce product marketing business, the revenue of which increased from HK\$118.73 million in 2020 to HK\$288.35 million in 2021, representing an increase of 142.86%. In addition, the Group's overseas sales of E-commerce goods business based on a famous overseas short video platform successfully launched in the fourth quarter of 2021, contributing revenue of HK\$147.87 million to the Group.

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

	For the years ended December 31,			
	2021	Percentage %	2020	Percentage %
<i>(HK\$ million, except for percentages)</i>				
Marketing revenue from interactive entertainment and other digital products	959.67	68.75%	803.53	86.97%
Games	597.41	42.80%	435.18	47.10%
Online literature	116.37	8.34%	152.71	16.53%
Apps and others	245.89	17.61%	215.64	23.34%
Marketing revenue from domestic E-commerce products	288.35	20.66%	118.73	12.85%
Sales revenue from overseas E-commerce goods	147.87	10.59%	–	–
Revenue from other products⁽¹⁾	–	–	1.66	0.18%
Total revenue	<u>1,395.89</u>	<u>100.00%</u>	<u>923.92</u>	<u>100.00%</u>

Note:

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

Cost of Revenue

The cost of revenue of the Group was mainly comprised of purchase cost of traffic on project placement platform and purchase cost of goods. The cost of revenue increased by 51.69% from HK\$622.36 million in 2020 to HK\$944.04 million in 2021, which was primarily attributable to the expansion of business scale and the corresponding increase of cost of revenue.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of HK\$451.85 million in 2021, representing an increase of 49.84%, as compared with HK\$301.56 million in 2020.

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

	For the years ended December 31,			
	Percentage		Percentage	
	2021	%	2020	%
	<i>(HK\$ million, except for percentages)</i>			
Marketing gross profit from interactive entertainment and other digital products	290.87	64.38%	206.25	68.39%
Games	163.32	36.14%	100.66	33.38%
Online literature	42.13	9.32%	38.27	12.69%
Apps and others	85.42	18.92%	67.32	22.32%
Marketing gross profit from domestic E-commerce products	151.84	33.60%	94.98	31.50%
Gross profit from overseas sales of E-commerce goods	9.14	2.02%	–	–
Gross profit from other products⁽¹⁾	–	–	0.33	0.11%
Total gross profit	451.85	100.00%	301.56	100.00%

Note:

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

The gross profit margin of the Group decreased slightly from 32.64% in 2020 to 32.37% in 2021, which was mainly affected by the following two factors: (i) marketing gross profit remained stable; and (ii) the business of overseas sales of short video E-commerce goods launched in the fourth quarter of 2021 was still at the early stage of investment with low gross profit margin level.

Other Gains and Losses

The other gains and losses of the Group decreased from losses of HK\$60.65 million in 2020 to losses of HK\$32.76 million in 2021, which was mainly due to the decrease in exchange loss as compared to last year.

R&D Expenses

R&D expenses of the Group mainly consisted of expenses on data acquisition and algorithm modeling. To ensure the implement results of the Group's business, we will make investment in R&D based on requirements of business development. Especially when entering new business markets and exploring new forms of media, we will need to enhance efforts on R&D to ensure the rapid implementation of business and achieve favorable marketing performance. In view of the rapid development of the marketing business in the domestic short video E-commerce and the Group's layout in the overseas sales of short video E-commerce goods business, we increased our investment in R&D in the short video fields, especially on the overseas short video platform in 2021. In 2021, the Group invested a total of HK\$71.79 million in R&D, representing an increase of 162.29% as compared with HK\$27.37 million in 2020.

Distribution and Selling Expenses

For the year ended December 31, 2021, the distribution and selling expenses of the Group amounted to approximately HK\$41.32 million, representing a substantial increase as compared with HK\$5.33 million in 2020, which was mainly due to the increase in selling promotion related expenses of the Group's domestic E-commerce business during the year.

Administrative Expenses

The administrative expenses of the Group increased by 81.68% from HK\$41.54 million in 2020 to HK\$75.47 million in 2021, primarily due to: (i) the increase in staff costs and professional service fees with business expansion upon the Group's successful listing on September 23, 2020; and (ii) the increase in amortization and depreciation and office-related expenses as compared with 2020.

Finance costs

For the year ended December 31, 2021, the finance costs of the Group were interest expenses of lease liabilities arising from leasing properties during the Reporting Period. The Group had no bank loans during the Reporting Period.

Trade and Other Receivables and Deposits

The Group had trade and other receivables and the balance of deposits of HK\$335.14 million as of December 31, 2020 and HK\$452.04 million as of December 31, 2021, respectively.

As of December 31, 2021, the balance of trade receivables of the Group amounted to HK\$435.12 million, representing an increase of 35.60% as compared to HK\$320.88 million at the end of 2020, which was mainly attributable to higher trade receivables due to significant increase in revenue from domestic E-commerce products marketing business as compared with last year.

Other receivables and deposits are employee petty cash, rental deposits, deposits to suppliers, etc. As of December 31, 2020 and as of December 31, 2021, the balance of other receivables and deposits amounted to HK\$14.26 million and HK\$16.92 million, respectively, with no material changes.

Loan Receivables

The Group had loan receivables of HK\$37.43 million and HK\$18.35 million as of December 31, 2020 and as of December 31, 2021, respectively. The decrease was mainly due to the recovery of certain loan receivables.

Prepayments

The Group had the balance of prepayments of HK\$610.85 million and HK\$1,188.93 million as of December 31, 2020 and as of December 31, 2021, respectively. The increase in balance was primarily attributable to the increase in the prepayments for purchasing traffic to satisfy the Group's domestic and overseas business development needs, as well as negotiating a preferential policy.

Equity Instruments at Fair Value through Other Comprehensive Income

The Group had balance of equity instruments of HK\$37.86 million and HK\$39.14 million at fair value through other comprehensive income as of December 31, 2020 and as of December 31, 2021, respectively, with no material changes.

