LEXIANGHUDONG
乐享互动

JOY SPREADER GROUP INC.
樂 享 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6988

2021
ANNUAL REPORT

Content

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Zinan (朱子南)
(Chairman of the Board, Chief Executive Officer)
Mr. Cheng Lin (成林)
Ms. Qin Jiaxin (秦佳鑫)
Mr. Sheng Shiwei (盛世偉)

Non-executive Directors

Mr. Hu Qingping (胡慶平)
Mr. Hu Jiawei (胡家瑋)

Independent Non-executive Directors

Mr. Xu Chong (徐翀)
Mr. Tang Wei (唐偉)
Mr. Fang Hongwei (房宏偉)

AUDIT COMMITTEE

Mr. Tang Wei (唐偉) *(Chairman)*
Mr. Xu Chong (徐翀)
Mr. Hu Qingping (胡慶平)

REMUNERATION COMMITTEE

Mr. Xu Chong (徐翀) *(Chairman)*
Mr. Cheng Lin (成林)
Mr. Fang Hongwei (房宏偉)

NOMINATION COMMITTEE

Mr. Zhu Zinan (朱子南) *(Chairman)*
Mr. Xu Chong (徐翀)
Mr. Fang Hongwei (房宏偉)

AUTHORISED REPRESENTATIVES

Mr. Zhu Zinan (朱子南)
Mr. Zhang Mengchi (張夢弛)

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Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cayman Islands

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered PIE Auditor
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88 Queensway
Hong Kong

JOINT COMPANY SECRETARIES

Ms. Qin Jiaxin (秦佳鑫)
Mr. Zhang Mengchi (張夢弛)

COMPLIANCE ADVISOR

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CHAIRMAN'S STATEMENT

Dear Shareholders,

In 2021, with complicated macro environment, the continuous impact of the COVID-19 and the normalization of pandemic prevention and control, the Group has carefully assessed the situations, and the Board and the senior management led the employees to continue to firmly implement the Company's strategies in the changing market environment. It 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.

During the year, China attached great importance to the healthy development of industries related to the digital economy, including new media marketing, and a series of development plans and incentives for the digital economy were promulgated and implemented gradually. It also called for the use of data flow to promote the efficient integration of production, distribution, circulation and consumption, and accelerated the promotion of online marketing and other applications, and promoted the extension and expansion of the transformation of enterprises from point 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 enterprises engaged in the digital economy of new media marketing, including our Group, are facing significant historical development opportunities.

We believe that identifying industry trends and facilitating execution are crucial to the long-term development of Joy Spreader Group. Currently, it has become an indispensable digital business tool for marketing purposes to use the huge amount of user traffic on new media platforms. In response to the current stage of development and future trends in the new media marketing market, we have observed and experienced first-hand that the development of short video E-commerce is flourishing in China in various forms, which have 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; overseas new media platforms have accumulated a large number of users and diversified contents. Currently it is still in the early stage of commercialisation and has huge development potentials for marketing business; and 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. Brand marketing is investing more in the new media segment and has greater market capacity.

2021 is a year of hard work and fruitful achievements for the Group. In terms of business, our new overseas short video interest-based e-commerce business launched in the fourth quarter of 2021 took the lead in the industry in achieving large-scale revenue and is currently in a growing and expanding stage. It is of great significance to Joy Spreader Group. We expect that the overseas e-commerce business will become a long-term driving force for our performance growth. Our domestic short video e-commerce marketing business continued to maintain rapid growth, seeing new breakthroughs in both product types and matching trading volume. At the same time, our interactive entertainment and digital products marketing business also maintained stable amid industry challenges. For research and development, in 2021, we increased investments in the research and development of the e-commerce business on a famous overseas short video platform, allowing us to accumulate experience, expand our business scale and improve service capabilities. For major cooperation, in 2021, we reached a comprehensive strategic cooperation relationship with Poly Film Investment Co., Ltd., a subsidiary of Poly Culture Group (a central state-owned culture enterprise) and have concluded a mixed-ownership reform agreement in March 2022. In the future, we will develop film and television entertainment, and digital economy together and cooperate from a high starting point.

In 2022, we will continue to embrace the changes in industry regulation and business environment to continuously 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. We will leverage on our hard work, industry experience, insight and projections to seize opportunities so as to realize further growth in the era of in-depth development of mobile internet and new media. We will make use of our marketing technology services to enhance customer and user values, and share the long-term growth of the Company with a large number of Shareholders supporting us.

Mr. Zhu Zinan
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

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	(%)
	(HK$ in millions, except for percentages)		
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, 2021	2020	Year-on-year changes Increase (Decrease) (%)
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.*

FINANCIAL HIGHLIGHTS

FIVE YEAR FINANCIAL SUMMARY

A summary of selected items of the results and of the assets, liabilities and equity of the Group for the last five financial years is set out below.

	Year ended December 31,				
HK$'000	**2021**	2020	2019	2018	2017
Revenue	**1,395,894**	923,916	538,001	310,876	156,024
Gross profit	**451,853**	301,557	132,858	78,313	52,383
Profit before taxation	**241,720**	133,357	79,744	54,456	38,731
Profit for the year attributable to owners of the Company	**244,642**	138,679	76,526	53,877	36,986
Total comprehensive income for the year attributable to owners of the Company	**309,269**	254,104	71,105	43,076	39,876

	As at December 31,				
HK$'000	**2021**	2020	2019	2018	2017
Non-current assets	**155,621**	89,580	44,887	30,844	15,398
Current assets	**2,304,654**	2,191,073	466,415	247,832	150,153
Current liabilities	**138,322**	106,228	53,317	29,929	42,422
Non-current liabilities	**3,724**	15,463	8,511	6,132	–
Total equity	**2,318,229**	2,158,962	449,474	242,615	123,129

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, the 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 embrases 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.

CORPORATE PROFILE

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.

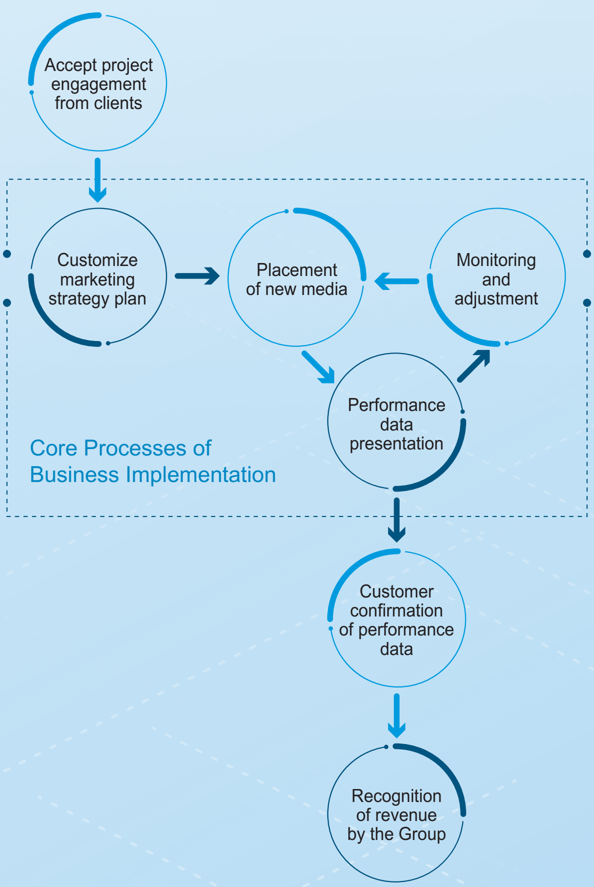
(ii) New Business in 2021: Overseas Sales of Short Video E-commerce Goods

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.

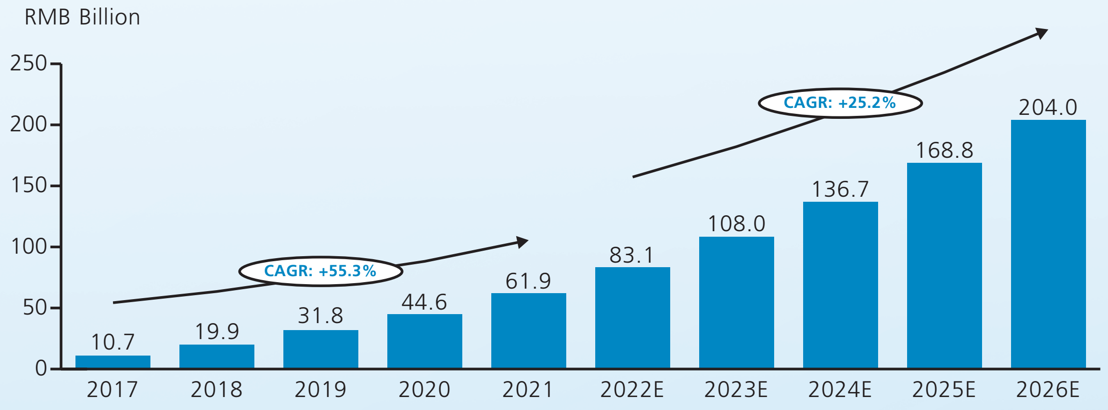
In terms of profitability, the Group achieved gross profit of HK$451.85 million in 2021, representing an increase of 49.84% as compared with HK$301.56 million in 2020. The Group realized profit of HK$244.64 million for the year of 2021, representing an increase of 76.41% as compared with HK$138.68 million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

With regard to the industry, the market size of the mobile new media performance-based marketing market in China increased from RMB10.7 billion in 2017 to RMB61.9 billion in 2021, representing a CAGR of 55.3%. The market size is expected to further increase from RMB83.1 billion in 2022 to RMB204.0 billion in 2025, representing a CAGR of 25.2% from 2022 to 2026. The development of the market is expected to be mainly driven by the development of technologies as well as overseas short video platforms. It is expected that cross-platform marketing campaigns and key opinion consumer marketing will gain increasing popularity in the market.

Market Size of Mobile New Media Performance-based Marketing Market (by Revenue), China, 2016-2026E



Source: Frost & Sullivan

According to Frost & Sullivan, the Company is the largest mobile new media performance-based marketing service provider in 2021. In 2021, the Company takes around 1.9% market share of the mobile new media performance-based marketing market.

- 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 business scale and improve service capabilities.

- ## Future Strategic Layout

  - ### Expansion of Overseas Video E-commerce 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,			
		Percentage		Percentage
	2021	**%**	2020	%
	(HK$ million, except for percentages)			
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	**1,395.89**	**100.00%**	923.92	100.00%

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	%
	(HK$ million, except for percentages)			
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,	
	2021	2020
	HK$ million	
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 beginning of the year	**1,210.45**	146.79
Effect of foreign exchange rates changes	**(1.55)**	–
Cash and cash equivalents at end of the year, represented by bank balances and cash	**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 outflow 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
	HK$ million	
Fixed assets	**41.25**	16.00
Right-of-use assets	**1.56**	9.86
Intangible assets	**2.17**	2.32
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.

Share Award Scheme

The Company has adopted the Share Award Scheme on June 21, 2021 (the "**Adoption Date**") 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. The summary of the Share Award Scheme is as follows:

(I) Duration and termination of the Share Award Scheme

Unless terminated earlier by the Board in accordance with the Share Award Scheme rules, the Share Award Scheme is valid and effective for a term of 10 years commencing from the Adoption Date. The Share Award Scheme shall terminate on the earlier of (i) the 10th year from the Adoption Date; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant. Upon termination, (i) no further grant of award Shares may be made under the Share Award Scheme; (ii) all award Shares and the related income shall become vested in the selected participant so referable on such date of termination; and (iii) net sale proceeds (after making appropriate deductions) of the returned Shares and such non-cash income together with the residual cash and such other funds remaining in the trust shall be remitted to the Company forthwith after the sale.

(II) Share Award Scheme limit

The Board shall not make any further award of award Shares in case that the award of the Shares by the Board under the Share Award Scheme will result in the nominal value of such Shares exceeding ten per cent of the issued share capital of the Company from time to time.

The maximum number of Shares which may be awarded to any selected participant under the Share Award Scheme shall not exceed one per cent of the issued share capital of the Company from time to time in any 12-month period.

(III) Administration of the Share Award Scheme

The Share Award Scheme is subject to the administration of the Board and the trustee in accordance with the terms stated in the Share Award Scheme rules and the terms of the trust deed.

(IV) Voting rights of the Award Shares

Notwithstanding that the trustee is the legal registered holder of the Shares held upon trust pursuant to the trust deed, the trustee shall not exercise the voting rights attached to such Shares.

(V) Operation of the Share Award Scheme

The Board may, in respect of the Share Award Scheme and after having regard to the requirement under the Share Award Scheme, determine the number of Shares to be purchased as scheme Shares, and cause to be paid the purchase price for the scheme Shares and the related expenses to the trustee who will purchase the scheme Shares. The trustee shall apply the entire amount without deduction (except for transaction levy, stamp duty and other statutory fees) towards the purchase of the maximum number of board lots of Shares at the prevailing market price.

The Board may, from time to time, at its absolute discretion select any director, employee, consultant and adviser of the Group (other than any person who is resident in a place where the award and/or the vesting and transfer of the award Shares is not permitted under the laws and regulations of such place or where compliance with applicable laws and regulations in such place makes it necessary to exclude such person) for participation in the Share Award Scheme as a selected participant and determine the award Shares for each of them.

Upon receipt of the instruction from the Board as to the name of selected participant(s) and the number of award Shares to be granted to the selected participant(s), the trustee shall make relevant arrangement to convert the scheme Shares to the award Shares for the relevant selected participant(s).

(VI) Vesting and lapse of the Share Award Scheme

When the selected participant(s) has(have) satisfied all vesting conditions specified by the Board at the time of making the award and becomes entitled to the Shares forming the subject of the award, the trustee shall transfer the relevant award Shares to the selected participant(s)or their nominee(s). The vesting date shall be on any business day at the end of the month specified by the Company of any year, but in any event not later than 12 months after the reference date.

An award lapses when (i) the relevant selected participant ceases to be an employee of the Group; or (ii) any fraud or serious misconduct, violation of laws or regulations, or damage to the interests of the Company by selected participant; or (iii) an order for the withdrawal of Listing and the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), the award shall automatically lapse forthwith and the award Shares shall not vest on the relevant vesting date but shall become returned Shares for the purposes of the Share Award Scheme.

During the year ended December 31, 2021, 49,488,000 Shares were purchased by the trustee from the market at an average price of approximately HK$2.79 per Share, with an aggregate amount of HK$138,052,000. No Shares were granted to eligible employees pursuant to the Share Award Scheme during the year ended December 31, 2021. At the end of the Reporting Period, 49,488,000 Shares were held by the trustee.

For details of the Share Award Scheme, please refer to the Company's announcement dated June 21, 2021.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhu Zinan (朱子南), aged 40, is our founder, Chairman, executive Director, chief executive officer and the chairman of the Nomination Committee. He is responsible for the overall management, strategic planning and decision-making of the Group. He has been the chief executive officer at Beijing Joyspreader since June 2012 and was appointed as an executive director and the chief executive officer at Beijing Wuyou Technology Co, Ltd (伍遊(北京)科技有限公司) in July 2014.

Mr. Zhu has over 12 years of experience in the online marketing industry. Mr. Zhu served as secretary of director at the science and research department in National Education Examinations Authority (國家教育部考試中心) from October 2004 to August 2005. From August 2005 to April 2007, he was the vice president at Molong International Co,. Ltd. (魔龍國際有限責任公司), a company that is principally engaged in the development and production of mobile games. From April 2007 to June 2012, he worked as a general manager at the business department of Phoenix Online (Beijing) Information Technology Co., Ltd (鳳凰在線(北京)信息技術有限公司), a company that principally engages in providing premium new media contents and services for the mainstream Chinese community on a seamless platform across internet, mobile and TV network. In December 2017, Mr. Zhu was selected as one of the "Top Ten Most Outstanding People in China's Gaming Industry" (中國遊戲產業十大新銳人物) at the China Game Industry Annual Conference (中國遊戲年會).

Mr. Zhu graduated from Beijing Administration for Industry and Commerce School (北京市工商行政管理學校) majoring in industrial and commercial administration in June 2000, and obtained a bachelor's degree.

Mr. Cheng Lin (成林), aged 39, joined the Group in January 2014, is an executive Director, vice president of the Company and the member of the Remuneration Committee. He is responsible for overseeing our sales and marketing, maintaining the relationship between marketers and content publishers and assisting in the overall management of the Group. He is currently the chief operating officer, director and vice president of Beijing Joyspreader.

Mr. Cheng has over 16 years of experience in sales, marketing and operation. Prior to joining the Group, Mr. Cheng served as a business supervisor in Sony Ericsson Mobile Communications (China) Co., Ltd (索尼愛立信移動通信產品(中國)有限公司) from 2005 to 2008. From 2009 to 2011, he worked as a business supervisor in Beijing Potevio Communication Technology Co., Ltd (北京普天太力通信科技有限公司), a mobile communication products distributor and service provider. He then served as chief operating officer in Beijing Yuancai Technology Co., Ltd (北京源彩科技有限公司), an application service provider, from 2011 to 2013. He later assumed the role of the operation director in Beijing Huiqun Zhidi Technology Co., Ltd from April 2013 to December 2013.

Mr. Cheng obtained an associate degree from Shenyang University (瀋陽大學) in July 2005, majoring in computer application and maintenance. In July 2010, Mr. Cheng obtained his undergraduate diploma (part-time) in business administration from the same institute.

Ms. Qin Jiaxin (秦佳鑫), aged 32, was appointed as an executive Director with effect from March 22, 2021. She concurrently serves as the secretary of the Board and joint company secretary of the Company. Ms. Qin joined the Group in January 2017 as the secretary of the Board. She is responsible for the information disclosure and the supervision and inspection in relation to legal compliance, investor relations management, investment, financing and capital operation of the Group. She also assists in the coordination and organisation of the Board and Shareholders' meetings.

Prior to joining the Group, she served as the assistant to the president of Beijing Qianhe Capital Investment Management Co., Ltd. (北京千和資本投資管理有限公司) from May 2014 to December 2014. Ms. Qin Jiaxin joined Beijing Opportune Technology Development Co., Ltd. (北京正辰科技發展股份有限公司) in April 2015 and served as the chairman of its board of supervisors until October 2016.

Ms. Qin Jiaxin received a master's degree in international finance and management and a bachelor of arts degree in international business from the University of Central Lancashire in November 2013 and September 2012, respectively. Ms. Qin Jiaxin passed the qualification examination and received the board secretary certificate from the Shanghai Stock Exchange in November 2017, from the Shenzhen Stock Exchange in November 2016 and from the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) ("**NEEQ**") in April 2017. She also obtained the independent director qualification from the Shenzhen Stock Exchange in December 2017 and from the Shanghai Stock Exchange in June 2018.

Mr. Sheng Shiwei (盛世偉), aged 42, was appointed as an executive Director with effect from March 22, 2021. In December 2020, he joined the Group as the chief strategy officer of the Company and is mainly responsible for the management of investor relations and public relations of the Group.

Prior to joining the Group, Mr. Sheng Shiwei served as the general manager of the Corporate Finance and Global Capital Markets Department (Beijing) of BOCOM International Holdings Co. Ltd. from February 2017 to November 2020. From August 2015 to January 2017, Mr. Sheng Shiwei served as the vice president of Investment Bank Department of the Hina Group. From July 2003 to July 2015, Mr. Sheng Shiwei successively served in the department of auditing and consulting services of PricewaterhouseCoopers, Ernst & Young, and KPMG. He also served as the investment director of China Huachuang Capital Co., Ltd. (北京中金華創投資管理有限公司), simultaneously from April 2011 to February 2013.

Mr. Sheng Shiwei received a master's degree in financial science from State University of New York at Buffalo in 2007 and a bachelor's degree from Capital University of Economics and Business (首都經濟貿易大學), China, majoring in finance, in 2003. Mr. Sheng Shiwei is a non-practicing member of American Institute of Certified Public Accountants.

Non-executive Directors

Mr. Hu Qingping (胡慶平), aged 44, was appointed as a non-executive Director with effect from December 27, 2019 and is responsible for participating in formulating the Company corporate and business strategies. He was appointed as a member of the Audit Committee with effect from December 10, 2021. Mr. Hu Qingping worked at China Telecommunications Corporation (Shenzhen) branch (中國電信深圳分公司) from June 2004 to January 2006. From January 2006 to August 2012, he worked in China Mobile Communications Group Co., Ltd (Guangdong) (中國移動通信集團廣東有限公司). Mr. Hu Qingping later served as operations director in People.cn Co., Ltd (人民網股份有限公司) from June 2013 to August 2014. From August 2014 to December 2015, he acted as director of the operations department in TCL Communication Technology (NB) Holdings Limited (TCL 通訊科技控股有限公司). Mr. Hu Qingping has been acting as the managing director in Shenzhen Co-win Asset Management Co., Ltd., (深圳同創偉業資產管理股份有限公司), a company that is principally engaged in management of investment projects, since July 2016.

Mr. Hu Qingping graduated from Huazhong University of Science and Technology (華中科技大學) (formerly known as 華中理工大學), in June 1999, majoring in biochemistry and minoring in English for science and technology. In June 2004, he obtained a master's degree in computer architecture from the same university. He then received his doctorate degree in management science and engineering from Beijing University of Posts and Telecommunications (北京郵電大學) in June 2017.

Mr. Hu Jiawei (胡家瑋), aged 34 and formerly named as Hu Wei (胡威), was appointed as a non-executive Director with effect from March 22, 2021 and is responsible for participating in formulating the Company corporate and business strategies.

Mr. Hu Jiawei has been working at Nanjing Pingheng Capital since May 2016 and is currently the deputy general manager thereof, responsible for leading and managing equity investment and funds operation, as well as leading such work as fundraising, investment, post-investment management and disinvestment. He makes investment projects in industries of the advanced manufacturing, health care, culture and education. From March 2013 to April 2016, he was the investment manager of Jiangsu Hi-tech Venture Capital Management Co., Ltd. (江蘇高新創業投資管理有限公司), responsible for project investment and post-investment management. From September 2011 to December 2012, he served as an auditor at Deloitte Touche Tohmatsu Limited in China.

Mr. Hu Jiawei also holds the directorship in several listed companies, including (i) a director of Jiangsu Jiayi Education Technology Co., Ltd. (whose shares were listed on the NEEQ (stock code: 833142) and delisted in February 2018) since July 2016; (ii) a director of Nanjing Xiyue Technology Co., Ltd. (whose shares were listed on the NEEQ (stock code: 836403) and delisted in April 2019) since December 2017; (iii) a director of Beijing Ecosystem Technology Co., Ltd. (whose shares are listed on the NEEQ (stock code: 832204)) since January 2017; and (iv) a director of Jiangsu Ruifeng Information Technology Co., Ltd. (whose shares are listed on the NEEQ (stock code: 871949)) since November 2019.

Mr. Hu Jiawei received a bachelor's degree in accounting from Nanjing University of Finance and Economics (南京財經大學) in June 2009 and later obtained a master's degree in accounting and finance from University of Exeter, the United Kingdom in January 2011.

Independent Non-executive Directors

Mr. Xu Chong (徐翀), aged 46, was appointed as our independent non-executive Director with effect from August 26, 2020. He also serves as the chairman of the Remuneration Committee and the member of the Audit Committee and Nomination Committee and is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Xu Chong has over 20 years of experience in corporate finance and financial management. Prior to joining the Group, Mr. Xu Chong held managerial positions in various companies, including a manager at BOC International Holdings Limited (中銀國際控股有限公司) from July 2001 to August 2003; a chief financial officer at SinoMedia Holding Limited (a company listed on the Stock Exchange, stock code: 0623) from June 2004 to February 2006 and a vice president of Asia region in Cazenove Asia Limited from March 2006 to July 2007, where he was primarily responsible in corporate finance. He re-joined SinoMedia Holdings Limited in July 2007 and acted as the chief financial officer until May 2010. From March 2011 to July 2011, Mr. Xu Chong took the role of the vice president in Huakang Insurance Agency Co., Ltd (華康保險代理有限公司). He later acted as a financial advisor and chief financial officer in Shanghai Zhaogangwang Information Technology Corporation Limited (上海找鋼網信息科技股份有限公司) from June 2012 to June 2014. Since October 2014, he has been the chief financial officer and is currently the executive director of Babytree Group (寶寶樹集團) (a company listed on the Stock Exchange, stock code: 1761).

Mr. Xu Chong received his bachelor's degree in international economic law from Nanjing University (南京大學) in July 1998 and a master's degree in international law from Renmin University of China (中國人民大學) in July 2001.

Mr. Tang Wei (唐偉), aged 46, was appointed as an independent non-executive Director of the Company with effect from August 26, 2020. He serves as the chairman of the Audit Committee. Mr. Tang Wei is responsible for providing independent opinion and judgment to our Board.

Prior to joining the Group, Mr. Tang Wei had served several positions, including an assistant vice president of the investment banking department of Bank of China International Holdings Limited from December 2000 to August 2006, an associate of the corporate finance department in Goldman Sachs Gaohua Securities Company Limited (高盛高華證券有限公司) from September 2006 to September 2008 and as a deputy general manager of investment banking department in China International Capital Corporation Limited (中國國際金融股份有限公司) from October 2008 to January 2010. He later returned to the corporate finance department in Goldman Sachs Gaohua Securities Company Limited and worked as executive director and vice president from January 2010 to October 2014. From June 2015 to January 2016, Mr. Tang Wei acted as an investment director of CNIC Corporation Limited (國新國際(中國)投資有限公司) where he primarily advised on offshore investments. From March 2016 to September 2018, he joined NavInfo Co., Ltd (四維圖新科技股份有限公司) (a Shenzhen Stock Exchange listed company, stock code: 002405), where he took the role of the chief financial officer and deputy general manager. Since October 2019, he has been serving as the chief financial officer and secretary to the board in Primarius Shanghai Electronic Co., Ltd. (上海概倫電子股份有限公司) (a company listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, stock code: 688206). Currently, he is an independent non-executive director of Weimob Inc. (微盟集團) (a company listed on the Stock Exchange, stock code: 2013).

Mr. Tang Wei received a bachelor's degree in international business and financial administration from China University of Petroleum (中國石油大學(北京)) in July 1998. He later obtained a master's degree in business administration from the University of International Business and Economics (對外經濟貿易大學) in June 2001. He is a fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Chinese Institute of Certified Public Accountants.

Mr. Fang Hongwei (房宏偉), aged 41, was appointed as an independent non-executive Director of the Company with effect from August 26, 2020. He is a member of the Nomination Committee and Remuneration Committee. Mr. Fang Hongwei is primarily responsible for providing independent opinion and judgment to our Board.

From February 2009 to February 2016, Mr. Fang Hongwei served as the secretary of the board of directors and legal affairs director at Beijing Jinhe Network Company Limited (北京金和網絡股份有限公司) (a former NEEQ listed company, stock code: 430024). He joined Jingci Material Science Co., Ltd. (京磁材料科技股份有限公司) (a former NEEQ listed company, stock code: 836299) in March 2016 and he is currently a director, the deputy general manager and the secretary to the board there. He is primarily responsible for securities investment and financing, legal compliance affairs, internal control and public relation matters of the company.

Mr. Fang Hongwei received a graduation certificate from China University of Labor Relations (中國勞動關係學院) in July 2004 majoring in laws. He is a qualified independent non-executive director on the Shanghai Stock Exchange and a certified secretary to the board of directors on the NEEQ and Shenzhen Stock Exchange.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management and operation of our business. The executive Directors, namely Mr. Zhu Zinan, Mr. Cheng Lin, Ms. Qin Jiaxin and Mr. Sheng Shiwei, also hold senior management positions of the Group. Please refer to the paragraphs above for their respective biographies.

Mr. KOT Man Tat (葛文達), aged 50, was appointed as the chief financial officer of the Company in May 2021 and was primarily responsible for the financial management and treasury operations of the Group. Mr. Kot has over twenty years' experience in accounting and financial management. Mr. Kot graduated from the Chinese University of Hong Kong in 1996 with the degree of bachelor in business administration. He had worked with KPMG and Ernst & Young auditing division, and served as head of corporate finance with Zhongsheng Group Holdings Limited (a company listed on the Stock Exchange, stock code: 881). Prior to joining the Group, Mr. Kot was the chief financial officer of China Zhongwang Holdings Limited (中國忠旺控股有限公司) (a company listed on the Stock Exchange, stock code: 1333) from June 2016 to May 2021.

CORPORATE GOVERNANCE REPORT

The Group is committed to maintaining high standards of corporate governance to protect the interests of its Shareholders, improve the corporate values, set the business strategies and policies as well as improve its transparency and accountability. The Company has adopted the principles and code provisions under the Corporate Governance Code as its own corporate governance code.

The Board is of the view that for the year ended December 31, 2021, the Company has complied with all applicable code provisions under the Corporate Governance Code, except for the deviation from code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022). The roles of Chairman and chief executive officer of the Company are not separate and both are acted by Mr. Zhu Zinan. In view of Mr. Zhu's experience, personal profile and his roles in the Group as mentioned above and that Mr. Zhu has assumed the role of chief executive officer of our Group since the Group's incorporation, 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 our Board requires approval by at least a majority of our Directors, and we believe that there is sufficient check and balance in the Board; (ii) Mr. Zhu and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act 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 strategies and other key business, financial, and operational policies of our 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.

The Board will continue to review and monitor the Group's corporate governance practices to ensure compliance with the Corporate Governance Code and maintain a high standard of corporate governance.

BOARD OF DIRECTORS

The Board of Directors is in charge of supervising all material issues of the Company and guiding and supervising its issues through senior management. The Board exercises other power, functions and duties under the Articles of Association and all applicable laws and regulations (including the Listing Rules). The Board delegates the authority of daily operation and management to the management of the Company, who will implement the strategies and guidance determined by the Board.

The Board has appropriate skills and experience required by the business of the Company. The Company has also adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objectives and approaches to achieve Board diversity.

The main corporate governance duties of the Board include:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of the Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance issues of employees and Directors; and

(e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

As of the date of this report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors. A balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors) on the Board ensures the independent components of the Board. Non-executive Directors and independent non-executive Directors can effectively exercise independent judgment in Board meetings and Board Committee meetings.

As at the date of this report, the Board consists of:

Executive Directors

Mr. Zhu Zinan (Chairman, executive Director)
Mr. Cheng Lin
Ms. Qin Jiaxin (appointed as an executive Director with effect from March 22, 2021)
Mr. Sheng Shiwei (appointed as an executive Director with effect from March 22, 2021)

Non-executive Directors

Mr. Hu Qingping
Mr. Hu Jiawei (appointed as a non-executive Director with effect from March 22, 2021)

Independent non-executive Directors

Mr. Xu Chong
Mr. Tang Wei
Mr. Fang Hongwei

Biographies of the Directors are set out on pages 32 to 36 of this annual report.

As of December 31, 2021, the Company has complied with the Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed at least three independent non-executive Directors (representing at least one-third of the Board), including at least one with appropriate professional qualifications or knowledge in accounting or financial management related fields.

None of the members of the Board has relationship with other members of the Board and chief executive officer of the Company.

During the year ended December 31, 2021, the total emoluments payable to the Directors (including fees, salaries, contributions to pension scheme, discretionary bonus, housing and other allowances and other benefits-in-kind) amounted to approximately HK$5.20 million.

The emoluments of the Directors and senior management are determined after taking into account of salaries paid by comparable companies, the time of commitment and duties of the Directors as well as the Group's results. Details of the emoluments of Directors (including any senior management who also serve as a director), chief executive and employees, and emoluments of key management personnel for 2021 are set out in Note 13 and Note 39 to the consolidated financial statements. In addition, pursuant to code provision B.1.5 (which has been renumbered as code provision E.1.5 with effect from January 1, 2022) of the Corporate Governance Code, the emoluments of the members of senior management of the Company (who are not the Directors) by band for the year ended December 31, 2021 are set out below:

Emoluments of senior management by band	Number of senior management
HK$1,500,000-HK$2,000,000	1
Total	1

During the year ended December 31, 2021, the Company has three independent non-executive Directors, which was in compliance with the Listing Rules, which requires that the numbers of independent non-executive Directors shall account for at least one-third of the members of the Board and no less than three people.

Pursuant to Rule 3.13 of the Listing Rules, the Company has received the written confirmation of independence of each independent non-executive Director and considered all of them to be independent.

The Directors can be rendered service by the company secretary to guarantee the compliance of the Board procedures.

JOINT COMPANY SECRETARIES

During the year ended December 31, 2021, Ms. Qin Jiaxin (秦佳鑫) and Mr. Lei Kin Keong (李健強) were joint company secretaries of the Company. Mr. Lei Kin Keong (李健強) (from an external secretarial service provider) has tendered his resignation as (i) joint company secretary of the Company; (ii) authorised representative of the Company under Rule 3.05 of the Listing Rules; and (iii) authorised representative of the Company for accepting service of process and notices on the Company's behalf in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) with effect from January 17, 2022.

Since January 17, 2022, Mr. Zhang Mengchi (from an external secretarial service provider) has been appointed as joint company secretary, authorised representative and the process agent. Ms. Qin Jiaxin will continue to serve as the other joint company secretary. Mr. Zhang Mengchi will assist Ms. Qin Jiaxin in discharging his functions as a joint company secretary and in gaining the "relevant experience" as required under Rule 3.28 of the Listing Rules. For the details of the waiver granted to the Company by the Stock Exchange from strict compliance of Rules 3.28 and 8.17 of the Listing Rules in respect to the eligibility of Ms. Qin Jiaxin to act as the joint company secretary of the Company, please refer to the announcement of the Company dated January 17, 2022. Ms. Qin Jiaxin is the main corporate associate of Mr. Zhang Mengchi, the other joint company secretary.

Pursuant to Rule 3.29 of the Listing Rules, during the year ended December 31, 2021, Ms. Qin Jiaxin, Mr. Lei Kin Keong and Mr. Zhang Mengchi have all taken not less than fifteen hours of relevant professional training.

BOARD MEETINGS/GENERAL MEETINGS AND ATTENDANCE OF DIRECTORS

The code provision A.1.1 (which has been renumbered as code provision C.5.1 with effect from January 1, 2022) of the Corporate Governance Code stipulated that the Board should hold at least four meetings (roughly one for a quarter) involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the year ended December 31, 2021, the Board held a total of 15 meetings, including issues such as auditing and approving the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2021, the announcements of business update and financial position and the changes of the members of the Board.

As of December 31, 2021, one general meeting was held.

The table below sets out the details of attendance of the Directors at the Board meetings and general meetings during the year ended December 31, 2021.

	Attendance at board meetings/board meetings held	Attendance at general meetings/general meeting held
Executive Directors		
Mr. Zhu Zinan (Chairman of the Board and Chief Executive Officer)	15/15	1/1
Mr. Zhang Zhidi (resigned as an executive Director with effect from September 30, 2021)	11/11[1]	1/1
Mr. Cheng Lin	15/15	0/1
Ms. Qin Jiaxin (appointed as an executive Director with effect from March 22, 2021)	12/12[2]	0/1
Mr. Sheng Shiwei (appointed as an executive Director with effect from March 22, 2021)	12/12[2]	0/1
Non-executive Directors		
Mr. Guo Sijia (resigned as a non-executive Director with effect from March 22, 2021)	3/3[3]	0/0
Ms. Chen Yuanyuan (resigned as a non-executive Director with effect from March 22, 2021)	3/3[3]	0/0
Mr. Hu Qingping	15/15	0/1
Mr. Hu Jiawei (appointed as a non-executive Director with effect from March 22, 2021)	12/12[2]	0/1
Independent Non-executive Directors		
Mr. Xu Chong	15/15	1/1
Mr. Tang Wei	15/15	1/1
Mr. Fang Hongwei	15/15	0/1
Mr. Yap Jin Meng Bryan (葉仁明) (resigned as an independent non-executive Director with effect from December 10, 2021)	5/14[4]	0/1

Notes:

(1) Mr. Zhang Zhidi resigned as an executive Director on September 30, 2021. He shall attend 11 Board meetings and one general meeting when he was in office during the Reporting Period.

(2) Ms. Qin Jiaxin and Mr. Sheng Shiwei were appointed as executive Directors on March 22, 2021. Mr. Hu Jiawei was appointed as a non-executive Director on March 22, 2021. They shall attend 12 Board meetings and one general meeting when they were in office during the Reporting Period.