Bank Balances and Cash

The Group had bank balances and cash balances of HK\$1,210.45 million and HK\$619.04 million as of December 31, 2020 and as of December 31, 2021, respectively. The decrease in balances was mainly due to the purchase of traffic on placement platform for the expansion of business scale.

Trade and Other Payables

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

The balance of trade payables of the Group increased by 472.34% from HK\$11.75 million as of December 31, 2020 to HK\$67.25 million as of December 31, 2021, which was mainly attributable to (i) the increase in payables for traffic purchase with expansion of the Group's business scale; and (ii) the increase in payables for supplier purchase of goods due to the fact that the Group carried out the overseas sales of E-commerce goods business in the fourth quarter of 2021.

The balance of other payables of the Group decreased by 36.25% from HK\$87.34 million as of December 31, 2020 to HK\$55.68 million as of December 31, 2021, primarily due to the settlement of listing expenses and share issuance expenses and the decrease of tax payables.

Lease Liabilities

Lease liabilities of the Group decreased by 18.35% from HK\$21.04 million as of December 31, 2020 to HK\$17.18 million as of December 31, 2021, primarily due to the comprehensive impact of payment of lease expenses and new leased properties.

Liquidity and Capital Resources

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

	For the year ended	
	December 31,	2020
	2021	
	<i>HK\$ million</i>	
Net cash used in operating activities	(342.25)	(411.08)
Net cash used in investing activities	(78.87)	(20.54)
Net cash (used in) from financing activities	(168.74)	1,495.28
Net (decrease) increase in cash and cash equivalents	(589.86)	1,063.66
Cash and cash equivalents at the beginning of the year	1,210.45	146.79
Effect of changes in foreign currency exchange rates	(1.55)	–
Cash and cash equivalents at the end of the year	619.04	1,210.45

As of December 31, 2020 and as of December 31, 2021, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Cash Flow from Operating Activities

Our cash inflows from operating activities primarily consist of collection of sales revenue from the provision of mobile new media performance-based marketing services and overseas sales of E-commerce goods business to customers. Our cash outflow from operating activities mainly consist of purchase cost of traffic, purchase cost of goods, distribution and selling expenses, R&D expenses and administrative expenses.

For the year ended December 31, 2021, our net cash used in operating activities was HK\$342.25 million (for the year ended December 31, 2020: HK\$411.08 million), which is mainly due to the comprehensive impact of the increase of net profit, the increase of account receivable collection and the increase of prepayment in 2021.

Cash Flow from Investing Activities

Our cash used in investing activities mainly consists of purchase of fixed assets, purchase of financial assets at FVTPL, redemption of financial assets at FVTPL, investments in an associate, investments in films and television dramas, grant and recovery of loan receivables.

For the year ended December 31, 2021, our net cash used in investing activities was HK\$78.87 million (for the year ended December 31, 2020: HK\$20.54 million), primarily attributable to purchase of fixed assets, investments in an associate, investments in films and television dramas, and recovery of certain loan receivables.

Cash Flow from Financing Activities

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

For the year ended December 31, 2021, our net cash used in financing activities was HK\$168.74 million (for the year ended December 31, 2020: net cash generated from financing activities of HK\$1,495.28 million), primarily attributable to (i) approximately HK\$138.05 million used in the purchase of Shares under the Share Award Scheme; (ii) HK\$11.76 million in the settlement of the related expenses of the Listing and issuance of Shares; and (iii) approximately HK\$11.95 million used in the repurchase of Shares.

Capital Expenditures

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

	For the year ended	
	December 31,	
	2021	2020
	<i>HK\$ million</i>	
Fixed assets	41.25	16.00
Right-of-use assets	1.56	9.86
Intangible assets	2.17	2.32
	<hr/>	<hr/>
Total	44.98	28.18

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associates

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

Future Plans for Material Investments or Capital Assets

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

Indebtedness

Bank Borrowings

As of December 31, 2020 and December 31, 2021, the Group did not have any bank borrowings.

Contingent Liabilities, Charges of Assets and Guarantees

Contingent Liabilities

As of December 31, 2020 and December 31, 2021, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

Charge of Assets and Guarantees

As of December 31, 2020 and December 31, 2021, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As of December 31, 2021, the gearing ratio of the Group was 5.77% (as of December 31, 2020: 5.34%).

Current Ratio

Current ratio represents current assets divided by current liabilities. The current ratio of the Group decreased from 20.63 times as of December 31, 2020 to 16.66 times as of December 31, 2021.

Treasury Policy

We adopt a prudent financial management approach for our treasury policy to ensure that our liquidity structure is able to always meet our capital requirements.

Foreign Exchange Risk and Hedging

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Several subsidiaries of the Company have foreign currency sales and purchase, bank balances, trade and other receivables and deposits, trade and other payables which expose the Group to foreign currency risk.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arises.

Employees and Remuneration Policies

As of December 31, 2021, we had 78 full-time employees, the majority of whom were based in the PRC. As of December 31, 2021, over 70.52% of our employees were in the positions of R&D, technical and operation.

In terms of employee benefits and security, the Group complies with the minimum working age and minimum wage prescribed by law and provides employees with five national statutory social insurances in accordance with the relevant laws and regulations. The Group strictly guarantees that employees have their rights to various holidays, such as public holidays, paid annual leave, sick leave, wedding leave and maternity leave. Additionally, the Group also provides employees with employee accident insurance, reimbursement of transportation expenses for overtime and other benefits and safeguard measures. Moreover, we organize team building activities quarterly and physical examinations annually for our employees.