(3) Mr. Guo Sijia and Ms. Chen Yuanyuan resigned as non-executive Directors on March 22, 2021. They shall attend three Board meetings and nil general meeting when they were in office during the Reporting Period.

(4) Mr. Yap Jin Meng Bryan resigned as an independent non-executive director on 10 December 2021 due to personal reasons and business development. He shall attend 14 Board meetings and one general meeting when he was in office during the Reporting Period.

During the year ended December 31, 2021, there was one meeting between the Chairman of the Company and the independent non-executive Directors without the presence of the other Directors.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 (which has been renumbered as code provision A.2.1 with effect from January 1, 2022) of the Corporate Governance Code and determining the corporate governance policies of the Company accordingly. The Board has reviewed the Company's corporate governance policies and practices, the training and continuous professional development of the Directors and senior management, the Company's policies and practices in compliance with the legal and regulatory requirements, standard code and written staff manual and code as well as the disclosure in this corporate governance report.

BOARD COMMITTEES

The Company has established three main Board committees (the "**Board Committees**"), namely the Audit Committee, Nomination Committee and Remuneration Committee. Each Board Committee operates based on its terms of reference. The terms of reference of Board Committees are available on the Company's website and the Stock Exchange's website.

The Board Committees are provided with sufficient resources to discharge their duties, and may seek independent professional advice in appropriate circumstances (upon reasonable request) at the Company's expenses.

Audit Committee

The Company has established the written terms of reference in compliance with Rule 3.21 of the Listing Rules and the paragraph C.3 (which has been renumbered as paragraph D.4 with effect from January 1, 2022) of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

The Audit Committee consists of three members, namely, the independent non-executive Directors Mr. Tang Wei, Mr. Xu Chong and non-executive Director Mr. Hu Qingping. Mr. Tang Wei, an independent non-executive Director, is the chairman of the committee and holds the appropriate qualifications or relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are, including but not limited to: (i) to review and supervise the financial reporting, risk management and internal control systems of the Group; (ii) to provide advice and opinions to our Board; (iii) to perform other duties and responsibilities as may be assigned by our Board; (iv) to audit the financial statements of the Company; (v) to oversee the audit process; (vi) to review and approve connected transactions; and (vii) to perform the corporate governance functions of the Company as to comply with the disclosure requirement of corporate governance report as set out in the Corporate Governance Code and the Appendix 14 of the Listing Rules.

During the year ended December 31, 2021, three Audit Committee meetings were held and the attendance record of the members of the Audit Committee is as follows:

Directors	Attendance/ attendance as required
Mr. Tang Wei (chairman)	3/3
Mr. Xu Chong	3/3
Mr. Guo Sijia (resigned as a member of the Audit Committee on March 22, 2021)	1/1[(1)]
Mr. Yap Jin Meng Bryan (resigned as a member of the Audit Committee on December 10, 2021)	2/2[(2)]
Mr. Hu Qingping (appointed as a member of the Audit Committee on December 10, 2021)	1/1[(3)]

Notes:

(1) Mr. Guo Sijia resigned as a member of the Audit Committee on March 22, 2021. As only one Audit Committee meeting was held during the period from January 1, 2021 to Mr. Guo Sijia's resignation as a member of the Audit Committee on March 22, 2021, he attended one Audit Committee meeting.

(2) Mr. Yap Jin Meng Bryan resigned as a member of the Audit Committee on December 10, 2021. As two Audit Committee meetings were held during the period from January 1, 2021 to Mr. Yap Jin Meng Bryan's resignation as a member of the Audit Committee on December 10, 2021, he attended two Audit Committee meetings.

(3) Mr. Hu Qingping was appointed as a member of the Audit Committee on December 10, 2021. As only one Audit Committee meeting was held during the period from December 10, 2021 to December 31, 2021, Mr. Hu Qingping attended one Audit Committee meeting.

The Audit Committee has reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staffs' qualifications and experience, the training plan and budget of the accounting and financial reporting departments of the Company), risk management system and procedure as well as re-appointment of external auditors. The Board did not deviate from any recommendations proposed by the Audit Committee in respect of the selection, appointment, resignation or dismissal of external auditors.

The Audit Committee also reviewed the interim and final results of the Company and its subsidiaries for interim period and the financial year, as well as the audit report prepared by the external auditors in respect of the accounting issues and key investigation results.

Nomination Committee

The Company has established the written terms of reference in compliance with the paragraph A.5 (which has been renumbered as paragraph B.3 of code provision with effect from January 1, 2022) of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Nomination Committee currently consists of three members, namely, executive Director Mr. Zhu Zinan and independent non-executive Directors Mr. Xu Chong and Mr. Fang Hongwei. Mr. Zhu Zinan is the chairman of the committee.

The primary duties of the Nomination Committee are, including but not limited to: (i) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategies; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals from relevant departments nominated for directorships; (iii) to assess the independence of the independent non-executive Directors; (iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the Chairman or chairlady and the chief executive officer); (v) to review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and (vi) to make recommendations to our Board on the appointment and removal of Directors and senior management and on matters of succession planning.

Pursuant to the nomination policy adopted by the Company, the Nomination Committee is responsible for the nomination of Directors and candidates with respect to succession planning for Directors (hereinafter referred to as "**Director Candidates**") to the Board of the Company. Taking account of the appointment, reappointment or re-election of Directors, the Nomination Committee and the Board will continue to perform the appointment of Directors in accordance with the selection criteria and nomination procedures in the nomination policy.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Our Nomination Committee will continue to review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Director Nomination System

According to the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board, but any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at the meeting. Subject to provisions under the Articles of Association and the Companies Law, the Company may appoint any person as a Director by an ordinary resolution either to fill a casual vacancy or as an addition to the Board. According to the Articles of Association, the Company may by ordinary resolution at any time remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed.

Selection and Recommendation Criteria

The below is the selection and recommendation criteria adopted by the Nomination Committee during the Reporting Period:

(a) to assess ethics, integrity and reputation of relevant Director Candidates (including but not limited to conduct appropriate background checks and other verification processes on such candidate);

(b) to take into account the structure, size and composition of the Board, with reference to the Board diversity policy, and the Company's corporate strategy, with due regard for the benefits of the Board diversity and also the candidate's potential contributions thereto;

(c) in case of a candidate for an independent non-executive Director, to assess: (i) the independence of such candidate with reference to, among others, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the guidance and requirements relating to independent non-executive Directors set out in code provision A.5.5 (which has been renumbered as code provision B.3.4 with effect from January 1, 2022) of Appendix 14 to the Listing Rules and in the Guidance for Boards and Directors; and

(d) to consider any other relevant factors as determined by the Nomination Committee or the Board from time to time.

Nomination Procedures

The below is the nomination procedures adopted by the Nomination Committee during the Reporting Period:

(a) All Directors and the Nomination Committee may recommend Director Candidates to the Company for the Nomination Committee's consideration;

(b) The joint secretaries of the Company shall undertake due diligence on the background of the Director Candidates, obtain their academic qualifications and work certificates, as well as other information and documents required by the Company for the Director Candidates;

(c) In the context of the appointment of Director Candidates, the joint secretaries of the Company shall convene a meeting for the Nomination Committee, and may consider inviting the Director Candidates to participate in the meeting and answer questions raised by the Nomination Committee regarding the appointment;

(d) In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall propose and make recommendations to the Board for its consideration, and the Director Candidates shall stand for re-election at the forthcoming general meeting; and

(e) The Board shall have final decision on all matters concerning the recommendations of Director Candidates for election at the general meetings.

During the year ended December 31, 2021, two Nomination Committees meetings were held and the attendance record of the members of the Nomination Committee is as follows:

Directors	Attendance/ attendance as required
Mr. Zhu Zinan (chairman)	2/2
Mr. Xu Chong	2/2
Mr. Fang Hongwei	2/2

For the year ended December 31, 2021, the Nomination Committee has reviewed the nomination policies and the Board Diversity Policy; assessed the independence of the independent non-executive Directors; and made recommendations to the Board in respect of the appointment of Ms. Qin Jiaxin, Mr. Sheng Shiwei as the executive Director of the Company, the appointment of Mr. Hu Jiawei as the non-executive Director of the Company and the resignation of Mr. Yap Jin Meng Bryan as the independent non-executive Director of the Company and member of the Audit Committee of the Board.

The Nomination Committee has conducted annual assessment on the independence of each independent non-executive Director.

Remuneration Committee

The Company has established the Remuneration Committee and its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of three members, namely the independent non-executive Directors Mr. Xu Chong and Mr. Fang Hongwei and executive Director Mr. Cheng Lin. Mr. Xu Chong, the independent non-executive Director, was appointed as the chairman of the Remuneration Committee.

The primary duties of our Remuneration Committee are, including but not limited to: (i) to make recommendations to the Board on the policy and structure of the Company for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve the management's remuneration recommendations with reference to the Board's corporate goals and objectives; and (iii) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; (iv) to make recommendations to the Board on the remuneration of non-executive Directors; (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; (vi) to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (vii) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (viii) to ensure that no Director or any of his associates is involved in determining his own remuneration.

The Remuneration Committee has adopted the standards set out in Rule B.1.2(c)(ii) (which has been renumbered as code provision E.1.2 with effect from January 1, 2022) of the Corporate Governance Code within its terms of reference.

For the year ended December 31, 2021, four Remuneration Committee meetings were held and the attendance record of the members of the Remuneration Committee is as follows:

Directors	Attendance/ attendance as required
Mr. Xu Chong (chairman)	4/4
Mr. Cheng Lin	4/4
Mr. Fang Hongwei	4/4

The Remuneration Committee has discussed and reviewed the service agreements, appointment letters and remuneration policy of the Directors and senior management of the Company, and made recommendations to the Board on the service agreements, appointment letters and remuneration policy of individual executive Directors and senior management in accordance with the requirement in code provision E.1.2(c)(ii) in Part 2 of the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by Directors. The provisions of the Listing Rules relating to compliance with the code of conduct regarding securities transactions by Directors have been applicable to the Company since the Listing Date.

Having made specific enquiry by the Company, all Directors confirm that they have complied with the Model Code during the year ended December 31, 2021.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

Each newly appointed Director is provided with the necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statues, laws, rules and regulations. The Company also arranges seminars regularly to provide the Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements. The Directors are provided with updated information on the Company's performance, position and prospects, enabling the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development trainings to develop and update their knowledge and skills. The joint company secretaries of the Company update and provide the Directors with electronic training materials of their roles, functions and duties from time to time.

Based on the information provided by the Directors, a summary of training received by the Directors during the year ended December 31, 2021 is as follows:

	Nature of continuous professional development
Mr. Zhu Zinan	A, B, C and D
Mr. Zhang Zhidi (resigned with effect from September 30, 2021)	A, C and D
Mr. Cheng Lin	A, C and D
Ms. Qin Jiaxin (appointed as an executive Director with effect from March 22, 2021)	A, C and D
Mr. Sheng Shiwei (appointed as an executive Director with effect from March 22, 2021)	A, C and D
Mr. Guo Sijia (resigned with effect from March 22, 2021)	A, C and D
Mr. Hu Qingping	A, C and D
Ms. Chen Yuanyuan (resigned with effect from March 22, 2021)	A, C and D
Mr. Hu Jiawei (appointed as a non-executive Director with effect from March 22, 2021)	A, C and D
Mr. Xu Chong	A, C and D
Mr. Tang Wei	A, C and D
Mr. Fang Hongwei	A, C and D
Mr. Yap Jin Meng Bryan (resigned with effect from December 10, 2021)	A, C and D

Notes:

A: Attend meetings and/or briefings

B: Made speech at meetings and/or briefings

C: Participate in trainings of Directors provided by the law firms

D: Read documents on various topics, including corporate governance, Directors' duties, Listing Rules and other relevant laws

BOARD DIVERSITY POLICY

We have adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. This policy aims to set out the basic principles to ensure that the members of the Board achieve an appropriate balance of diversification in skills, experience and perspectives, so as to enhance the effective operation of the Board and maintain a high standard of corporate governance.

The nomination and appointment of Board members will continue to be on a merit competence basis, based on daily business needs, and taking into account of the benefits of diversity of Board members.

Pursuant to the Board Diversity Policy, the selection of candidates will be based on a series of diversified categories, with reference to the company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience.

The Company recognises and embraces the benefits of having a diverse Board and see increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. We have also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to our Board and the senior management levels. Currently, one of our Directors is female, demonstrating that we have realized gender diversity in our Board. We recognise that the gender diversity at our Board level can be improved given the majority of our Directors is male. As of the date of this annual report, the Company has not set a target figure and timetable for increasing gender diversity at our Board level. We will continue to ensure gender diversity in the recruitment of middle and senior staff so that our management includes a wide range of genders, thereby allowing a diverse group of potential successors to succeed our Board in due course. As of December 31, 2021, the Group had five senior executives, of whom four were male and one was female. As at December 31, 2021, the Group had 78 employees of which 44 (56.41%) were male and 34 (43.59%) were female. The Board believes that the Company has achieved gender diversity among its employees and has not adopted any plan or measurable target for gender diversity as of the date of this annual report and is not aware of any factors or circumstances that would make it more challenging or less relevant for the Group to achieve gender diversity among its employees.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, research and development, sales and marketing, legal compliance and corporate finance. Our Nomination Committee will review and assesses the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, culture and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

EXTERNAL AUDITOR

For the year ended December 31, 2021, the Company has appointed Deloitte Touche Tohmatsu as its external auditor. A statement on the reporting responsibility for the financial statements issued by Deloitte Touche Tohmatsu is set out in the independent auditor's report in this annual report.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended December 31, 2021 are set out in the table below:

Services provided	(HK$ million)
Audit services:	
Annual audit of the Group's consolidated financial statements	2.66
Non-audit services:	
Interim review of the Group's consolidated financial statements	1.02

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of financial statements, which should give a true and fair view of the state of affairs of the Group and of the results and cash flow for the Reporting Period. The independent auditor's report on the financial statements is set out on pages 101 to 105 in this report. In preparing the financial statements for the year ended December 31, 2021, the Directors have selected suitable accounting policies and have applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and have prepared the financial statements on a going concern basis. There were no events or conditions relating to any material uncertainties that might cast significant doubt upon the Company's ability to continue as a going concern.

INTERNAL CONTROL AND RISK MANAGEMENT

Risk management and internal control

Adequate and effective risk management and internal control systems are indispensable and important guarantees for the realization of the long-term goals of the Group. They help ensure the effective conduct of the Group's business activities, the authenticity and accuracy of accounting records, and the Group's compliance with relevant laws, regulations and policies.

The Board confirms that it has the ultimate responsibility for ensuring and maintaining sound and effective systems of risk management and internal control to safeguard the Group's assets and Shareholders' rights and interests, and has the responsibility to continuously review the effectiveness of such systems. The Audit Committee, on behalf of the Board, reviews the management's work on the design, implementation and supervision of risk management and internal control systems at least on an annual basis, including the effectiveness of these systems. The Board will also be responsible for overseeing the risks faced by the Group, as well as analyzing, evaluating and determining the level of risk the Group expects and can withstand, and thereby continuously reviewing and improving such systems, implementing policies and formulae that are most suitable for the Group's business, and establishing and maintaining a robust risk management and internal control system. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve performance goals, and only provide reasonable but not absolute assurance against material misstatement or loss.

1.1 Risk management organizational structure

The Group is committed to continuously improving the risk management system and organizational structure, and improving the overall risk management and control capabilities through standardised risk management procedures, thereby ensuring the achievement of business objectives and sustainable development. The Group has established the "Risk Control System" and the "Comprehensive Risk Management System", in which the "Three Lines of Defense" risk management model has been established, and the responsibilities of each related party in risk management, risk management related policies and reporting process have been clearly divided and defined. In order to ensure the effectiveness of risk management and internal control systems, the Group has established a risk management structure covering all departments in accordance with the actual situation of the Company under the guidance and supervision of the Board.

1.2 Five guiding principles of our risk management system

Principle of comprehensiveness

- Internal control shall cover various businesses, departments and positions, as well as all the links including decision-making, implementation, supervision and feedback, etc.

Principle of continuity

- Each business department shall implement continuous risk control, continuously identify and evaluate the risks in the business, and take corresponding control measures in a timely manner.

Principle of prudence

- The core of internal control is to effectively prevent various risks. All decisions of the Company shall take risk prevention and prudent operation as the starting point.

Principle of mutual checks and balances

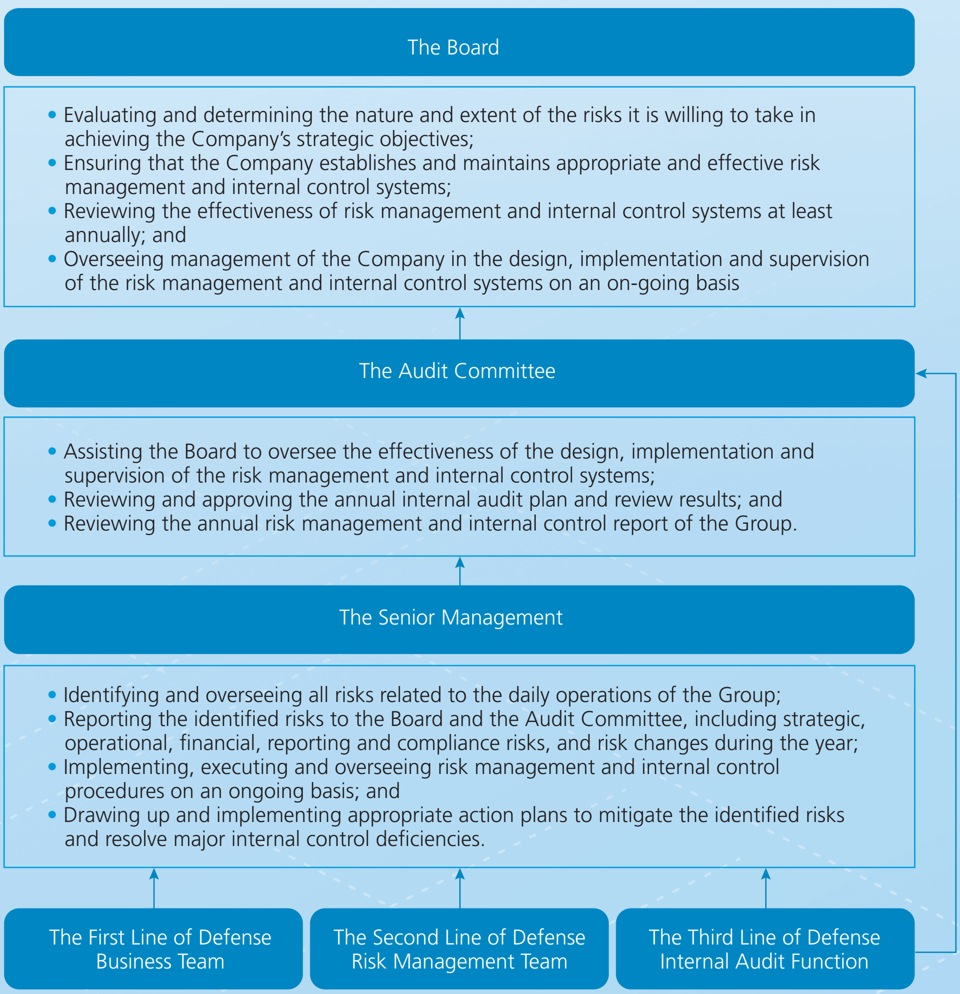
- The Company's internal organizational structure shall be designed to form mutual checks and balances mechanism, and reduce the occurrence of risks through checks and balances among different positions.

Principle of cost-effectiveness

- The Company uses scientific management methods to reduce operating costs, improve economic efficiency, and maximize the effectiveness of risk control with reasonable cost control.

1.3 Our Group's "Three Lines of Defense" risk management model

Clear responsibilities and sound monitoring measures are essential to managing risks. We have conducted a review of the Group's risk management structure in the past, strengthened the risk management structure based on the results of the review, and handled, allocated and coordinated the Group's risk management and internal control issues through a sound risk management model, thereby deepening and strengthening the Group's internal control ability. The risk management structure of the Group is set out below:



1.4 Risk management procedures

The Group's risk management procedures include defining procedures for identifying, assessing, responding to and overseeing risks and their changes. The management of the Group regularly communicates and discusses with each business department, regularly collects the risks identified by each department at the daily operation level, and strengthens their understanding of risk management at the strategic level of the Group to promote two-way communication. The management collects views on risks from different angles and formulates risk coverage so that the risks related to the Group can be identified. Risk identification is a continuous and interactive process that communicates the relevant main risks between the low-level and high-level.

Significant risks are classified into one of the following four categories: strategic risks, operational risks, financial risks as well as reporting and compliance risks. After identifying all relevant risks, the management evaluates the potential impacts and possibility of these risks and handles them in order of importance, and then formulates appropriate internal control measures to mitigate the risks, as well as continuously oversees the effectiveness of the internal control measures and their changes. The management also communicates with the Board and the Audit Committee so that they can oversee at a high level.

1.5 Internal audit function

The Board secretariat and finance department of the Company are responsible for the internal audit function of the Group. They are responsible for evaluating and monitoring the effectiveness of risk management and internal control systems, and performing a comprehensive review of all aspects of the Group's activities and systems to review all aspects of the Group's supervision and governance. The Audit Committee reviews and approves the prepared internal audit plan each year. The scope of the review of the plan includes financial information auditing, fixed and intangible asset auditing, contract management auditing, information system auditing, routine internal control program auditing, and emergencies or temporary auditing work, the purposes of which are to assess the reasonableness, compliance and timeliness of the internal control systems of the Group, and to conduct a comprehensive evaluation and test of the Group's internal control environment, operational risks, control activities, etc. The Board secretariat and finance department conduct audits every year according to the approved work plan and report to the Audit Committee the review of the risk management and internal control systems during the year, put forward suggestions for improving the effectiveness of the Group's risk management and internal control systems, and report the main audit findings and the implementation of relevant rectification suggestions.

On the other hand, in order to further strengthen the internal control of the Group, it has also appointed an independent professional consultant ("**Internal Control Consultant**") to conduct an annual review on the effectiveness of the risk management and internal control system for the year ended December 31, 2021. The Internal Control Consultant has reported the findings and improvement suggestions to the Audit Committee, and the management of the Group will continue to closely follow up the relevant rectification measures to ensure that the improvement suggestions are implemented within a reasonable time.

The internal audit function, as one of the important lines of defense of the Group's risk management structure, makes objective assessments of the Group's risk management and internal control systems and reports to the Audit Committee in a timely manner.

The Audit Committee (on behalf of the Board) continuously reviews the Company's risk management and internal control systems, reviews related work reports and key performance indicator information, and discusses major risks with the senior management of the Company. The Board believes that the Company's risk management and internal control systems are effective and adequate during the Reporting Period. In addition, the Board also believes that the internal audit, accounting, financial reporting and other functions of the Group have been performed by employees with appropriate qualifications and experience, and such employees have received appropriate and adequate training and development activities.

1.6 Disclosure of inside information policy

In order to ensure timely, fair, accurate and complete disclosure of inside information and compliance with applicable laws and regulations, the Group has formulated a comprehensive inside information disclosure policy. The Group also implemented the control procedures to ensure the timely handling and release of inside information disclosure, which provides comprehensive work guidelines for Directors, senior management and relevant employees of the Group. At the same time, the Group has also implemented strict internal control procedures to prohibit Directors, senior management and relevant employees from unauthorised access and use of inside information.

Communication with Shareholders and Investors

The Company believes that effective communication with Shareholders and investors will enable a better understanding toward the Group's business and strategies. The Company will continue to provide Shareholders and investors with information disclosure in a high degree of transparency and timely manner so that they can obtain relevant information to make the best investment decisions.

Convening of Extraordinary General Meetings by Shareholders of the Company

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more Shareholders deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company as at the date of deposit of the requisition. General meetings may also be convened on the written requisition of a Shareholder which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong, specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company as at the date of deposit of the requisition.

If the Board does not proceed duly within 21 days from the date of deposit of the requisition to convene the meeting that should be held within a further 21 days from the date of deposit of the requisition, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Propose Resolutions at General Meetings

There are no provisions in the Companies Law or the Articles of Association that allow shareholders to propose new resolutions at general meetings. However, shareholders who wish to propose a resolution at a general meeting may do so by convening an extraordinary general meeting in accordance with the procedures set out in the paragraph above.

Enquiries to the Board and Contact Information

Inquiries about the Company can be submitted to the Board by contacting the Company or directly raise questions at the annual general meeting or extraordinary general meeting.

The above enquiries and requisitions can be made by the Shareholders by following means:

Address: 27/F, Wangjing Jinhui Building, Chaoyang District, Beijing
Tel.No.: (+86) 010-87726988
Email: investment@joyspreader.com

Shareholders of the Company could directly contact the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for enquiry of shareholdings.

Communication with Shareholders and Investors Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders. Directors will meet Shareholders and answer their enquiries through annual general meetings and other general meetings.

In order to promote the effective communication with Shareholders and investors, the Company maintains a website (http://www.joyspreader.com), where the Company's business update and operations, financial information, corporate governance practices and policies and other information are available for public access.

The Board has considered the above-mentioned shareholder communication policy of the Company and is satisfied that there are effective channels for shareholders to communicate with and be concerned about the Company.

In addition, the Company has established various channels of communication with its Shareholders, investors and other stakeholders to enhance investor relations and allow them to understand the Group's results and strategies. Such channels include (i) the publication of annual reports and/or dispatch of circulars, notices and other announcements; (ii) annual general meetings or extraordinary general meetings which provide a forum for Shareholders to present their advices to and exchange views with the Board; (iii) updates and key information of the Group which are available on the Company's website and the website of the Stock Exchange; (iv) the Company's website which provides a channel of communication between the Company and its stakeholders; and (v) the Company's share registrar in Hong Kong which provides services to Shareholders for the registration of all share transfers.

DIVIDEND POLICY

Subject to the Cayman Companies Law and the Articles of Association of the Company, the Shareholders of the Company may approve any declaration of dividends in a general meeting, which must not exceed the amount recommended by the Board.

Any dividends the Company pays will be determined at the absolute discretion of the Board, taking into account factors including the Company's general business conditions, financial position, cash requirements and availability, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that the Board deems to be appropriate.

CONSTITUTIONAL DOCUMENTS

The Articles of Association of the Company have been amended and restated for the second time. Following the approval of a special resolution in relation to the change of the Company's name by Shareholders by poll at the Annual General Meeting held on 30 June 2021, the Articles of Association of the Company were amended by replacing all references to "Joy Spreader Interactive Technology. Ltd 乐享互动有限公司" with "Joy Spreader Group Inc. 樂享集團有限公司" in the amended and restated memorandum and articles of association to reflect the change of the Company's name and the adoption of such amended memorandum and articles of association of the Company as the second amended and restated memorandum and articles of association of the Company, which shall be effective from July 7, 2021 and available on the respective websites of the Stock Exchange and the Company.

Save as disclosed above, there are no changes to the Company's constitutional documents for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Company strives to achieve a high standard of corporate governance to protect the interest of its 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 corporate governance Code. The Board is of the view that, for the year ended December 31, 2021, except for the deviation from code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) of the Corporate Governance Code, the Company has been complying with all applicable code provisions of the Corporate Governance Code.

Code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) of the Corporate Governance Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhu Zinan is the Chairman of the Board and the chief executive officer of the Company. Mr. Zhu Zinan has always been a key leader of the Group in the history of the Company's business. He mainly participated in the Group's strategic development, overall operational management and major decision-making. Taking into account the continuous implementation of the Company's business plan, the Directors believe that at the current development stage of the Group, Mr. Zhu Zinan's concurrent post of Chairman and chief executive officer is beneficial to and is in the interest of our Company and the Shareholders as a whole. The Board will review the existing structure from time to time, make necessary changes when appropriate and notify Shareholders accordingly. The Group will continue to review and oversee its corporate governance practices to ensure compliance with the Corporate Governance Code.

RESPONSIBILITY OF THE BOARD

The Board is responsible for the overall leadership of the Group, overseeing the strategic decisions as well as business and performance of the Group. The Board has delegated to the senior management of the Group the powers and responsibilities for the daily management and operation of the Group. In order to oversee specific fields of the Company's affairs, the Board has established three Board Committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated the responsibilities contained in the terms of reference to the Board Committees.

All Directors (including non-executive Directors and independent non-executive Directors) bring extensive valuable business experience, knowledge and expertise to the Board, enabling it to operate efficiently and effectively. Independent non-executive Directors are responsible for maintaining a high level of regulatory reporting, achieving a balanced Board and making effective independent judgments on corporate actions and operations.

All the Directors must ensure that they act in good faith, comply with applicable laws and regulations and the Listing Rules, and perform their duties in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage for liabilities arising from legal proceedings against the Directors and will review such insurance coverage annually.

DIRECTORS' REPORT

The Board of Directors is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on February 19, 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Shares of the Company were listed on the Main Board of the Stock Exchange on September 23, 2020. The Group is a leading mobile new media performance-based marketing technology company in China.

A list of the Company's subsidiaries, together with their places of establishment or incorporation, principal activities and details of their issued shares/paid up capital, is set out in note 41 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Review and Performance of the Year

A review of the Group's business during the year, a discussion on and analysis of the Group's future business development and the financial and operating key performance indicators used by the Directors in measuring the Group's business performance are set out in the sections headed "Financial Highlights" on pages 6 to 8, "Corporate Profile" on pages 9 to 17 and "Management Discussion and Analysis" on pages 18 to 31 of this annual report.

Environment Policies and Performance

The Group shall comply with the national and local laws and regulations on environment, health and safety in China. The Group has established detailed internal rules on environmental protection. As far as the Group is aware, during the year ended December 31, 2021, the Group complied with relevant environmental and occupational health and safety laws and regulations in China, and no incidents or complaints occurred during the Reporting Period that had a material adverse effect on our business, financial condition or results of operations.

Compliance with Relevant Laws and Regulations

For the year ended December 31, 2021, the Group has established compliance procedures to ensure compliance with applicable laws, rules and regulations that have a significant impact on the Group. The Board and senior management, within their respective scope of responsibilities, together with internal and external professional advisers, monitor policies and practices relating to the Group's compliance with laws and regulations. Changes, if any, in applicable laws, rules and regulations that have a significant impact on the Company will be brought to the notice of relevant employees and relevant business units from time to time. During the Reporting Period, the work of the Board of Directors and senior management complied with relevant applicable laws and regulations, the Articles of Association of the Company, charters of the Board Committees, internal policies and the relevant provisions of various internal control systems. Decision-making procedures of the Company are legitimate and effective. Directors and senior management of the Company have performed in a diligent and responsible manner and the resolutions of the Board meetings are implemented faithfully. Meanwhile, the Company has timely performed its disclosure obligations which are in strict compliance with the requirements of the Listing Rules and the Model Code.

The Group provides and establishes (including but not limited to) pension insurance, mandatory provident funds, basic medical insurance, injury insurance and other statutory benefits for employees in accordance with the laws, regulations and relevant policies of China and other regions in which the Group operates.

As far as the Group is aware, employees of the Group and the Group have complied with all relevant rules and regulations that have a significant impact on the Group for the year ended December 31, 2021.

Key Relationships with Stakeholders

The Group recognizes different stakeholders, including customers, suppliers, Shareholders, employees and other business partners, as the key to the success of the Group. The Group strives to maintain contact and cooperation and establish stable relationship with them to achieve sustainable development of the enterprise.

The Group believes that attracting, recruiting and retaining quality employees is essential. In order to maintain the quality, know-how and skills of the Group's employees, the Group provides regular training to employees, including induction training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and has not experienced any significant labor disputes or difficulties in recruiting employees for its business operations.

Major Risks and Uncertainties and Risk Management

There are certain risks relating to our business and industry, relating to our Contractual Arrangements, relating to doing business in China and in connection with the Global Offering (as defined in the Prospectus), many of which are beyond our control. We believe the most significant risks we face include but are not limited to the following:

(i) we may fail to retain existing marketers and we-media publishers or attract new marketers and we-media publishers;

(ii) we may be unable to innovate, adapt and respond timely and effectively to rapidly-changing technologies and new market trends in the performance-based we-media marketing services market;

(iii) the performance-based we-media marketing services industry may fail to continue to develop, or develops or grows at a slower pace than expected;

(iv) our algorithms for assessing and predicting potential target audience may be or become flawed or ineffective, and our performance-based marketing may fail to deliver satisfactory results;

(v) we may face limitations on our data collection, or challenges to our right to collect and use such data, which could significantly diminish the value of our services and cause us to lose marketers and we-media publishers; and

(vi) the data that we collect from marketers and we-media publishers may be inaccurate or fraudulent.

The Company believes that risk management is essential to the efficient and effective operation of the Group. The management of the Company assists the Board in assessing major risks arising inside and outside the Group's business, including operation risks, financial risks, regulatory risks, etc., and actively establishes appropriate risk management and internal control systems in daily management. The financial risk management objectives and policies of the Group are set out in note 36 to the consolidated financial statements of this annual report.

Events 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 of the Company 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 annual report, 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 annual report, there are no material events that affected the Group after December 31, 2021.

DIRECTORS

The Board currently comprises four executive Directors, two non-executive Directors and three independent non-executive Directors.

The Directors up to the date of this annual reports are:

Executive Directors

Mr. Zhu Zinan *(Chairman, executive Director)*
Mr. Cheng Lin
Ms. Qin Jiaxin (appointed as an executive Director with effect from March 22, 2021)
Mr. Sheng Shiwei (appointed as an executive Director with effect from March 22, 2021)

Non-executive Directors

Mr. Hu Qingping
Mr. Hu Jiawei (appointed as a non-executive Director with effect from March 22, 2021)

Independent non-executive Directors

Mr. Xu Chong
Mr. Tang Wei
Mr. Fang Hongwei

In accordance with Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting. In accordance with Article 16.3 of the Articles of Association, the Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall not be less than two. Subject to the provisions of these Articles and the Companies Law, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election.

In accordance with Article 16.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or Article 16.3 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

In accordance with Article 16.18 of the Articles of Association, Mr. Zhu Zinan, Mr. Tang Wei and Mr. Hu Qingping shall retire from office at the AGM. Such retiring Directors, being eligible, will offer themselves for re-election at the AGM.

No Director proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

Biography of Directors and Senior Management of the Group

The biographical details of Directors and senior management of the Group is set out in the section headed "Directors and Senior Management" in this annual report.

Changes on Directors' Information

On September 30, 2021, Mr. Zhang Zhidi ("**Mr. Zhang**") resigned as an executive Director.

On December 10, 2021, Mr. Yap Jin Meng Bryan ("**Mr. Yap**") resigned as an independent non-executive Director and a member of the Board Audit Committee, and Mr. Hu Qingping, a non-executive Director, was appointed as a member of the Audit Committee on the same date.

Each of Mr. Zhang Zhidi and Mr. Yap Jin Meng Bryan has confirmed that he has no disagreement with the Board, and that there are no other matters in respect of his or her resignation that needs to be brought to the attention of the Stock Exchange and the Shareholders of Company.

Directors' Service Contracts

Each of Mr. Zhu Zinan and Mr. Cheng Lin in the four executive Directors, has entered into a service agreement with the Company with an initial term of three years commencing from the Listing Date, and is subject to termination in certain circumstances as stipulated in the relevant service agreements. Ms. Qin Jiaxin and Mr. Sheng Shiwei as executive Directors have entered into a service agreement with the Company, respectively, with effect from March 22, 2021, and have been re-elected at the annual general meeting of the Company held on June 30, 2021 with a term of three years.

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material aspects.

Each of our executive Directors (except for Ms. Qin Jiaxin and Mr. Sheng Shiwei), non-executive Directors (except for Mr. Hu Jiawei) and independent non-executive Directors is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Ms. Qin Jiaxin, Mr. Sheng Shiwei and Mr. Hu Jiawei have entered into a service agreement or appointment letter with the Company, respectively, with effect from March 22, 2021, and have been re-elected at the annual general meeting of the Company held on June 30, 2021 with a term of three years.

Remuneration of the Directors and Five Highest Paid Individuals

Details of the remuneration of the Directors and five highest paid individuals of the Group are set out in note 13 and note 39 to the consolidated financial statements of this annual report.

During the year ended December 31, 2021, none of the Directors has waived or agreed to waive any emoluments.