The Group recruits our personnel through professional search firms and recruiting websites. The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance, and has established a performance-based remuneration awards system. Employees are promoted not only in terms of position and seniority. On June 21, 2021, the Group has adopted the Share Award Scheme to recognize the contributions of the certain directors, employees, consultants and advisers of the Group in order to incentivize them to retain with the Group, and to motivate them to strive for the future development and expansion of the Group.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	Year ended 31 December	
		2021 HK\$'000	2020 HK\$'000
Revenue	4	1,395,894	923,916
Cost of revenue		<u>(944,041)</u>	<u>(622,359)</u>
Gross profit		451,853	301,557
Other income		15,408	4,638
Other gains and losses	6	(32,762)	(60,650)
Impairment losses under expected credit loss model, net of reversal		(3,271)	(12,716)
Distribution and selling expenses		(41,320)	(5,331)
Administrative expenses		(75,468)	(41,543)
Research and development expenses		(71,786)	(27,366)
Listing expenses		–	(24,274)
Share of results of an associate		71	–
Finance costs		<u>(1,005)</u>	<u>(958)</u>
Profit before taxation		241,720	133,357
Income tax credit	7	<u>2,922</u>	<u>5,322</u>
Profit for the year attributable to owners of the Company		<u>244,642</u>	<u>138,679</u>
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		63,740	98,087
Fair value gain on equity instruments at fair value through other comprehensive income		165	20,192
Income tax relating to item that will not be reclassified		<u>(25)</u>	<u>(2,854)</u>
		<u>63,880</u>	<u>115,425</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>747</u>	<u>–</u>
Other comprehensive income for the year, net of income tax		<u>64,627</u>	<u>115,425</u>
Total comprehensive income for the year attributable to owners of the Company		<u>309,269</u>	<u>254,104</u>
Basic earnings per share (HK cents)	8	<u>11.30</u>	<u>7.78</u>
Diluted earnings per share (HK cents)	8	<u>N/A</u>	<u>7.78</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

		As at 31 December	
	NOTES	2021 HK\$'000	2020 HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		52,005	20,173
Right-of-use assets		11,325	18,732
Intangible assets		8,666	8,722
Interest in an associate	10	36,764	–
Deferred tax assets		4,787	1,300
Rental deposits	11	2,931	2,791
Equity instruments at fair value through other comprehensive income		39,143	37,862
		<u>155,621</u>	<u>89,580</u>
CURRENT ASSETS			
Trade and other receivables and deposits	11	449,108	332,345
Loan receivables		18,346	37,427
Prepayments	12	1,188,931	610,854
Financial assets at fair value through profit or loss		5,383	–
Investments in films and television dramas	13	23,850	–
Bank balances and cash		619,036	1,210,447
		<u>2,304,654</u>	<u>2,191,073</u>
CURRENT LIABILITIES			
Trade and other payables	14	122,932	99,090
Lease liabilities		14,404	6,152
Income tax payable		986	986
		<u>138,322</u>	<u>106,228</u>
NET CURRENT ASSETS		<u>2,166,332</u>	<u>2,084,845</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,321,953</u>	<u>2,174,425</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued*At 31 December 2021*

		As at 31 December	
		2021	2020
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		2,775	14,890
Deferred tax liabilities		949	573
		<u>3,724</u>	<u>15,463</u>
NET ASSETS		<u>2,318,229</u>	<u>2,158,962</u>
CAPITAL AND RESERVES			
Share capital	<i>15</i>	22	22
Reserves		<u>2,318,207</u>	<u>2,158,940</u>
TOTAL EQUITY		<u>2,318,229</u>	<u>2,158,962</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital <i>HK\$'000</i>	Treasury stocks <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Fair value through other comprehensive income reserve <i>HK\$'000</i>	Statutory reserve funds <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2020	16	-	289,741	3,735	19,790	(19,957)	156,149	449,474
Profit for the year	-	-	-	-	-	-	138,679	138,679
Changes in fair value of equity instruments	-	-	-	17,338	-	-	-	17,338
Exchange difference on translation from functional currency to presentation currency	-	-	-	-	-	98,087	-	98,087
Profit and total comprehensive income for the year	-	-	-	17,338	-	98,087	138,679	254,104
Issue of shares (<i>note 15</i>)	6	-	1,595,528	-	-	-	-	1,595,534
Share issuance expenses (<i>note 15</i>)	-	-	(140,150)	-	-	-	-	(140,150)
Appropriation of statutory reserve funds	-	-	-	-	13,244	-	(13,244)	-
At 31 December 2020	<u>22</u>	<u>-</u>	<u>1,745,119</u>	<u>21,073</u>	<u>33,034</u>	<u>78,130</u>	<u>281,584</u>	<u>2,158,962</u>
Profit for the year	-	-	-	-	-	-	244,642	244,642
Changes in fair value of equity instruments	-	-	-	140	-	-	-	140
Exchange difference on translation from functional currency to presentation currency	-	-	-	-	-	63,740	-	63,740
Exchange differences related to foreign operations	-	-	-	-	-	747	-	747
Profit and total comprehensive income for the year	-	-	-	140	-	64,487	244,642	309,269
Purchase of shares under Share Award Scheme (<i>note 16</i>)	-	(138,052)	-	-	-	-	-	(138,052)
Purchase of shares pending for cancellation (<i>note 15</i>)	-	(11,950)	-	-	-	-	-	(11,950)
Appropriation of statutory reserve funds	-	-	-	-	130,730	-	(130,730)	-
At 31 December 2021	<u>22</u>	<u>(150,002)</u>	<u>1,745,119</u>	<u>21,213</u>	<u>163,764</u>	<u>142,617</u>	<u>395,496</u>	<u>2,318,229</u>

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Net cash used in operating activities	<u>(342,254)</u>	<u>(411,078)</u>
Net cash used in investing activities	<u>(78,865)</u>	<u>(20,538)</u>
Net cash (used in) from financing activities	<u>(168,739)</u>	<u>1,495,276</u>
Net (decrease) increase in cash and cash equivalents	(589,858)	1,063,660
Cash and cash equivalents at beginning of the year	1,210,447	146,787
Effect of foreign exchange rate changes	<u>(1,553)</u>	<u>—</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u>619,036</u>	<u>1,210,447</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

Joy Spreader Group Inc. (formerly known as Joy Spreader Interactive Technology. Ltd) (the “**Company**”) was incorporated and registered in the Cayman Islands on 19 February 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 23 September 2020. The address of the Company’s registered office is located at the office of Sertus Incorporations (Cayman) Limited, Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands. The principal activities of the Company and its subsidiaries and the consolidated affiliated entities (hereinafter collectively referred to as the “**Group**”) are provision of digital marketing business and the relevant services and sales of E-commerce goods.