Employees and Remuneration Policies

A review of the Group's employees and remuneration policies during the year is set out in the section headed "Management Discussion and Analysis" on pages 18 to 31 of this annual report.

The Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company believes that all independent non-executive Directors are independent under the guidance of the Listing Rules.

The Directors' Interests in Competing Business

As at December 31, 2021, none of the Directors or their respective associates was engaged in or had an interest in any business which competes or might compete with the business of the Group.

The Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted during the Reporting Period or at the end of the Reporting Period.

Connected Transactions

No related party transactions disclosed in note 39 to the consolidated financial statements constituted as a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Save as disclosed below in this annual report, during the year ended December 31, 2021, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

CONTRACTUAL ARRANGEMENT

The Group has entered into the Contractual Arrangements with WFOE, Beijing Joyspreader and the Registered Shareholders, to enable us to, among other things, (1) obtain substantially all of the economic benefits from Beijing Joyspreader in consideration for the management and consultation services provided by the Company in this regard; (2) exercise effective control over Consolidated Affiliated Entities; and (3) hold an exclusive option to purchase all or any part of equity interests in Beijing Joyspreader where permitted by PRC laws. Accordingly, through the Contractual Arrangements, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows will be consolidated into the Company's financial statements.

I. The Specific Agreements that Constitute the Contractual Arrangements

A brief description of the specific agreements that constitute the Contractual Arrangements is as follows:

1. Exclusive Management and Consultation Service Agreement

Pursuant to the exclusive management and consultation service agreement entered into by Beijing Joyspreader and WFOE on December 11, 2019 (the "**Exclusive Management and Consultation Service Agreement**"), WFOE agreed to be engaged by Beijing Joyspreader as its exclusive provider of management and consultation services, including:

(1) to formulate the management mode and operation plan of the Consolidated Affiliated Entities;

(2) to facilitate the construction of enterprise standardization and information management system of the Consolidated Affiliated Entities;

(3) to formulate market expansion plan of the Consolidated Affiliated Entities;

(4) to provide services in relation to market research, market survey, research consultation and judgment, and to provide market information to the Consolidated Affiliated Entities;

(5) to assist the Consolidated Affiliated Entities in establishing complete management of business process;

(6) to provide management and consultant services in relation to daily operation, finance, investment, asset, credit and debt, human resource, internal informatization, and other management and consultant services;

(7) to provide management, development, upgrading, renewal and maintenance services of office application system and network system to the Consolidated Affiliated Entities;

(8) to formulate client maintenance plan for the Consolidated Affiliated Entities and assist them in maintaining the relationships with clients;

(9) to provide advice and suggestion in relation to asset and business operation of the Consolidated Affiliated Entities;

(10) to provide advice and suggestion in relation to the negotiation, execution and implementation of material contracts;

(11) to provide advice and suggestion in relation to acquisitions and mergers and other expansion plan of the Consolidated Affiliated Entities;

(12) to provide management of technical support;

(13) to provide training on staff of the Consolidated Affiliated Entities and to help improve their professional skills; and

(14) to provide other services from time to time based on the actual business requirement and its capacity.

Pursuant to the Exclusive Management and Consultation Service Agreement, the service fee shall be equivalent to the total consolidated profit after tax of Beijing Joyspreader, after offsetting the prior-year loss (if any) and statutory reserve funds (if applicable). Notwithstanding the foregoing, WFOE may adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of the Consolidated Affiliated Entities and send the service fee invoice ("**WFOE's invoice**") to Beijing Joyspreader within 10 days after receiving the fiscal documents. Beijing Joyspreader has agreed to pay the service fee within 7 days after receiving WFOE's invoice. The service fee shall be paid annually under the direction of WFOE. Although there is payment arrangement contained in the Exclusive Management and Consultation Service Agreement, WFOE shall have the right to adjust the payment schedule and payment terms. Beijing Joyspreader agreed to accept any relevant adjustments.

In addition, pursuant to the Exclusive Management and Consultation Service Agreement, without the prior written approval from WFOE, Beijing Joyspreader shall not, and shall procure the other Consolidated Affiliated Entities not to, accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Management and Consultation Service Agreement with any third party.

The Exclusive Management and Consultation Service Agreement also provides that (i) all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Management and Consultation Service Agreement, or those intellectual property invented, developed or authorised to be invented by Beijing Joyspreader based on services provided by WFOE or from any other means belong to WFOE; and (ii) WFOE is entitled to authorize the Consolidated Affiliated Entities to use such intellectual property rights; (iii) WFOE is authorised to use all existing intellectual property rights owned by Beijing Joyspreader and the Consolidated Affiliated Entities on or before the execution of the Exclusive Management and Consultation Service Agreement for free.

The Exclusive Management and Consultation Service Agreement shall remain effective unless being terminated (a) in writing by both parties; or (b) all the equity interest and/or assets of Beijing Joyspreader has been legally transferred to WFOE or the nominee(s) designated by WFOE. Nonetheless, WFOE shall always have the right to terminate this agreement by giving a prior written notice of termination 30 days in advance.

2. Exclusive Option Agreement

Pursuant to the exclusive option agreement entered into by WFOE, Beijing Joyspreader and the Registered Shareholders on December 11, 2019 (the "**Exclusive Option Agreement**"), WFOE shall have the rights to require the Registered Shareholders to transfer any or all their equity interests in Beijing Joyspreader to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. If not explicitly specified in PRC laws and regulations, the transfer price shall be the nominal price, i.e. RMB1.00. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, if the consideration is over RMB1.00, they will return to WFOE any consideration that over RMB1.00 they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the equity interests and/or assets in Beijing Joyspreader.

Pursuant to the Exclusive Option Agreement, the Registered Shareholders and Beijing Joyspreader have undertaken to perform certain acts or refrain from performing certain other acts unless they have obtained prior approval from WFOE, including but not limited to the following matters:

(1) Without the prior written consent of WFOE, Beijing Joyspreader shall not in any manner supplement, change or alter its constitutional documents or increase or decrease its registered capital or change the structure of its registered capital in other manner;

(2) Beijing Joyspreader shall prudently and effectively operate its business and transactions in accordance with the good financial and business standards to avoid its liquidation, dissolution and bankruptcy;

(3) Beijing Joyspreader shall not sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of its income or allow any guarantee or security to be created on its assets;

(4) Beijing Joyspreader shall not terminate or procure the management team to terminate the Contractual Agreements entered into with WFOE, or enter into any contracts or agreements that conflict with the Contractual Agreements without WFOE's prior written consent;

(5) Beijing Joyspreader shall not incur, take up, guarantee or allow any indebtedness other than those in the ordinary course of business and having been disclosed to and consented by WFOE in writing;

(6) Beijing Joyspreader shall operate its business in order to maintain its asset value or not allow any acts or omission which adversely affects its business or assets value;

(7) Without the prior written consent of WFOE, Beijing Joyspreader shall not enter into any material contracts with a value above RMB10 million, except the contracts executed in the ordinary course of business;

(8) Without the prior written consent of WFOE, the Consolidated Affiliated Entities shall not incur, take up, guarantee any form of indebtedness to any third party nor pledge or allow the encumbrance thereon of any security interest on the shares or any asset of the Consolidated Affiliated Entities;

(9) Beijing Joyspreader and its affiliates shall provide its labor, operation and financial information to WFOE or its designated person upon WFOE's request;

(10) when necessary, Beijing Joyspreader and its affiliates shall only purchase insurances from insurance companies that WFOE recognizes, and the amounts and categorizes of the insurances shall maintain the same with the companies having similar businesses or assets in the same field;

(11) Beijing Joyspreader and its affiliates shall not separate, or merge, or enter into joint operation agreements with other entities, or acquire or be acquired by other entities, or invest in any entities;

(12) Beijing Joyspreader shall immediately inform WFOE if its assets, business or income involved in any disputes, litigations, arbitrations or administrative proceedings, and take all necessary measures upon WFOE's requests;

(13) Beijing Joyspreader shall sign all necessary and appropriate documents, take all necessary and proper acts, bring up all necessary and proper requests, or provide necessary and proper defenses against claims to maintain Beijing Joyspreader and its affiliates' ownership for all the assets;

(14) if the Registered Shareholders or Beijing Joyspreader fails to perform the tax obligations under applicable laws and results in obstacles for WFOE to exercise its exclusive option right, Beijing Joyspreader or the Registered Shareholders shall pay the taxes or pay the same amount to WFOE so WFOE may pay the taxes instead; and

(15) Beijing Joyspreader shall not distribute any dividend to its shareholders without WFOE's written consent. Each Registered Shareholder shall inform and transfer all distributable dividends, capital dividend and other asset receivable by him at nil consideration to his designated WFOE or a third party within 3 days of receiving such interests.

The Exclusive Option Agreement commenced on December 11, 2019, being the date of the agreement, until it is terminated (i) in writing by all parties, or (ii) upon the transfer of the entire equity interests held by the Registered Shareholders and/or the transfer of all the assets of Beijing Joyspreader to WFOE or its designated person. Nonetheless, WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination 30 days in advance.

3. Equity Pledge Agreement

Pursuant to the equity pledge agreement entered into by WFOE, Beijing Joyspreader and the Registered Shareholders on December 11, 2019 (the "**Equity Pledge Agreement**"), each of the Registered Shareholders agreed to pledge all of their respective equity interests in Beijing Joyspreader to WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

Under the Equity Pledge Agreement, Beijing Joyspreader represents and warrants to WFOE that appropriate arrangements have been made to protect WFOE's interests in the event of death, bankruptcy or divorce of the Registered Shareholders to avoid any practical difficulties in enforcing the Equity Pledge Agreement and shall procure any successors of the Registered Shareholders to comply with the same undertakings as if they were parties to the Equity Pledge Agreement. If Beijing Joyspreader declares any dividend during the term of the pledge, WFOE is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of the Registered Shareholders or Beijing Joyspreader breaches or fails to fulfill the obligations under any of the aforementioned agreements, WFOE, as the pledgee, will be entitled to dispose of the pledged equity interests, entirely or partially and WFOE will be paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interests upon notice to the Registered Shareholders. In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders has undertaken to WFOE, among other things, not to transfer his equity interests in Beijing Joyspreader and not to create or allow any pledge thereon that may affect the rights and interest of WFOE without its prior written consent.

The registration of the Equity Pledge Agreement as required by the relevant laws and regulations has been completed in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations.

The Equity Pledge Agreement takes effect upon the execution date and shall remain valid until (i) all the obligations under the Contractual Arrangements (other than the Equity Pledge Agreement) have been fulfilled; (ii) each of the Registered Shareholders has transferred his equity interests in Beijing Joyspreader in accordance with the Exclusive Option Agreement; (iii) all the agreements underlying the Contractual Arrangements have been terminated; (iv) Beijing Joyspreader has transferred all of its assets in accordance with the Exclusive Option Agreement; and (v) the Equity Pledge Agreement has been unilaterally terminated by WFOE with a prior written notice of termination 30 days in advance.

4. Shareholders' Rights Proxy Agreement

Pursuant to the shareholders' rights proxy agreement entered into by each of Beijing Joyspreader, the Registered Shareholders and WFOE on December 11, 2019 (the "**Shareholders' Rights Proxy Agreement**"), each Registered Shareholder irrevocably appoints WFOE or its designated person, as his attorney-in-fact to exercise such shareholder's rights in Beijing Joyspreader, including but not limited to the following matters:

(1) to attend shareholders' meetings of Beijing Joyspreader and to execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder;

(2) to prompt appointed directors to attend board meetings of Beijing Joyspreader and to execute any and all written resolutions and meeting minutes;

(3) to exercise all shareholder's rights and shareholder's voting rights in accordance with law and articles of association of Beijing Joyspreader;

(4) to sell and transfer the equity interests of Beijing Joyspreader held by Beijing Joyspreader Registered Shareholders and to execute and take any action necessary for such sale or transfer;

(5) to dispose any or all of the assets in Beijing Joyspreader;

(6) to nominate or appoint directors and supervisors of Beijing Joyspreader;

(7) to determine and take actions for winding-up and dissolution of Beijing Joyspreader;

(8) exercise other shareholders' rights as specified in other applicable laws and regulations and the articles of association of Beijing Joyspreader (and its amendments from time to time).

The Shareholders' Rights Proxy Agreement have an indefinite term and will be terminated in the event that (1) the Shareholders' Rights Proxy Agreement is unilaterally terminated by all parties in writing; or (2) all the equity interest or assets has been legally and effectively transferred to WFOE and/or a third party designated by it. Nonetheless, WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination.

Each Registered Shareholder of Beijing Joyspreader has irrevocably appointed WFOE and/or its designated person as his proxy in accordance with the corresponding Shareholders' Rights Proxy Agreement dated December 11, 2019, with effect from the same date until the date of terminating the Shareholders' Rights Proxy Agreement.

5. Spousal Consent Letters and Undertakings from the Registered Shareholders

The spouse of each of the Registered Shareholders, where applicable, has signed an undertaking (the "**Spousal Consent Letter**") to support the Contractual Arrangements and to the effect that (i) he/she acknowledges and consents that the respective Registered Shareholders enter into the Contractual Arrangements and the amendments and termination of the Contractual Arrangements do not require his/her further consents under the Contractual Arrangements; (ii) he/she has no right to or control over such interests of the respective Registered Shareholder and will not have any claim on such interests of the respective Registered Shareholders and Contractual Arrangements; and (iii) he/she undertakes to be bound by the agreements under the Contractual Arrangements (as amended from time to time) in the event that he/she for any reason obtains any equity interests in Beijing Joyspreader as the relevant Registered Shareholder's spouse.

Each of the Registered Shareholders undertakes to WFOE that, in the event of death, divorce, bankruptcy, liquidation or other circumstances regarding the Registered Shareholders which may affect the exercise of its/his/her direct or indirect equity interests in Beijing Joyspreader, the Registered Shareholder's respective spouse, successor, liquidator, and any other person/entity which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

As of the date of this annual report, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our business through our Consolidated Affiliated Entities under the Contractual Arrangements.

II. Grounds for the Contractual Arrangements

Pursuant to the List of Special Management Measures for the Market Entry of Foreign Investment (2019 Version) (《外商投資准入特別管理措施(負面清單)》(2019年版)), our business of analyzing, optimizing and distributing internet culture products operated through the Consolidated Affiliated Entities and their respective subsidiaries falls within the definition of internet culture business and subjects to foreign investment restrictions. Since the foreign investments in certain business fields which we currently operate subject to the applicable PRC laws and regulations nowadays, according to the opinion of our PRC Legal Advisors (as defined in the Prospectus), we confirm that the Company cannot hold the Consolidated Affiliated Entities directly through equity ownership.

The Consolidated Affiliated Entities are Beijing Joyspreader and its subsidiaries, each of which was established under PRC laws. Under the Contractual Arrangements, the Restricted Businesses (as defined in the Prospectus) are conducted by the Consolidated Affiliated Entities, while WFOE in turn asserts management control over the business operations of each of the Consolidated Affiliated Entities and derives the economic benefits from the Consolidated Affiliated Entities. Each of Beijing Joyspreader, Beijing Wuyou Technology Co., Ltd (伍遊(北京)科技有限公司), Horgos Wuyou Internet Technology Co., Ltd (霍爾果斯伍遊網絡科技有限公司), Horgos Yaoxi Internet Technology Co., Ltd (霍爾果斯耀西網絡科技有限公司) and Zhipu Shulian Internet Technology Co., Ltd (霍爾果斯智普數聯網絡科技有限公司) has obtained the Internet Culture Operation License, which is essential to the operation of our business.

Our Directors (including the independent non-executive Directors) are of the view that the (i) Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business operations, (ii) those transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (iii) many other companies can use similar arrangements to achieve the same purpose.

III. The Development of PRC Foreign Investment Law

On March 15, 2019, the PRC Foreign Investment Law 《中華人民共和國外商投資法》 was approved at the Second Session of the 13th Standing Committee of the National People's Congress, and took effect on January 1, 2020. The Foreign Investment Law replaced the Sino-foreign Equity Joint Venture Enterprise Law 《中外合資經營企業法》, the Sino-foreign Cooperative Joint Venture Enterprise Law 《中外合作經營企業法》 and the Wholly Foreign-invested Enterprises Law 《外資企業法》 to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulated three forms of foreign investment, but does not explicitly stipulate the Contractual Arrangements as a form of foreign investment. The Foreign Investment Law specially stipulated three forms of foreign investment, namely: (1) foreign investors set up foreign invested enterprises in China severally or jointly with other investors; (2) foreign investors acquire shares, equity, properties or other similar interests in PRC domestic enterprise; and (3) foreign investors invest in new projects in China severally or jointly with other investors.

The Foreign Investment Law does not explicitly stipulate the Contractual Arrangements as a form of foreign investment. If no other laws, administrative regulations, departmental rules or other regulatory documents concerning the Contractual Arrangements are issued and promulgated, the Foreign Investment Law itself will not have any significant adverse operational and financial impact on the legality and effectiveness of the Contractual Arrangements of the Company.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "a foreign investor makes investment in any other way stipulated by laws, administrative regulations or provisions of the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate whether our Contractual Arrangements will be recognised as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain. The Company will disclose the relevant updated information as soon as possible if the change in the Foreign Investment Law will have a material and adverse impact on it.

IV. Risks Relating to the Contractual Arrangements

There are certain risks relating to the Contractual Arrangements, including:

- If the PRC government finds that the agreement on setting up a business operation structure in China does not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and Beijing Joyspreader or their Shareholders may fail to perform their obligations under the Contractual Arrangements. We may lose the ability to use and enjoy assets held by the PRC Operational Entities (as defined in the Prospectus) that are important to the operation of our business if any of the PRC Operational Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

- The ultimate shareholder of Beijing Joyspreader may potentially have a conflict of interest with us, which could materially and adversely affect our business.

- If we exercise the option to acquire equity ownership and asset of Beijing Joyspreader, the ownership and asset transfer may subject us to certain limitations and substantial costs.

- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

Our Group has adopted measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and compliance with the Contractual Arrangements, including:

(1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(2) the Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(3) our Company will disclose the overall performance and compliance with the Contractual Arrangements in our Company's annual reports; and

(4) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

V. Listing Rules Implications

The highest applicable percentage ratios under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

VI. The Waiver Granted by the Stock Exchange

Pursuant to Rule 14A.102 and Rule 14A.105 of the Listing Rules, the Stock Exchange has granted a waiver that the Company, during the period of its Shares listed on the Stock Exchange, (i) strict compliance with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting an annual cap for the transactions under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as subject to the certain conditions. If any terms of the Contractual Arrangements are amended or we enter into a new agreement with any connected person in the future, we shall comply with Chapter 14A of the Listing Rules to obtain a waiver from the Stock Exchange. These conditions including:

(1) no changes shall be made without the approval of the independent non-executive Directors;

(2) no changes shall be made without the approval of the independent Shareholders;

(3) the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the Consolidated Affiliated Entities;

(4) upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, the Contractual Arrangements may be renewed and/or reproduced without obtaining the approval of the Shareholders, on substantially the same terms and conditions of Contractual Arrangements; and

(5) The Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

VII. Confirmation from Independent Non-Executive Directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended December 31, 2021 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) during the year end December 31, 2021, no dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, (iii) during the year end December 31, 2021, the Group has not entered into, renewed or reproduced any new contracts with Consolidated Affiliated Entities, and (iv) Contractual Arrangements have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VIII. Confirmation from Auditor of the Company in Relation to the Continuing Connected Transactions

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with the Equity Pledge Agreement and the Exclusive Management and Consultation Service Agreement for the year ended December 31, 2021 in accordance with Main Board Listing Rules 14A.56, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Equity Pledge Agreement and the Exclusive Management and Consultation Service Agreement for the year ended December 31, 2021. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

IX. Non-exempted Continuing Connected Transactions

During the Year, the Group carried out the following transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and were subject to annual review.

Transactions	Parties involved	Continuing connected transactions in relation to	Continuing connected transactions amount for the year ended December 31, 2021	Annual cap for the year ended December 31, 2021
Equity Pledge Agreement entered into among Beijing Joy Spreader, WFOE and Registered Shareholders	Consolidated Affiliated Entities and the holders of equity interests of the Consolidated Affiliated Entities, including WFOE	Dividends or other distributions made by Consolidated Affiliated Entities to the holders of equity interests of Consolidated Affiliated Entities	Nil	Not applicable
Exclusive Management and Consultation Service Agreement entered into between Beijing Joyspreader and WFOE	Consolidated Affiliated Entities and WFOE	Management and consultation service provided by WFOE to Consolidated Affiliated Entities.	HK$17,114,000	Not applicable

THE DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2021, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares/ underlying Shares(1)	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporation(2)	858,409,400 (L)	39.28%
ZZN. Ltd.	Beneficial owner	747,298,300 (L)	34.20%
Laurence mate. Ltd.	Beneficial owner	111,111,100 (L)	5.08%

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.

(2) 747,298,300 Shares and 111,111,100 Shares of the Company are held by ZZN. Ltd. and Laurence mate. Ltd. respectively. Mr. Zhu held 100% interests of ZZN. Ltd. and 90% interests of Laurence mate. Ltd., and therefore Mr. Zhu is deemed to be interested in the Shares held by ZZN. Ltd. and Laurence mate. Ltd. under the SFO.

Interests in Shares or Underlying Shares of Beijing Joyspreader

Name of Director	Nature of interest	Number of shares of Beijing Joyspreader(1)	Approximate percentage of shareholding interest in Beijing Joyspreader
Mr. Zhu	Beneficial owner	7,472,983 (L)	45.81%
	Interest in controlled corporation(2)	1,111,111 (L)	6.81%

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.

(2) Mr. Zhu held 90% equity interests of Beijing Zinan and Friends, which in turn held 1,111,111 shares of Beijing Joyspreader, and therefore Mr. Zhu is deemed to be interested in the shares held by Beijing Zinan and Friends in Beijing Joyspreader under the SFO.

Save as disclosed above, as at December 31, 2021, so far as it was known to the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

THE DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2021, so far as it was known to the Directors or chief executives of the Company, the following persons (other than the Directors and chief executives of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Shares or Underlying Shares of the Company

Name of Shareholder	Nature of interest	Number of Shares/ underlying Shares[(1)]	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporation[(2)]	858,409,400 (L)	39.28%
ZZN.Ltd.	Beneficial owner[(3)]	747,298,300 (L)	34.20%
Laurence mate. Ltd.	Beneficial owner[(4)]	111,111,100 (L)	5.08%
Shenzhen Nanhai Growth	Beneficial owner[(5)]	124,610,400 (L)	5.70%
NT Balance Capital Ltd.	Beneficial owner[(6)]	118,795,300 (L)	5.44%
Balance Capital Group Ltd.	Beneficial owner[(7)]	72,727,100 (L)	3.33%

Notes:

(1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.

(2) Mr. Zhu held 100% interests of ZZN. Ltd. and 90% interests of Laurence mate. Ltd.

(3) ZZN. Ltd. is a limited liability company incorporated in the BVI and wholly owned by Mr. Zhu.

(4) Laurence mate. Ltd. is owned as to 90% by Mr. Zhu and 10% by Mr. Zhang Zhidi.

(5) Each of Shenzhen Nanhai Chengzhangtongying (sole shareholder of Shenzhen Nanhai Growth), Cowin Jinxiu Capital Firm (深圳同創錦繡資產管理有限公司) (general partner of Shenzhen Nanhai Chengzhangtongying), Shenzhen Cowin Asset Management Co., Ltd (深圳同創偉業資產管理股份有限公司) (sole shareholder of Cowin Jinxiu Capital Firm), Shenzhen Cowin Venture Capital Co., Ltd. (深圳市同創偉業創業投資有限公司) (holding approximately 35.01% equity interests of Shenzhen Cowin Asset Management Co., Ltd.), Mr. Zheng Weihe (鄭偉鶴) (holding 45% equity interests of Shenzhen Cowin Venture Capital Co., Ltd.) and Ms. Huang Li (黃荔) (holding 55% equity interests of Shenzhen Cowin Venture Capital Co., Ltd.) is deemed to be interested in the Shares held by Shenzhen Nanhai Growth under the SFO.

(6) Each of Nantong Pinghengchuangye (sole shareholder of NT Balance Capital Ltd.), Nantong Pingheng Capital Management Center (Limited Partnership) (南通平衡資本管理中心(有限合夥)) ("**Nantong Pingheng Capital**", general partner of Nantong Pinghengchuangye), Nanjing Pingheng Capital (general partner of Nantong Pingheng Capital), Mr. Lv Xueqiang (呂學強,general partner of Nanjing Pingheng Capital), Nantong Luhai Tongchou Growth Fund Co., Ltd (南通陸海統籌發展基金有限公司) (limited partner holding 40% equity interests of Nantong Pinghengchuangye) and Nantong Finance Bureau (holding 75% equity interest of Nantong Luhai Tongchou Growth Fund Co., Ltd) is deemed to be interested in the Shares held by NT Balance Capital Ltd. under the SFO.

(7) Each of Nanjing Pingheng Capital (sole shareholder of Balance Capital Group Ltd.) and Mr. Lv Xueqiang (呂學強,general partner of Nanjing Pingheng Capital) is deemed to be interested in the Shares held by Balance Capital Group Ltd. under the SFO. Mr. Lv Xueqiang is also the ultimate controller of NT Balance Capital Ltd.

Save as disclosed above, as at December 31, 2021, the Directors and chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

Save as disclosed in this annual report, none of the controlling shareholders of our Group or their subsidiaries had a material interest, directly or indirectly, in any material contract during the Reporting Period for the provision of services to the Company or the Group to which any of its subsidiaries belongs or other reasons.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Group's sales to its five largest customers accounted for 33.68% of the Group's total revenue for the year ended December 31, 2021 and 36.32% for the year ended December 31, 2020. Sales to the Group's largest customer accounted for 8.50% of the Group's total revenue, compared to 10.83% for the year ended December 31, 2020.

Major Suppliers

The purchase attributable to the Group's five latest suppliers accounted for 95.24% of the Group's total purchases for the year ended December 31, 2021 and 98.44% for the year ended December 31, 2020. The purchase attributable to the Group's largest supplier accounted for 73.91% of the Group's total purchases for the year ended December 31, 2021, as compared to 46.24% for the year ended December 31, 2020.

For the year ended December 31, 2021, none of the Directors or any of their close associates or Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's issued Shares, had an interest in any of the five largest customers and the five largest suppliers of the Group.

MANAGEMENT CONTRACTS

During the Reporting Period, the Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2021.

PERMITTED INDEMNITY OF DIRECTORS

According to the Articles of Association, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him in the performance of his duties or in the execution of his duties on trust or otherwise incurred or sustained. For the year ended December 31, 2021, the Company has arranged appropriate liability insurance for the Directors of the Group.

RESULTS

The Group's profit for the year ended December 31, 2021 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 106 to 109.

DIVIDENDS

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

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Period are set out in note 31 to the consolidated financial statements of this annual report.

BONDS ISSUED

During the year ended December 31, 2021, the Company has not issued any bonds and convertible bonds.

BANK LOANS AND OTHER BORROWINGS

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

LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of the date of this annual report, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2021. To the best knowledge of Directors, there was also not any material litigation or claims that were pending or threatened against the Group during the year ended December 31, 2021.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we did not have any plan for material investments and capital assets.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 43 to the consolidated financial statements of this annual report.

As at December 31, 2021, the Company's reserves available for distribution to Shareholders of the Company amounted to HK$1,310,393,000.

CHARITABLE DONATIONS

During the Reporting Period, charitable and other donations made by the Group were HK$181,000.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 17 to the consolidated financial statements of this annual report.

USE OF PROCEEDS FROM LISTING

The Company was successfully listed on the Main Board of the 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 short-form 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
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

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 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 report and in accordance with the expected schedule.

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 of the Company 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 annual report, the Board is still assessing the use of the Increased Net Proceeds and will make an announcement in a timely manner.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend the AGM of the Company to be held on June 17, 2022, the register of members of the Company will be closed from June 14, 2022 (Tuesday) to June 17, 2022 (Friday), both days inclusive, during which period no transfer of Shares of the Company will be effected. In order to be entitled to attend the AGM, all share transfer documents accompanied by the relevant Share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on June 13, 2022.

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 annual report. During the year ended December 31, 2021, the details of the repurchased Shares are set out as below:

		Price paid per Share		
Month of repurchase	**Number of Shares repurchased on the Stock Exchange**	**Highest** (HK$)	**Lowest** (HK$)	**Aggregate consideration paid** (HK$'000)
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
	5,341,000			11,950

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.

SUFFICIENCY OF PUBLIC FLOAT

Based on publicly available information and to the knowledge of the Directors, the Company has maintained the public float as required by the Listing Rules as at the date of this annual report.

TAX RELIEF AND EXEMPTION

To the best knowledge of the Directors, none of the Shareholders is entitled to any tax relief and exemption by reason of their holding of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the law of Cayman Islands being the jurisdiction in which the Company is incorporated under which the Company would be obliged to offer new Shares on a pro-rata basis to existing Shareholders.

AUDITOR

The Company did not change its auditor since its Listing. The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2021. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the forthcoming AGM for the approval of Shareholders.

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

Beijing, China
March 20, 2022

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Summary

Joy Spreader Group Inc. (the "Company", together with its subsidiaries, the "Group", "our Group", "we", "us", or "our") is pleased to issue its environmental, social and governance report (the "**Report**") for 2021 and disclose the Group's ideas and practices in environmental, social and governance ("**ESG**") in order to deepen stakeholders' understanding of our progress and development direction in the issue of sustainability.

Reporting Scope

The time range of this Report is from January 1, 2021 to December 31, 2021, which is in line with the financial year covered by the 2021 Annual Report of the Group. The Report covers the Company and its subsidiaries.

Reporting Standards

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") in Appendix 27 to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and has complied with the "comply or explain" provisions in the ESG Guide.

Contact Information

If you have any doubt or suggestion regarding the content or format of the Report, please contact us through:

- Tel: 010-87726988
- Email: investment@joyspreader.com

CORPORATE PROFILE

The Group is 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 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.

ESG MANAGEMENT SYSTEM

The Group is well aware of the importance of ESG governance to the environment, the society and its own long-term development. Therefore, the Group has incorporated ESG factors into its corporate strategic plans and daily operation.

The Group has established the ESG Management System to clarify the ESG management responsibilities and functions at all levels and assist the Board in understanding the Group's risk management strategies and measures in time. The following sets forth the structure illustrations of the Group's ESG Management System.

Level	Role	Responsibility
L1	the Board	– comprehensively supervise the Group's ESG management matters – review ESG report
L2	the ESG task force of the Group	– identify the Group's major ESG risks – develop work plan for ESG management – develop ESG goals – carry on ESG performance appraisal
L3	the departments of the Group	– specifically implement ESG policies and strategies – collect the Group's ESG data, policies and other relevant information

STAKEHOLDER ENGAGEMENT

The stakeholders of the Group include groups such as staff, customers, shareholders and investors, suppliers, governments, communities and the general public. The Group has established close contact with stakeholders via various communication mechanisms to ensure that all issues concerned by the stakeholders are timely understood. The following sets forth an overview of the communication channels between the Group and major stakeholders.

Stakeholder	Focus of concern	Communication channel
Staff	– benefits and welfare – equal promotion opportunities – career development – health and safety	– internal email – staff training – staff meeting – staff activities
Customers	– product safety and quality – customer services – business ethics and integrity – customer information safety	– the Group's website – annual report – customer services hotline and email

Stakeholder	Focus of concern	Communication channel
Shareholders and investors	– investment return – risk control – corporate governance – consultation transparency	– shareholder's meeting – the Group's website – annual report
Suppliers	– fair procurement – business ethics and integrity – win-win cooperation	– suppliers' evaluation – meetings and calls concerning business
Governments	– operate in accordance with laws – pay taxes in accordance with laws – support local development	– apply for approval – supervise and inspect
Communities and the general public	– community engagement – job opportunities – support community development	– charity and public welfare activities – social recruitment

1. ENVIRONMENTAL IMPACTS

The Group acknowledges that environmental protection is a social responsibility for an enterprise. As a technology company engaged in mobile new media intelligent performance-based marketing business, the pollutants and non-hazardous wastes generated and natural resources consumed by the Group's operating activities both had no material impacts on the environment during the Reporting Period. Nevertheless, the Group has always been committed to protecting the environment by formulating and performing environmental-friendly policies and measures in order to reduce the generation of emissions and non-hazardous wastes and the consumption of natural resources by the Group.

The Group has strictly complied with relevant laws and regulations including the Environmental Protection Law of the People's Republic of China 《中華人民共和國環境保護法》, the Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes 《中華人民共和國固體廢物污染環境防治法》, and the Atmospheric Pollution Prevention and Control Law of the People's Republic of China 《中華人民共和國大氣污染防治法》. The Group did not have any event in violation of relevant laws and regulations in respect of environmental protection during the Reporting Period.

1.1 Emissions

The Group mainly operates in office, which neither engaged in any industrial activities, nor generated emissions by burning any fuels. The emissions of the Group mainly come from the use of its own vehicles. The following sets forth a breakdown of the Group's major emissions by type and volume during the Reporting Period.

Major emission	Unit	Volume of emission 2021	2020
Nitrogen oxides (NOx)	kg	**3.0**	5.0
Sulphur oxides (SOx)	kg	**0.005**	0.004
Particulate matters	kg	**0.2**	0.5

The direct greenhouse gases emissions of the Group mainly come from driving its own vehicles, while its indirect greenhouse gas emissions mainly come from the electricity consumption in the office of the Group. The following sets forth a breakdown of the volume of major greenhouse gases emissions and emission density of the Group during the Reporting Period.

Greenhouse gas emissions	Unit	Volume of emission 2021	2020
Total greenhouse gas emissions	tonne	**133.4**	75.9
Scope 1: direct greenhouse gases emissions	tonne	**0.9**	0.7
Scope 2: indirect greenhouse gases emissions	tonne	**132.5**	75.2
Density of greenhouse gases emissions	tonne/employee	**1.7**	1.0

The Group acknowledges that it's important to reduce waste emissions. The Group generated no hazardous wastes during the Reporting Period. The major premise of the Group is the office where the non-hazardous wastes are mainly from domestic wastes and used paper. The domestic wastes are mainly wastes from office supplies and food residue. After centralized collection of non-hazardous wastes generated by the Group, they will be handed over to a professional waste disposal agency, who will deliver the same to waste transfer station for conducting treatment in accordance with national treatment standards. The following sets forth a breakdown of the volume and density of the waste generation of the Group during the Reporting Period.

Waste generation	Unit	Volume of emission 2021	2020
Volume of non-hazardous waste generation	tonne	**12.2**	17.5
Density of non-hazardous waste generation	tonnes/employee	**0.2**	0.2

The Group has adopted a series of environmental protection measures to reduce the emissions of exhaust and greenhouse gases and the generation of non-hazardous wastes. In 2020, due to the epidemic, some of the Group's staff worked from home during the period, and the Group's office in Jinhui Building was only officially opened in March 2021, therefore, we set a target of less than 150.0 tonnes of greenhouse gas emissions in 2021. In order to achieve the target, the Group has implemented a strict business travel approval system, under which the employees of the Group shall obtain approval for making business travel by air or high speed rail, and the Group shall encourage staff to travel by high speed rail instead of air and also monitor the travel records of its own vehicles to avoid abuse. As a result, the Group achieved the target of 133.4 tonnes of greenhouse gas emissions in 2021, a reduction of 11.1% from the target. In addition, we set a target of generating less than 15.0 tonnes of non-hazardous wastes in 2021. In order to achieve the target, the Group encourages its employees to use two-sided printing or black and white printing to reduce paper consumption, thereby reducing waste generation. As such, the Group achieved the target of 12.2 tonnes of actual waste production in 2021, a reduction of 18.7% from the target.

1.2 Use of Resources

The Group aims at rational use of resources such as electricity and water, and has proactively various energy saving measures to eliminate the wastage of resources. The following sets forth a breakdown of the Group's consumption of electricity and water during the Reporting Period.

		Consumption	
Use of electricity	**Unit**	**2021**	2020
Electricity consumption	Thousand kWh	**136.9**	77.7
Density of electricity consumption	Thousand kWh/ employee	**1.8**	1.1

		Consumption	
Use of water	**Unit**	**2021**	2020
Water consumption	tonne	**1,177.0**	679.0
Density of water consumption	tonne/employee	**15.1**	9.3

During the Reporting Period, actual electricity and water consumption increased in 2021 compared to 2020 due to an increase in the number of office locations and the fact that some of the Group's employees worked from home for 2020.