On 30 June 2021, a special resolution was passed by the annual general meeting of the Company that the English name of the Company was changed from “Joy Spreader Interactive Technology. Ltd” to “Joy Spreader Group Inc.”, while the Chinese name of the Company was changed from “乐享互动有限公司” to “樂享集團有限公司” simultaneously. On 7 July 2021, the Registrar of Companies in the Cayman Islands issued a certificate of incorporation on change of name to the Company.

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

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is different from the Company’s functional currency of Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (’000) except when otherwise indicated. The Company’s shares are listed on Stock Exchange, for the convenience of the financial statements users, the directors of the Company (the “**Directors**”) adopted HK\$ as presentation currency.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group conducts its business through Beijing Joy Spreader Interactive Network Technology Co., Ltd (“**Beijing Joyspreader**”) and its subsidiaries, which were established in the People’s Republic of China (the “**PRC**”) (collectively, the “**Consolidated Affiliated Entities**”) due to regulatory restrictions on foreign ownership in the Internet cultural business industry in the PRC. Beijing Joyspreader was owned by the Ultimate Controlling Shareholder and other shareholders (collectively referred to as “**Joy Spreader Shareholders**”). Beijing Joy Spreader Interactive Technology Co., Limited, a wholly-owned subsidiary of the Company established in the PRC (“**Joy Spreader WFOE**”), has entered into contractual arrangements with Beijing Joyspreader and the Joy Spreader Shareholders on 11 December 2019 (the “**Contractual Arrangements**”). Pursuant to the Contractual Arrangements, Joy Spreader WFOE is able to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Joy Spreader WFOE;

- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Joy Spreader WFOE may exercise such options at any time until they have acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, pledge or dispose of any assets, or make any distributions to their equity holders without prior consent of Joy Spreader WFOE; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders as collateral security for payments of the Consolidated Affiliated Entities due to Joy Spreader WFOE and to secure performance of the Consolidated Affiliated Entities' obligations under the Contractual Arrangements.

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realised value of inventories.

The application of the amendments to IFRSs and the agenda decision mentioned above in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	<i>Insurance Contracts and the related Amendments</i> ³
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i> ²
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ⁴
Amendments to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> ¹
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i> ³
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i> ³
Amendments to IAS 8	<i>Definition of Accounting Estimates</i> ³
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i> ³
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i> ²
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i> ²
Amendments to IFRS Standards	<i>Annual Improvements to IFRS Standards 2018-2020</i> ²

- 1 Effective for annual periods beginning on or after 1 April 2021.
- 2 Effective for annual periods beginning on or after 1 January 2022.
- 3 Effective for annual periods beginning on or after 1 January 2023.
- 4 Effective for annual periods beginning on or after a date to be determined.

The Directors anticipate that the application of all the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Types of goods or services		
Provision of performance-based we-media marketing services		
Interactive entertainment and other digital products marketing	959,674	803,531
E-commerce products marketing	288,352	118,727
Other products	–	1,658
	<u>1,248,026</u>	<u>923,916</u>
Sales of E-commerce goods	<u>147,868</u>	<u>–</u>
	<u>1,395,894</u>	<u>923,916</u>
Timing of revenue recognition		
Point in time	<u>1,395,894</u>	<u>923,916</u>

(ii) Performance obligations for contracts with customers

Provision of performance-based we-media marketing services

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

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

Sales of E-commerce goods

The Group engages in sales of E-commerce goods business. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods. The Group has inventory risk. When the Group satisfies the performance obligation, being at the point the goods are delivered to the customers, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

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

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

5. SEGMENT INFORMATION

Information reported to the Group's chief executive officer, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

During the year ended 31 December 2020, the CODM reviewed the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group had only one reportable segment and no further analysis of this single segment was presented. In this regard, no segment information was presented.

During the current year, the Group commenced the business engaging in sales of E-commerce goods, and it is considered as a new operating and reportable segment by the CODM.

Specifically, the Group's operating and reportable segments in the current year under IFRS 8 are as follows:

- the "provision of performance-based we-media marketing services" segment which mainly comprises the provision of these marketing services to help our marketing customers direct to consumer, acquire new users and sales orders, and realise product promotion on a diverse we-media network; and
- the "sales of E-commerce goods" segment which comprises the sales of E-commerce goods on an online basis.