The Group has attached great importance to the management of rational use of resources. In 2021, the Group has set a target of less than 150.0 thousand kWh of electricity consumption and 1,300.0 tonnes of water consumption. In order to achieve the target, the Group has formulated and adopted requirements for water saving and electricity saving, and strived to improve employees' awareness of energy saving. The Ethics and Code of Conduct for Employees《員工道德及行為規範》expressly stipulates that each employee shall use water and power effectively. In addition, employees were required to shut down all power and electrical equipment and air conditioning systems when off duty every day, and the last employee to leave each day was required to ensure that all power supplies were turned off, thereby lowering electricity consumption. As a result, electricity and water consumption targets set by the Group for 2021 were achieved.

The Group has stable water supply and has no difficulty in assessing suitable water sources.

In addition, the Group does not involve in the manufacturing of any product, and therefore uses no packaging materials during its operation.

1.3 The Environment and Natural Resources

As for the nature of its business, the Group's operating activities are primarily office based and have no material impact on the environment and natural resources. Nevertheless, the Group has always been committed to minimize its impacts on the environment and natural resources through various energy saving and waste reduction measures in a bid to fulfill its social responsibilities.

1.4 Climate Change

As for the nature of its business, the Group's operating activities have no significant impacts on climate change. Meanwhile, there are no significant climate-related issues affecting the Company's business.

2. SOCIAL IMPACT

The Group strictly complies with relevant laws and regulations in recruiting and hiring employees, strictly prohibits child labour and forced labour, and has established a set of fair, integrated and effective human resources management system. At the same time, the Group has always been committed to providing employees with a healthy and safe working environment, as well as scientific and detailed talent training programs to ensure the health and safety of employees and support their professional development and personal growth.

The Group continues to strengthen the control of environmental and social risks related to supply chain management, and strictly eradicate any bribery, extortion, fraud, money laundering and others. Meanwhile, the Group always focuses on improving products and services quality and attaches great importance to the use of environmentally friendly products and services, thus providing customers with quality media marketing services.

The Group keeps abreast of the needs of the community where it operates and actively assumes social responsibility so as to bring positive influence on the development of the community. As such, it has received wide recognition, including "Best Investment Value Award for Listed Companies" and "Best ESG Practice Listed Company" in the 2021 Eleventh Hong Kong International Finance Forum and China Securities "Golden Bauhinia" Award Ceremony.

2.1 Employment

The Group acknowledges that talents are important assets and core competitiveness of the Group's development, and values the contributions made by its employees. The Group has formulated and implemented a full set of human resources management policies aiming at protecting the interests of employees and the Group.

The Group strictly abides by relevant laws and regulations such as the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Employment Promotion Law of the People's Republic of China (《中華人民共和國就業促進法》), the Labor Dispute Mediation and Arbitration Law of the People's Republic of China (《中華人民共和國勞動爭議調解仲裁法》), as well as the local labor laws and regulations of Beijing and Xinjiang Uygur Autonomous Region in China when recruiting and hiring employees. During the Reporting Period, the Group had no violations of relevant laws and regulations regarding remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination, and other treatment and benefits.

In term of recruiting and retaining talents, the Group insists on recruiting talents in an open and fair manner, conducting comprehensive assessments and hiring the best. The human resources department of the Group is responsible for the organization and implementation of recruitment as well as the quality of talents. To ensure the quality of recruitment and to attract more excellent talents to join the Group, the Group has actively broadened its recruitment channels to recruit employees through professional headhunting companies and job-hunting websites and setting up employee internal recommendation mechanism and at the same time, increasing the evaluation management of employees during the probation period. The Group implements employee avoidance system that in principle, spouses or direct relatives of leaders and employees at all levels shall not work in the Group. In addition, employees are not only promoted based on position and seniority, and the Group has established an effective employee incentive plan to link the employees' remuneration to their overall performance and we also have a performance-based remuneration incentive plan.

In term of employee benefits and security, the Group strictly abides by relevant laws and regulations such as Labor Law of the People's Republic of China, Regulations of Paid Annual Leave of Employees (《職工帶薪年休假條例》), Provisions of Beijing Municipality on Wage Payment (《北京市工資支付規定》) and Implementation Rules of the Labour Insurance Regulations (《勞動保險條例實施細則》). At the same time, 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 provides staff accident insurance, social security supplementary medical insurance for its employees and 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 reimbursement of taxi expenses for overtime and other benefits and safeguard measures. Moreover, we organize team building monthly and physical examinations annually, thereby fully ensuring the rights and interests for our employees.

In term of equal employment, the Group treats every employee fairly in aspects of employment, promotion and training, regardless of gender, religion, race, nationality and marital status, to ensure that all employees enjoy equal opportunities. At the same time, the Group has implemented a corresponding attendance and leave system for female employees during pregnancy, maternity and breastfeeding. During the Reporting Period, the Group did not have any discrimination cases.

At the end of the Reporting Period, the Group had 78 full-time employees. The following is a breakdown of the Group's employees by gender, age, employee category and geographical location.

Classification		Numbers of employees 2021	Employee turnover rate 2021	Numbers of employees 2020	Employee turnover rate 2020
Gender	Male	**44**	**15.9%**	37	27.0%
	Female	**34**	**20.6%**	36	30.6%
Age	Under 30	**34**	**26.5%**	32	53.1%
	31-40	**39**	**10.3%**	36	8.3%
	41-50	**5**	**20.0%**	5	0.0%
	Over 50	**0**	**0.0%**	0	100%
Employee category	Senior management	**5**	**–**	8	–
	Middle management	**16**	**–**	8	–
	General employees	**57**	**–**	57	–
Geographical location	Beijing	**75**	**–**	–	–
	Xinjiang Uygur Autonomous Region	**3**	**–**	–	–

2.2 Health and Safety

The Group always puts in the first place the health and safety of all staff and is committed to providing a sound and safe working environment for its staff.

The Group strictly complies with the laws and regulations relating to safe working environment and occupational safety, including but not limited to the Labor Law of the People's Republic of China and the Law on Prevention and Control of Occupational Diseases of the People's Republic of China (《中華人民共和國職業病防治法》).

The Group sets up an environmental protection management system and regularly inspects office equipment and fire equipment to guarantee the health and safety of staff at work and reduce work injury. The Group also provides staff with training relating to health and safety, such as self-learning fire safety training through the Company's website to enhance their safety awareness.

During the Reporting Period, in response to the COVID-19 epidemic, the Group actively unfolded the preventive work, such as issuing certain notices on epidemic prevention and control through presentations and content redistribution, and requiring all employees to sign Covid-19 undertakings, making nucleic acid testing based on outbreak prevention and control, asking employees to conduct health code checks before they enter the Company and installing on-site disinfection measures in office premises.

During the Reporting Period, the Group did not have any case of work injury or work-related fatalities.

2.3 Development and Training

The Group recognises that the staff's development plays a key role in the growth of the Group's business and attaches great importance to talents cultivation. Hence, the Group has formulated specific talents training plan to improve staff's professional abilities and support their career development and personal growth. Meanwhile, the Group provides professional orientation training for new employees, customises the relevant training plans and offers online and offline regular and professional training according to the demand of employees in different departments to enhance the competency of staff.

During the Reporting Period, the training activities organised by the Group by types primarily include:

- General system: new employees' induction training, attendance management training
- Working skills: payment reimbursement process training, seal application process training
- Professional knowledge: financial training, compliance training

The Group also encourages its employees to actively participate in internal and external training. During the Reporting Period, the Group organised employees to attend training for Directors, financial software, ESG, CIQ software, company secretary and "stabilizing employment by skill trainings" and others.

The following is a breakdown of the percentage of trained employees and average training hours by gender and employee category during the Reporting Period.

By gender	Percentage of trained employees	Average training hours (hour/employee)	Percentage of trained employees	Average training hours (hour/employee)
	2021		2020	
Male	**100%**	**30**	100%	30
Female	**100%**	**30**	100%	30

By employee category	Percentage of trained employees	Average training hours (hour/employee)	Percentage of trained employees	Average training hours (hour/employee)
	2021		2020	
Senior Management	**100%**	**30**	100%	30
Middle Management	**100%**	**30**	100%	30
General Employees	**100%**	**30**	100%	30

2.4 Labour Standards

The Group strictly complies with relevant laws and regulations such as the Labor Law of the People's Republic of China and the Provisions on the Prohibition of Using Child Labor《禁止使用童工規定》and strictly prohibits any use of child labor or forced labor.

The Group verifies the identity card information of employees through interview registration forms when recruiting to ensure that they are of legal age for employment. The Group will again confirm the actual age of applicants by checking their identification cards in employee induction process. In addition, the Group also develops and implements overtime management system to ban involuntary overtime, and at the same time, enters into labor contracts with all employees on a voluntary basis.

During the Reporting Period, the Group did not have any cases of use of child labor or forced labor.

2.5 Supply Chain Management

The major suppliers of the Group are mobile new media relevant resources providers. The Group strives to achieve win-win cooperation with suppliers while strengthening its concerns on the environmental and social risks in supply chains and establishing comprehensive supply chains management mechanism.

As of 2021, the Group had a total of 54 suppliers. The following is a breakdown of the Group's suppliers by geographical location.

By geographical location	Numbers of suppliers
Beijing	50
Xiamen	1
Shanghai	1
Langfang	2

When engaging suppliers, the Group has established a stringent supplier management system and set up a dedicated procurement team to select at least three suppliers for horizontal comparison in terms of product quality, product price and service quality, in order to strictly control the quality of suppliers and select the best partners.

The Group is aware of the importance of suppliers to the Group's ability to deliver excellent products and achieve a good reputation, and is deeply concerned about the environmental and social risks at every stage of the supply chain. The Group will conduct investigation and evaluation on potential suppliers in the selection, including evaluating their goodwill in the industry, customers served in the past, qualification, knowing about their channel agency ability and whether the supplier complied with relevant laws and regulations in the past cooperation, participated in bribery, corruption and other prohibited business methods and violated relevant local and national laws and regulations. If the supplier is founded in violating the provisions of relevant laws and regulations during the cooperation, the Group will immediately terminate the cooperation with that supplier in the future.

In selecting suppliers, the Group tends to work with suppliers who have a good sense of social responsibility and sustainability. We give priority to suppliers who adopt environmentally friendly products and services. At the same time, the Group will recommend all suppliers to use environmentally friendly products in the course of cooperation.

2.6 Product Responsibilities

The Group continues to provide quality mobile new media intelligent performance-based marketing service, and always be committed to improving customers satisfactory. The Group strictly abides with laws and regulations involving product safety, advertisement and customer privacy, such as the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Trademark Law of the People's Republic of China (《中華人民共和國商標法》).

During the Reporting Period, the Group did not have any sold or shipped products that were subject to recall for safety and health reasons.

During the Reporting Period, the Group did not receive any complaints about its products or services.

In term of protecting intellectual property rights, where the intellectual property rights such as trademark rights, patent rights and copyrights may have material impact on the Group's businesses, the Group will employ professional agency to make application at once to protect the Group's interests as far as possible. The Group also formulated specific requirements and signed the relevant legal documents for situations involving the ownership of intellectual property rights, scope of use, term, and the allocation of subsequent research and development achievements.

In terms of quality assurance process and product recall procedures, the Group has placed great emphasis on strict control of product quality. The Group's digital marketing department will review the content of the product material to ensure that it complies with China's laws and regulations, and then upload it to the advertising platform, which will further review the quality of the product. For products that do not pass the audit, the advertising platform will send them back to the Group's digital marketing department for revision and resubmission based on the reasons why they did not pass the audit.

In term of protecting customer data security and privacy, the Group has arranged dedicated staff to file customer's information. Any check on customer's information is subject to the approvals by the head of department and general manager.

2.7 Anticorruption

The Group strictly complies with relevant laws and regulations, including the Criminal Law of the People's Republic of China《中華人民共和國刑法》, the Company Law of the People's Republic of China《中華人民共和國公司法》and Anti-Money Laundering Law of the People's Republic of China《中華人民共和國反洗錢法》, to strictly eliminate any bribery, extortion, fraud and money laundering incidents.

During the Reporting Period, the Group was not subject to any cases relating to bribery, extortion, fraud and money laundering.

To prevent any bribery, extortion, fraud and money laundering, the Group required all staff to enter into Letter of Commitment on Non-benefit Transfer by All Employees《全體員工關於無利益輸送事宜之承諾函》, which clarifies that all staff shall not provide loans or guarantees for units who have business contact with them under the Company's name without its permissions; they shall not privately obtain loans from or with the assistance of business units (other than normal loans from financial institutions); they shall not directly or indirectly hold shares in any form (other than public market stock investment), hold an office, take a part-time job or obtain other benefits in any business units; they shall not accept any articles of value including but not limited to rebates, cash, benefits in kind, securities and coupons, directly or indirectly provided by the business units, or accept and engage in travel, high-grade business dinner and other activities provided by the business units which may affect impartial performance of duties; they shall not conduct any insider transaction or benefits transfer. In case of any of the above circumstances, the Group has the right to make relevant punishments on the employee according to the provisions of laws and regulations, the Group's articles of association and internal management system, and reserves the right to prosecute/charge. In addition, in order to strengthen the Group's internal controls, prevent and control fraud, regulate business practices, safeguard the legitimate interests of the Company and its shareholders and ensure the stable, healthy and sustainable development of the Company, the Group has established the Provisional Anti-Fraud Rules《反舞弊暫行規定》to strictly regulate the occupational behaviour of the Group's senior and middle management staff and other employees.

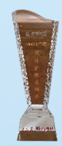
During the Reporting Period, the Group has provided anti-corruption training to directors and other staff, including the "Practical Guide to Integrity for Directors"《董事誠信實務指南》and the "Integrity Management for Success – A Handbook for Managers"《誠信管理邁向成功－管理人員手冊》, which mainly covered anti-corruption legislation and integrity practices for Directors, with the aim of enhancing the anti-corruption awareness of Directors and staff.

2.8 Community Investment

The Group deeply acknowledges that business success of the Group has a stake in the development of the communities where it operates and that success of the Group comes from the support of the community. Thus, we keep abreast of the needs of the communities and actively assume our social responsibilities to make a positive impact on their development.

The Group encourages its staff to actively take part in community welfare activities and give back to the communities through engaging in techniques and time, thus making a positive impact on the community's development.

The Group focuses on making contributions in health care. In August 2021, the Group launched an "AQZ"(大愛正心) donation programme with RMB500,000 for helping children with congenital heart disease in poverty by "one-on-one, peer-to-peer". The first two children were successfully operated on and recovered and discharged from the Affiliated Hospital of Youjiang Medical University for Nationalities (右江民族醫學院附屬醫院), which is a partner hospital of the Beijing Quzheng Charity Foundation (屈正愛心基金會).

No.	Awards Won by the Group in 2021	Pictures
1	The Group was awarded "Best Investment Value Award for Listed Companies" and "Best ESG Practice Listed Company" at 2021 11th Hong Kong International Finance Forum and China Securities "Golden Bauhinia" Award Ceremony organised by the Hong Kong Ta Kung Wen Wei Media Group on 17 December 2021.	
2	The Group was awarded the "Best Growth Potential Award" of Gelonghui Greater China for 2021 in "Best Listed Companies in Greater China" at the Sixth Gelonghui Global Investment carnival form 9 to 11 December, 2021.	
3	The Group was awarded the "Benchmark Award for Digital Innovation" at the WISE2021 Enterprise Services New Generation Conference organized by 36Kr on September 2, 2021.	
4	The Group was awarded the "2021 Best New Brand Award" at the Third China Brand Building Forum organised by the People's Daily International Finance News on April 27, 2021.	
5	The Group was awarded the "Most Popular New Stock Company with Investors" at the "Fifth Golden Hong Kong Stock Annual Awards Ceremony" co-organised by Zhitong Finance and Royal Flush Finance on January 6, 2021.	