No operating segments have been aggregated to be derived from the reportable segments of the Group.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2021

	Provision of performance -based we-media marketing services <i>HK\$'000</i>	Sales of E-commerce goods <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue from external customers	<u>1,248,026</u>	<u>147,868</u>	<u>1,395,894</u>
Segment profit (loss)	<u>318,567</u>	<u>(8,990)</u>	<u>309,577</u>
Unallocated corporate expenses			<u>(64,935)</u>
Profit for the year			<u>244,642</u>

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments, foreign exchange losses and loss from changes in fair value of financial assets at FVTPL. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Loss on disposal of property, plant and equipment, net	198	399
Foreign exchange losses, net	30,752	57,741
Loss from changes in fair value of financial assets at FVTPL	3,595	–
Others	(1,783)	2,510
	<u>32,762</u>	<u>60,650</u>

7. INCOME TAX CREDIT

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Current enterprise income tax	122	2,516
Over-provision in prior years	–	(3,666)
Deferred tax	(3,044)	(4,172)
	<u>(2,922)</u>	<u>(5,322)</u>

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

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Profit before taxation	<u>241,720</u>	<u>133,357</u>
Tax at the applicable tax rate of 25%	60,430	33,339
Tax effect of share of results of an associate	(18)	–
Tax effect of expenses not deductible for tax purpose	4,319	716
Tax effect of income not taxable for tax purpose	(5,685)	–
Effect of tax exemptions granted	(62,853)	(34,912)
Effect of research and development expenses that are additionally deducted	(1,852)	(799)
Effect on different tax rate resulting from subsidiaries entitling as High-New Technology Enterprises (“HNTTE”)	(1,403)	–
Tax effect of tax losses not recognised	4,140	–
Over-provision in prior years	–	(3,666)
Tax credit	<u>(2,922)</u>	<u>(5,322)</u>

Under the current laws of the Cayman Islands, the Company is an exempted entity and is not subject to tax on income or capital gains.

The Company’s subsidiaries incorporated in Hong Kong are subject to a two-tiered income tax rate on its taxable income generated from operations in Hong Kong effective on April 1, 2018. The first HK\$2 million of profits earned by its subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e., 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate.

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

Beijing Joyspreader, one of the Group's subsidiaries, was qualified as a HNTE and was subject to a preferential income tax rate of 15% for three years starting from 1 January 2018. Beijing Joyspreader's HNTE status was approved to extend for another three years on 25 October 2021 and was subject to a preferential income tax rate of 15% for three years starting from 1 January 2021.

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

According to “關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知” (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC, two of the Group's subsidiaries, Horgos Yaoxi Internet Technology Co., Ltd and Horgos Wuyou Internet Technology Co., Ltd, which were founded in 2017 and located in Horgos city in the PRC, were exempted from income tax for five years starting from 1 January 2017. Horgos Zhipu Shulian Internet Technology Co., Ltd and Horgos Joyspreader Interactive Technology Co., Ltd, which were founded in 2020 and located in Horgos city in the PRC, were exempted from income tax for five years starting from 1 January 2020.

8. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	Year ended 31 December	
	2021 HK\$'000	2020 HK\$'000
Profit for the year attributable to owners of the Company	244,642	138,679
Basic earnings per share (HK cents)	11.30	7.78
Diluted earnings per share (HK cents)	N/A	7.78

Number of shares

	Year ended 31 December	
	2021 '000	2020 '000
Weighted average number of ordinary shares for the purpose of basic earnings per share	2,164,260	1,782,057
Effect of dilutive potential ordinary shares:		
– over-allotment options	N/A	36
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>N/A</u>	<u>1,782,093</u>

The number of ordinary shares for the purposes of calculating basic earnings per share for the year ended 31 December 2020 has been adjusted for the effect of the Share Subdivision as explained in note 15(note a).

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2021 has been arrived at after deducting shares held by share award scheme trust as set out in note 16 and shares held by the Company pending for cancellation.

During the year ended 31 December 2021, there was no potential ordinary share outstanding with diluted impact.

9. DIVIDENDS

During the years ended 31 December 2020 and 2021, no dividends was paid or proposed for ordinary shareholders of the Company.

10. INTEREST IN AN ASSOCIATE

	As at 31 December 2021 HK\$'000
Cost of investment in an associate	36,213
Share of post-acquisition profits and other comprehensive income	71
Exchange realignment	480
	<hr/>
	36,764
	<hr/> <hr/>

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by the Group As at 31 December		Principal activity
		2020 %	2021 %	
揚州平衡數字文化產業發展基金 (有限合夥) Yangzhou Pingheng Digital Cultural Industry Development Fund (Limited Partnership) ("Pingheng Fund") ⁽ⁱ⁾	PRC 6 July 2021	N/A	30.30	Investment in digital marketing/Internet culture industries

(i) The English translation of the name is for reference only. The official name of this entity is in Chinese.

The Group is able to exercise significant influence over Pingheng Fund because it has the power to appoint one out of the five committee members of Pingheng Fund's investment decision committee which direct the relevant activities of Pingheng Fund according to the partnership agreement.

Summarised financial information of the associate

Summarised financial information in respect of the Group's associate is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

Pingheng Fund

	As at 31 December 2021 HK\$'000
Current assets	121,323
	Year ended 31 December 2021 HK\$'000
Revenue	–
Profit before taxation	234
Profit and total comprehensive income for the year	234
Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:	
	As at 31 December 2021 HK\$'000
Net assets of Pingheng Fund	121,323
Proportion of the Group's ownership interest in Pingheng Fund	30.30%
Carrying amount of the Group's interest in Pingheng Fund	36,764

11. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	455,810	340,126
Less: Allowance for credit losses	<u>(20,692)</u>	<u>(19,252)</u>
	<u>435,118</u>	<u>320,874</u>
Deposits paid to suppliers	2,446	2,376
Rental and other deposits	3,224	3,074
Other receivables	14,603	9,694
Less: Allowance for credit losses	<u>(3,352)</u>	<u>(882)</u>
	<u>16,921</u>	<u>14,262</u>
Total trade and other receivables and deposits	<u>452,039</u>	<u>335,136</u>
Analysis as		
Non-current	2,931	2,791
Current	<u>449,108</u>	<u>332,345</u>
	<u>452,039</u>	<u>335,136</u>

As at 1 January 2020, trade receivables from contracts with customers amounted to HK\$77,358,000.

The Group usually allows a credit period of 90 to 120 days to its customers which is interest free with no collateral. Aging of trade receivables net of allowance for credit losses, is prepared based on invoice dates, which approximated the respective revenue recognition dates, are as follows:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	234,844	264,444
3-6 months	128,732	53,244
7-12 months	<u>71,542</u>	<u>3,186</u>
	<u>435,118</u>	<u>320,874</u>

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amounts of HK\$186,262,000 (2020: HK\$56,430,000) which are past due as at that date. Out of the past due balance, HK\$71,542,000 (2020: HK\$3,186,000) has been past due 90 days or more and is not considered as in default because the amount is due from a number of independent reputable customers with good credit rating. The Group considers that there is no significant change in these customers' credit risk. The Group does not hold any collateral or other credit enhancement over these balances.

12. PREPAYMENTS

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Prepayments for purchases of traffic	1,182,368	609,369
Other prepayments	6,563	1,485
	<u>1,188,931</u>	<u>610,854</u>

13. INVESTMENTS IN FILMS AND TELEVISION DRAMAS

	HK\$'000
CARRYING VALUES	
At 1 January 2021	–
Additions	23,624
Exchange realignment	226
	<u>23,850</u>
At 31 December 2021	<u>23,850</u>

The investments in films and television dramas are governed by the relevant agreements whereby the Group is entitled to benefits generated from the distribution of these films and television dramas based on the percentage of capital contribution in the film and television drama projects. During the year ended 31 December 2021, the Group has one film investment and one television drama investment. As at 31 December 2021, the film and the television drama production have been completed, and the Directors believe that the carrying amounts of the film and the television drama do not exceed the recoverable amounts and no impairment has been recognised.

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Trade payables	67,246	11,748
Employee compensation payable	12,538	8,799
Other tax payable	613	18,766
Accrued listing expense/shares issue costs	35,170	52,513
Deposits received from customers	–	2,376
Payables for intangible assets	2,202	–
Other payables and accruals	5,163	4,888
	<u>122,932</u>	<u>99,090</u>

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

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
Within 3 months	64,834	5,555
3-6 months	–	2,469
7-12 months	–	2,218
1-2 years	2,412	1,506
	67,246	11,748

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

15. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.001 each		
Authorised		
At 1 January 2020	50,000,000	50,000
Share subdivision into HK\$0.00001 each (<i>note a</i>)	4,950,000,000	–
At 31 December 2020 and 2021	5,000,000,000	50,000
Issued and fully paid		
At 1 January 2020	16,312,632	16,313
Share subdivision (<i>note a</i>)	1,614,950,568	–
Issue of shares on 23 September 2020 (<i>note b</i>)	543,700,000	5,437
Issue of shares on 28 October 2020 (<i>note c</i>)	10,305,000	103
At 31 December 2020	2,185,268,200	21,853
Share purchased under Share Award Scheme (<i>note 16</i>)	(49,488,000)	–
Share repurchased pending for cancellation	(5,341,000)	–
At 31 December 2021	2,130,439,200	21,853
	22	22

Notes:

- a. On 26 August 2020, a written resolution was passed by the shareholders of the Company to approve the subdivision of each share of the Company's issued and unissued share capital with par value of HK\$0.001 each into 100 shares of the corresponding class with par value of HK\$0.00001 each before the listing of the Shares of the Company on the Main Board of the Stock Exchange (the "Listing") (the "Share Subdivision"). According to the Share Subdivision, 1,614,950,568 shares were issued to existing shareholders of the Company in proportion to their shareholding in the Company before the Listing.

- b. On 23 September 2020, 543,700,000 ordinary shares of the Company of HK\$0.00001 each were issued at a price of HK\$2.88 per share in connection with the Listing, raising a total gross proceed of HK\$1,565,856,000.
- c. On 28 October 2020, the Company elected to allot and issue a further 10,305,000 ordinary shares of HK\$0.00001 each at a price of HK\$2.88, raising a total gross proceed of HK\$29,678,400.

During the year, the Company repurchased its own ordinary shares through Stock Exchange as follows:

Month of repurchase	Number of ordinary shares	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September	2,167,000	2.46	2.14	5,035
October	1,684,000	2.10	2.10	3,536
November	1,490,000	2.27	2.26	3,379
	<u>5,341,000</u>			<u>11,950</u>

As at 31 December 2021, the cancellation process of these shares have not yet completed.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

16. SHARE BASED PAYMENT TRANSACTIONS

The Company has adopted a share award scheme pursuant to the board resolution of the Company dated 21 June 2021 (the "**Share Award Scheme**").

Pursuant to the Share Award Scheme, the Company had contracted with a trustee (the "**Trustee**") to establish a trust (the "**Trust**") on 21 June 2021. The board of directors (the "**Board**") may from time to time during the effective period of the Share Award Scheme (a term of 10 years commencing on the adoption of this scheme or early terminated) contribute funds to the Trust and instruct the Trustee to purchase shares of the Company on the Stock Exchange. Shares purchased and held by the Trust are transferrable and have voting rights, however, the Trustee shall not exercise the voting rights. Shares will be granted to the selected directors, employees, consultants and advisers of the Group (the "**Selected Participants**") pursuant to the terms and trust deed of the Share Award Scheme. Vesting of the shares granted to the Selected Participants is conditional upon the fulfilment of vesting conditions as specified by the Board. During the year ended 31 December 2021, the Trustee purchased a total of 49,488,000 shares of the Company with a consideration of HK\$138,052,000. The cost of the shares purchased was recognised in equity. During the year ended 31 December 2021, no participant was selected as the Selected Participants, thus no share had been granted and 49,488,000 shares of the Company were held by the Trustee as at 31 December 2021.

17. EVENTS AFTER THE REPORTING PERIOD

On 8 March 2022, the Company completed its negotiations and entered into a debt exemption agreement with one of the international underwriters in connection with the Listing, pursuant to which, the Company was exempted from this international underwriter of the underwriting fee amounting to HK\$21,841,000. Such exempted fee would reduce the accrued share issue costs recorded as part of trade and other payables and be written back to share premium within equity of the Group on 8 March 2022.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Contractual Arrangements

For the year ended December 31, 2021, the Board has reviewed the overall performance of the Contractual Arrangements and believed that the Group has complied with the Contractual Arrangements in all material respects.

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

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

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

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in internet culture businesses and other related businesses. In particular, under the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》), which was revised in 2017 and the Negative List, certain of the Group's performance-based marketing services fall into the internet culture businesses which is considered prohibited. To comply with PRC laws and regulations, the Group conducts our performance-based marketing in China through Beijing Joyspreader and its subsidiaries, based on a series of Contractual Arrangements by and among WFOE, Beijing Joyspreader and the Registered Shareholders. As a result of these Contractual Arrangements, the Group exerts control over Beijing Joyspreader and its subsidiaries and consolidates their results of operations into the Group's financial statements. Beijing Joyspreader and its subsidiaries hold the licenses, approvals and key assets that are essential for the operations of the Group's Relevant Businesses (as defined in the Prospectus). For the efforts made and actions taken by the Group in compliance with the qualification requirements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

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

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

Use of Proceeds from Listing

The Company was successfully listed on the Main Board of Stock Exchange on September 23, 2020. After deducting underwriting fees, commissions and related expenses payable by the Company, the Company obtained the net proceeds from the Global Offering (as defined in the Prospectus) amounted to HK\$1,498.83 million (including the net proceeds from partial exercise of the Over-allotment Option).

An analysis of the utilization of the Group's net proceeds from the Listing as of December 31, 2021 is as follows:

The intended use of the net proceeds as described in the Prospectus	Net proceeds (including net proceeds from the exercise of the Over - allotment Option) (HK\$ million)	Approximate percentage of net proceeds (%)	Utilized net proceeds (HK\$ million)	Unutilized net proceeds (HK\$ million)	Expected timetable for the use of unutilized net proceeds
To develop our short-form video mobile new media monetization business, the net proceeds:					
(1) Will be used to invest in developing our self-owned user traffic;	511.11	34.10%	477.28	33.83	over the next three and a half years
(2) Will be used to expand our team;	61.45	4.10%	35.36	26.09	over the next three and a half years
(3) Will be used to further develop our shortform video technology infrastructure;	37.47	2.50%	20.15	17.32	over the next three and a half years
(4) Will be used to procure high quality copyrights or ownership of high quality interactive entertainment products or license-in high quality interactive entertainment products; and	265.29	17.70%	222.57	42.72	over the next three and a half years
(5) Will be used to continuously develop and optimize our algorithms and data collection capabilities to increase the effectiveness of recommendation algorithms for short-form videos.	23.98	1.60%	22.52	1.46	over the next three and a half years

Use of Proceeds from Listing – Continued

The intended use of the net proceeds as described in the Prospectus	Net proceeds (including net proceeds from the exercise of the Over – allotment Option) (HK\$ million)	Approximate percentage of net proceeds (%)	Utilized net proceeds (HK\$ million)	Unutilized net proceeds (HK\$ million)	Expected timetable for the use of unutilized net proceeds
To continue to strengthen our capabilities in performance-based mobile new media marketing services, the net proceeds:					
(1) Will be used for potential investments in, or acquisitions of suitable licensed or large agents of top mobile new media platforms;	106.42	7.10%	36.21	70.21	over the next three and a half years
(2) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	46.46	3.10%	13.43	33.03	over the next three and a half years
(3) Will be used to expand our interactive entertainment product offerings; and	121.41	8.10%	–	121.41	over the next three and a half years
(4) Will be used to increase and diversify our collaboration with licensed or large agents of popular we-media platforms in order to capture high-quality mobile new media resources.	22.48	1.50%	–	22.48	over the next three and a half years
To finance our international expansion, the net proceeds:					
(1) Will be used to establish an overseas office in South Korea or countries in Southeast Asia and to establish an international sales and marketing team;	61.45	4.10%	–	61.45	over the next three and a half years
(2) Will be used for exploring potential investments and acquisitions, including talent trainee agency companies with strong talent resources in South Korea and Southeast Asia;	38.97	2.60%	–	38.97	over the next three and a half years
(3) Will be used for procuring user traffic from overseas mobile new media platforms or their agents that provide traffic resources to extend our performance-based mobile new media marketing services to overseas platforms for both domestic marketers and foreign marketers that seek to market their products on overseas short-video platforms; and	29.98	2.00%	–	29.98	over the next three and a half years
(4) Will be used to develop overseas versions of our technology platforms.	22.48	1.50%	–	22.48	over the next three and a half years
For our working capital and general corporate purposes	149.88	10.00%	97.12	52.76	over the next three and a half years
Total	1,498.83	100.00%	924.64	574.19	

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

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended December 31, 2021.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the principles and code provisions of the CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code during the year ended December 31, 2021, except for a deviation from the code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) of the CG Code, that the roles of Chairman and chief executive officer of the Company are not separated and are both performed by Mr. Zhu Zinan. In view of Mr. Zhu's experience, personal profile and his roles in the Group and that Mr. Zhu has assumed the role of chief executive officer of our Group since its establishment, the Board considers it beneficial to the business prospect and operational efficiency of our Group for Mr. Zhu acting as the Chairman of the Board and continuing to act as the chief executive officer of the Company. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors, and we believe that there is sufficient check and balance in the Board; (ii) Mr. Zhu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman of the Board and chief executive officer is necessary. Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in the Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, all of them have confirmed that they have complied with the Model Code and the written guidelines as of December 31, 2021. No incident of non-compliance of the written guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

During the year ended December 31, 2021, the Company had repurchased a total of 5,341,000 Shares on the Stock Exchange with an aggregate amount of HK\$11,950,000 according to the repurchase mandate approved by the Shareholders at the annual general meeting held on June 30, 2021. The repurchases were made with a view to enhancing the net asset value and/or earnings per Share. None of these repurchased Shares has been canceled as of the date of this announcement. During the year ended December 31, 2021, the details of the repurchased Shares are set out as below:

Month of repurchase	Number of shares repurchased on the Stock Exchange	Price paid per Share		Aggregate consideration paid (HK\$'000)
		Highest (HK\$)	Lowest (HK\$)	
September	2,167,000	2.46	2.14	5,035
October	1,684,000	2.10	2.10	3,536
November	1,490,000	2.27	2.26	3,379
	<u>5,341,000</u>			<u>11,950</u>

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any listed securities of the Company during the year ended December 31, 2021.

AUDIT COMMITTEE

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

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

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

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2021. The Audit Committee considered that the audited consolidated financial statements for the year ended December 31, 2021 complied with the applicable accounting standards, the Listing Rules and all other applicable legal requirements. Accordingly, the Audit Committee recommends the Board to approve the audited consolidated financial statements of the Group for the year ended December 31, 2021.

SCOPE OF WORK OF THE AUDITOR OF THE COMPANY

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

EVENT AFTER THE REPORTING PERIOD

Change in the Net Proceeds

On March 8, 2022, after arm's length negotiations after taking into consideration of other business arrangement, the Company entered into a debt exemption agreement with one of the International Underwriters (as defined in the Prospectus) in the Global Offering (as defined in the Prospectus), pursuant to which, such International Underwriter has exempted approximately HK\$21.84 million of the underwriting fee payable to such International Underwriter by the Company under the International Underwriting Agreement (as defined in the Prospectus). The exemption resulted in a decrease in the total underwriting fee payable by the Company, and the net proceeds from the Global Offering increased by approximately HK\$21.84 million (the "**Increased Net Proceeds**") to approximately HK\$1,520.67 million accordingly. As of the date of this announcement, the Board is still assessing the use of the Increased Net Proceeds and will make an announcement in a timely manner.

Save as disclosed above and elsewhere in this announcement, there are no material events that affected the Group after December 31, 2021.

PUBLICATION OF THE ANNUAL RESULTS AND THE 2021 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.joyspreader.com), and the annual report for the year ended December 31, 2021 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

APPRECIATION

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

DEFINITIONS

“app”	mobile application
“Audit Committee”	the audit committee of the Board
“Beijing Joyspreader”	Beijing Joy Spreader Interactive Network Technology Co., Ltd (北京樂享互動網絡科技股份有限公司), a company established under the laws of the PRC with limited liability on October 9, 2008, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Beijing Joyspreader and its subsidiaries
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, WFOE, Beijing Joyspreader and the Registered Shareholders
“Director(s)”	the director(s) of the Company
“Foreign Investment Law”	the PRC Foreign Investment Law (《中華人民共和國外商投資法》)
“FVTPL”	fair value through profit or loss
“FVTOCI”	fair value through other comprehensive income

“GDP”	gross domestic product
“GMV”	gross merchandise volume
“MCN”	multi-channel network, a product form of multi-channel network, is a new operation mode of internet celebrity economy
“Group”, “the Group”, “we” or “us”	our Company, its subsidiaries and the consolidated affiliated entities at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the subsidiaries of our Company or the businesses operated by its present subsidiaries (as the case may be)
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“ICP License”	value-added telecommunications operating license (增值電信業務經營許可證)
“interactive entertainment product(s)”	interactive entertainment product(s), primarily comprising games and internet literature, etc.
“Joyspreader”, “Company”, or “We”	Joy Spreader Group Inc. (樂享集團有限公司) (formerly known as Joy Spreader Interactive Technology. Ltd (乐享互动有限公司)), a company incorporated in the Cayman Islands on February 19, 2019 as an exempted company with limited liability
“Listing”	the listing of the Shares on the Main Board on September 23, 2020
“Listing Date”	September 23, 2020, being the date on which the Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Negative List”	The List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單)》)
“Online Culture Operating License”	Online Culture Operating License (網絡文化經營許可證)
“Over-allotment Option”	has the meaning ascribed thereto in the Prospectus
“Prospectus”	the prospectus issued by the Company dated September 10, 2020

“R&D”	research and development
“Registered Shareholder(s)”	being Mr. Zhu Zinan, Shenzhen Nanhai Chengzhangtongying, Nantong Pinghengchuangye, Beijing Zinan and Friends, Jiaxing Baozheng, Beijing Daoyoudao, Nanjing Pingheng Capital, Mr. Zhang Zhidi, Mr. Chen Liang, Shanghai Jinjia, Mr. Guo Zhiwei, Ms. Zhang Yue, Ms. Zhang Wenyan, Ms. Xue Xiaoli, Ms. Zhu Xifen, Mr. Xiong Chi and Ms. Huang Huijuan, who are shareholders of Beijing Joyspreader
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Reporting Period”	the twelve months period from January 1, 2021 to December 31, 2021
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary shares in the share capital of our Company with the nominal value of HK\$0.00001 each
“Share Award Scheme”	the share award scheme adopted by the Board on June 21, 2021
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“WFOE”	Beijing Joy Spreader Interactive Technology Co., Ltd (北京樂享互動科技有限公司), a limited liability company established in the PRC on May 22, 2019 and a wholly-owned subsidiary of us

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

By order of the Board
Joy Spreader Group Inc.
Zhu Zinan
Chairman

Beijing, the PRC
March 20, 2022

As at the date of this announcement, the Board comprises Mr. Zhu Zinan, Mr. Cheng Lin, Ms. Qin Jiaxin and Mr. Sheng Shiwei as executive Directors; Mr. Hu Qingping and Mr. Hu Jiawei as non-executive Directors; and Mr. Xu Chong, Mr. Tang Wei and Mr. Fang Hongwei as independent non-executive Directors.