HKEX ESG REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Chapter	Page
A.	**Environmental**		
A1.	**Emissions**		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		"Emissions"	6
A1.1	The types of emissions and respective emissions data.	"Emissions"	6
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Emissions"	6
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Emissions"	6
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	"Emissions"	6
A1.5	Description of emission target(s) set and steps taken to achieve them.	"Emissions"	7
A1.6	Description of how hazardous and non-hazardous wastes are handled and reduction target(s) set and steps taken to achieve them.	"Emissions"	7
A2.	**Use of Resources**		
General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.		"Use of Resources"	7
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	"Use of Resources"	7
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	"Use of Resources"	7
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	"Use of Resources"	7
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	"Use of Resources"	7
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	"Use of Resources"	7
A3.	**The Environment and Natural Resources**		
General Disclosure Policies on minimising the issuer's significant impacts on the environment and natural resources.		"The Environment and Natural Resources"	8
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	"The Environment and Natural Resources"	8

Subject Areas, Aspects, General Disclosures and KPIs	Chapter	Page
A4. Climate Change		
General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	"Climate Change"	8
A4.1 Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	"Climate Change"	8
B. Social		
B1. Employment		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	"Employment"	9
B1.1 Total workforce by gender, employment type such as full-time and part-time, age group and geographical region.	"Employment"	10
B1.2 Employee turnover rate by gender, age group and geographical region.	"Employment"	10
B2. Health and Safety		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	"Health and Safety"	11
B2.1 Number and rate of work-related fatalities in each of the past three years (including reporting year).	"Health and Safety"	11
B2.2 Lost days due to work injury.	"Health and Safety"	11
B2.3 Description of occupational health and safety measures adopted, and how they are implemented and monitored.	"Health and Safety"	11
B3. Development and Training		
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	"Development and Training"	11
B3.1 The percentage of employees trained by gender and employee category (such as senior management and middle management).	"Development and Training"	11
B3.2 The average training hours completed per employee by gender and employee category.	"Development and Training"	11

Subject Areas, Aspects, General Disclosures and KPIs		Chapter	Page
B4.	**Labour Standards**		
General Disclosure		"Labour Standards"	13
Information on:			
(a)	the policies; and		
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.		
B4.1	Description of measures to review employment practices to avoid child and forced labor.	"Labour Standards"	13
B4.2	Description of steps taken to eliminate such practices when discovered.	"Labour Standards"	13
B5.	**Supply Chain Management**		
General Disclosure Policies on managing environmental and social risks of the supply chain.		"Supply Chain Management"	13
B5.1	Number of suppliers by geographical region.	"Supply Chain Management"	13
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	"Supply Chain Management"	13
B5.3	Description of practices relating to identifying environmental and social risks at each stage of the supply chain, and how they are implemented and monitored.	"Supply Chain Management"	13
B5.4	Description of practices relating to promoting the use of environmentally friendly products and services in the selection of suppliers and how they are implemented and monitored.	"Supply Chain Management"	13
B6.	**Product Responsibility**		
General Disclosure Information on:		"Product Responsibility"	13
(a)	the policies; and		
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labeling and privacy matters relating to products and services provided and methods of redress.		
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	"Product Responsibility"	14
B6.2	Number of products and service related complaints received and how they are dealt with.	"Product Responsibility"	14
B6.3	Description of practices relating to observing and protecting intellectual property rights.	"Product Responsibility"	14
B6.4	Description of quality assurance process and recall procedures.	"Product Responsibility"	14
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	"Product Responsibility"	14

Subject Areas, Aspects, General Disclosures and KPIs		Chapter	Page
B7.	**Anti-corruption**		
General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		"Anti-corruption"	14
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	"Anti-corruption"	14
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	"Anti-corruption"	14
B7.3	Description of anti-corruption training provided to Directors and employees.	"Anti-corruption"	14
B8.	**Community Investment**		
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		"Community Investment"	15
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	"Community Investment"	15
B8.2	Resources contributed (e.g. money or time) to the focus area.	"Community Investment"	15

Deloitte. 德勤

TO THE SHAREHOLDERS OF JOY SPREADER GROUP INC. (FORMERLY KNOWN AS JOY SPREADER INTERATCTIVE TECHNOLOGY. LTD)

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Joy Spreader Group Inc., formerly known as Joy Spreader Interactive Technology. Ltd, (the "Company") and its subsidiaries and consolidated affiliated entities (collectively referred to as the "Group") set out on pages 106 to 188, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition from provision of performance-based we-media marketing services	
We identified the revenue recognition from contracts with customers in respect of provision of services as a key audit matter because the amount is significant to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021 and it is a key performance indicator of the Group and therefore there is a high inherent risk of misstatement. As disclosed in note 6 to the consolidated financial statements, the Group derived its revenue from provision of performance-based we-media marketing services amounting to HK$1,248,026,000 for the year ended 31 December 2021.	Our procedures in relation to revenue recognition included: • Evaluating the key internal controls relevant to revenue recognition from contracts with customers; • Examining, on a sample basis, the key terms set out in the Group's contracts with its customers governing the performance obligations and the associated revenue recognition; • Obtaining confirmations for the revenue generated from the Group's major customers; • Inspecting, on a sample basis, the recorded revenue transactions by examining the underlying supporting evidences such as monthly settlement records with customers and other supporting documents.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Yam Siu Man.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
20 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

		Year ended 31 December	
	NOTES	**2021**	2020
		HK$'000	HK$'000
Revenue	*6*	**1,395,894**	923,916
Cost of revenue		**(944,041)**	(622,359)
Gross profit		**451,853**	301,557
Other income	*8*	**15,408**	4,638
Other gains and losses	*9*	**(32,762)**	(60,650)
Impairment losses under expected credit loss model, net of reversal	*10*	**(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	*11*	**(1,005)**	(958)
Profit before taxation	*12*	**241,720**	133,357
Income tax credit	*14*	**2,922**	5,322
Profit for the year attributable to owners of the Company		**244,642**	138,679
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
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		**(25)**	(2,854)
		63,880	115,425

	NOTES	Year ended 31 December **2021** **HK$'000**	 2020 HK$'000
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**747**	–
Other comprehensive income for the year, net of income tax		**64,627**	115,425
Total comprehensive income for the year attributable to owners of the Company		**309,269**	254,104
Basic earnings per share (HK cents)	*15*	**11.30**	7.78
Diluted earnings per share (HK cents)	*15*	**N/A**	7.78

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	As at 31 December 2021 HK$'000	2020 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**52,005**	20,173
Right-of-use assets	18	**11,325**	18,732
Intangible assets	19	**8,666**	8,722
Interest in an associate	20	**36,764**	–
Deferred tax assets	21	**4,787**	1,300
Rental deposits	23	**2,931**	2,791
Equity instruments at fair value through other comprehensive income	22	**39,143**	37,862
		155,621	89,580
CURRENT ASSETS			
Trade and other receivables and deposits	23	**449,108**	332,345
Loan receivables	24	**18,346**	37,427
Prepayments	25	**1,188,931**	610,854
Financial assets at fair value through profit or loss	26	**5,383**	–
Investments in films and television dramas	27	**23,850**	–
Bank balances and cash	28	**619,036**	1,210,447
		2,304,654	2,191,073
CURRENT LIABILITIES			
Trade and other payables	29	**122,932**	99,090
Lease liabilities	30	**14,404**	6,152
Income tax payable		**986**	986
		138,322	106,228
NET CURRENT ASSETS		**2,166,332**	2,084,845
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,321,953**	2,174,425

	NOTES	As at 31 December 2021 HK$'000	2020 HK$'000
NON-CURRENT LIABILITIES			
Lease liabilities	*30*	**2,775**	14,890
Deferred tax liabilities	*21*	**949**	573
		3,724	15,463
NET ASSETS		**2,318,229**	2,158,962
CAPITAL AND RESERVES			
Share capital	*31*	**22**	22
Reserves	*32*	**2,318,207**	2,158,940
TOTAL EQUITY		**2,318,229**	2,158,962

The consolidated financial statements on pages 106 to 188 were approved and authorised for issue by the board of directors on 20 March 2022 and are signed on its behalf by:

Zhu Zinan
Director

Qin Jiaxin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital HK$'000	Treasury stocks HK$'000	Share premium HK$'000	Fair value through other comprehensive income reserve HK$'000	Statutory reserve funds HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
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 (note 31)	6	–	1,595,528	–	–	–	–	1,595,534
Share issuance expenses (note 31)	–	–	(140,150)	–	–	–	–	(140,150)
Appropriation of statutory reserve funds	–	–	–	–	13,244	–	(13,244)	–
At 31 December 2020	22	–	1,745,119	21,073	33,034	78,130	281,584	2,158,962
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 difference 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 (note 33)	**–**	**(138,052)**	**–**	**–**	**–**	**–**	**–**	**(138,052)**
Purchase of shares pending for cancellation (note 31)	**–**	**(11,950)**	**–**	**–**	**–**	**–**	**–**	**(11,950)**
Appropriation of statutory reserve funds	**–**	**–**	**–**	**–**	**130,730**	**–**	**(130,730)**	**–**
At 31 December 2021	**22**	**(150,002)**	**1,745,119**	**21,213**	**163,764**	**142,617**	**395,496**	**2,318,229**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Year ended 31 December 2021 HK$'000	2020 HK$'000
OPERATING ACTIVITIES		
Profit before taxation	**241,720**	133,357
Adjustments for:		
Interest income	**(8,907)**	(940)
Depreciation of property, plant and equipment	**8,274**	2,195
Depreciation of right-of-use assets	**9,403**	4,945
Amortisation of intangible assets	**2,477**	2,652
Impairment losses, net of reversal	**3,271**	12,716
Finance costs	**1,005**	958
Loss on disposal of property, plant and equipment, net	**198**	399
Other gains and losses	**3,595**	2,510
Foreign exchange losses, net	**26,802**	57,741
Operating cash flows before movements in working capital	**287,838**	216,533
Increase in trade and other receivables and deposits	**(109,300)**	(247,991)
Increase in prepayments	**(551,722)**	(391,291)
Increase in trade and other payables	**31,106**	11,880
Cash used in operations	**(342,078)**	(410,869)
Income tax paid	**(176)**	(209)
Net cash used in operating activities	**(342,254)**	(411,078)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(40,124)**	(14,153)
Purchase of intangible assets	**–**	(68)
Purchase of financial assets at fair value through profit or loss	**(8,572)**	(128,940)
Redemption of financial assets at fair value through profit or loss	**–**	129,280
Purchase of equity instruments at fair value through profit or loss	**–**	(5,941)
Increase in loan receivables	**(18,071)**	(35,412)
Repayment of loan receivables	**37,950**	33,759
Acquisition of a subsidiary (note 34)	**(1,128)**	–
Interest received	**8,907**	600
Investment in films and television dramas	**(23,624)**	–
Investment in an associate	**(36,213)**	–
Proceeds from disposal of property, plant and equipment	**2,010**	337
Net cash used in investing activities	**(78,865)**	(20,538)
FINANCING ACTIVITIES		
Purchase of shares under share award scheme	**(138,052)**	–
Repurchase of shares pending for cancellation	**(11,950)**	–
Repayment of lease liabilities	**(5,977)**	(2,592)
Interests paid	**(1,005)**	(958)
Proceeds from issue of shares	**–**	1,554,214
Payment of shares issue costs	**(11,755)**	(55,388)
Net cash (used in) from financing activities	**(168,739)**	1,495,276
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	**(1,553)**	–
Cash and cash equivalents at end of the year, represented by bank balances and cash	**619,036**	1,210,447

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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. 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:

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

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

4.1 Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of IFRS 16 *Leases* and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

Services

The Group's principal services are the provision of performance-based we-media marketing services for various types of products (including mobile applications, mobile games, online literature, branding and activities, etc.) as a principal on a gross basis on revenue recognition. The Group normally acquires the advertising traffic of different online platforms from the suppliers (which are we-media publishers including WeChat official accounts and information flow platforms). By analysing the products provided by the customers and the potential we-media publisher's content and follower base using the Group's proprietary algorithms, the Group is able to identify and distribute tailored product portfolio to targeted subscribers through the acquired advertising traffic from suitable we-media publishers.

The Group recognises revenue at a point in time when specific services are provided based on the results of the placement of advertisements in relevant we-media platforms which are confirmed with the customers monthly.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Sale of goods

Revenue from the sale of goods is recognised when control of the goods has transferred based on the terms of the sale contracts.

In most cases, the control of goods has transferred upon delivery when the goods have been shipped at the Group's leased warehouse.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payment made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* and initially measured at fair value. As the adjustments to fair value at initial recognition are insignificant, such adjustments are not considered and are not included in the cost of right-of-use assets.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

***The Group as lessee* (Continued)**

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

The change in presentation currency of the Company was applied retrospectively, as if the new presentation currency had always been applied.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to the retirement funds scheme managed by local social security bureau in accordance with the government regulations in the PRC, are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when the employee rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Taxation (Continued)

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment including furniture, fixtures and equipment, vehicles and leasehold improvement are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a systematic basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Impairment of property, plant and equipment, right-of-use assets and intangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Investments in films and television dramas

The Group has certain investments in films and television dramas projects which entitle the Group to share certain percentage of income to be generated from the related films/television dramas based on the proportion of investment amounts as specified in respective investment agreements.

The investments are carried at cost less any accumulated impairment losses (if any). The costs of investments are recognised as expenses upon the entitlement of income in accordance with respective agreements on revenue-based method.

The Group reviews and revises estimates of total projected revenue at the end of each reporting period. If estimates are revised, the Group adjusts the amount of total projected revenue (denominator) from the period when such changes in estimates take place and re-calculated the ratio for amortisation of the investment in films and television dramas. The effect from changes in estimates is recognised on a prospective basis.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Investments in films and television dramas (Continued)

At the end of each reporting period, both internal and external market information is considered when assessing whether there is any indication that investments in films and television dramas are impaired. If any such indication exists, the carrying amounts of such assets are assessed and where relevant, impairment losses are recognised to reduce the asset to its estimated recoverable amounts. Such impairment losses are recognised in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and other necessary costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets **(Continued)**

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the fair value through other comprehensive income reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets **(Continued)**

Impairment of financial assets subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables and deposits, loan receivables and bank balances and cash), which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings except that significant balances and credit-impaired are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets **(Continued)**

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets **(Continued)**

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

***Financial assets* (Continued)**

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets **(Continued)**

Impairment of financial assets subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and deposits and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instruments which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the fair value through other comprehensive income reserve is not reclassified to profit or loss, but is transferred to retained earnings.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instruments is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Consolidation of the Consolidated Affiliated Entities

The Group obtained control of the Consolidated Affiliated Entities by entering into a series of Contractual Arrangements. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC Laws and are legally enforceable. Therefore the Group has control over Consolidated Affiliated Entities as a result of the Contractual Arrangements and accordingly, the Group has consolidated the Consolidated Affiliated Entities for the year ended 31 December 2021.

Principal versus agent consideration (principal)

The Group engages in trading of E-commerce goods. 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, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 December 2021, the Group recognised revenue relating to trading of E-commerce goods amounted to HK$147,868,000.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables

Trade receivables with significant balances and credit-impaired are assessed for ECL individually.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually using a provision matrix. The provision rates are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at end of the reporting period except that significant balances are assessed individually. The debtors are assessed individually with significant balances by reference to aging, past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position. Estimated loss rates are based on probability of default and loss given default with reference to an external credit report and are adjusted for forward-looking information. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. Due to less financial uncertainty triggered by the COVID-19 pandemic, the Group has decreased the expected loss rates arising from forward-looking information in the current year as there is lower risk that a moderated pandemic could led to decreased credit default rates. The information about the ECL and the Group's trade receivables are disclosed in notes 36(b) and 23.

Fair value measurement of equity instruments

As at 31 December 2021, certain of the Group's unlisted equity securities amounting to HK$39,143,000 (2020: HK$37,862,000) were measured at fair value with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 36(c) for further disclosures.

Impairment of investments in films and television dramas

The Group assesses at the end of each reporting period whether there is any indication for impairment of investments in films and television dramas and further assesses if they have suffered any impairment. Such assessment is performed on film-by-film and drama-by-drama basis at the end of each reporting period. The management of the Group determined the provision for impairment of investments in films and television dramas based on the estimation of future cash flow. Where the actual future cash flow is less than expected, a material impairment loss may arise. The information about the investments in films and television dramas are disclosed in note 27.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'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
	1,248,026	923,916
Sales of E-commerce goods	**147,868**	–
	1,395,894	923,916
Timing of revenue recognition		
Point in time	**1,395,894**	923,916

(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 Douying) which can target the interests of their subscribers.

6. REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Provision of performance-based we-media marketing services (Continued)

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. 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.

7. 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.

7. SEGMENT INFORMATION (Continued)

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 HK$'000	Sales of E-commerce goods HK$'000	Consolidated HK$'000
Segment revenue from external customers	**1,248,026**	**147,868**	**1,395,894**
Segment profit (loss)	**318,567**	**(8,990)**	**309,577**
Unallocated corporate expenses			**(64,935)**
Profit for the year			**244,642**

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. 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 FVPTL. 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.

7. SEGMENT INFORMATION (Continued)

Other segment information

Amounts included in the measure of segment profit and segment assets:

For the year ended 31 December 2021

	Provision of performance – based we-media marketing services HK$'000	Sale of E-commerce goods HK$'000	Consolidated HK$'000
Addition to non-current assets*	44,985	–	44,985
Depreciation and amortisation	20,154	–	20,154
Impairment losses on trade and other receivables and deposits recognised in profit or loss	3,128	143	3,271

* Non-current assets include property, plant and equipment, right-of-use assets and intangible assets.

Geographical information

For the year ended 31 December 2020, the Group was located in the Mainland China and all of the Group's revenue was generated from contracts with customers in the Mainland China based on the place of establishment of the customers, and all of the Group's non-current assets were located in the Mainland China. Thus, no geographical information was presented.

During the current year, the Group commenced the business engaging in sales of E-commerce goods in Hong Kong, so the Group's operations are located in the Mainland China and Hong Kong.

Information about the Group's revenue from external customers is presented based on the location of the operations.

	Year ended 31 December 2021 HK$'000
Mainland China	1,248,026
Hong Kong	147,868
	1,395,894

7. SEGMENT INFORMATION (Continued)

Geographical information (Continued)

The Group's non-current assets other than interest in an associate, deferred tax assets, rental deposits and equity instruments at FVTOCI are all located in Mainland China.

Information about major customer

Revenue from a customer for the corresponding years contributing for 10% or more of the total sales of the Group are as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Customer A[1, 2]	**N/A**	100,106

1 The revenue generated from the customer was less than 10% of the total sales of the Group for the current year.
2 Customer A represents two customers under the control of the same shareholder.

8. OTHER INCOME

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Interest income on bank deposits	**7,987**	253
Interest income on financial assets as FVTPL	**–**	340
Interest income on loan receivables	**920**	347
Government grants (note)	**6,501**	3,698
	15,408	4,638

Note: According to《財政部、稅務總局、海關總署關於深化增值稅改革有關政策的公告》(財政部稅務總局海關總署公告2019年第39號), the Group was qualified to have an additional 10% deduction of the input value-added tax since 1 April 2019. The additional deduction was included in the government grants for the two years ended 31 December 2020 and 2021. There were no unfulfilled conditions or contingencies relating to these subsidies as at 31 December 2020 and 2021.

9. 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
	32,762	60,650

10. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Net impairment losses recognised in respect of:		
trade receivables	**861**	12,650
other receivables	**2,410**	66
	3,271	12,716

As at 31 December 2019, the Group's trade receivables from one of its customers amounting to RMB14,440,000 (equivalent to HK$16,120,000) was impaired by RMB4,102,000 (equivalent to HK$4,579,000) and the repayment date has been revised in February 2020, which rescheduled to be fully repaid by the end of May 2020. The Group issued a formal attorney letter to the customer on 22 May 2020 and initiated an arbitration proceeding in a PRC arbitration court on 17 November 2020. As at 31 December 2020, none of such receivables were settled, and the Group had fully impaired the net carrying amount of such receivables. On 19 December 2021, the court issued a notice to the Group that RMB1,117,000 (equivalent to HK$1,346,000) was received from this customer as a result of the arbitration. On 27 January 2022, the Group received such amount from the court. Details of impairment assessment are set out in note 36. Up to the date of these consolidated financial statements, the Group was still under the process of arbitration and the remaining outstanding receivables with gross amount of RMB13,323,000 (equivalent to HK$16,295,000) were not settled.

11. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Interest expense on lease liabilities	**1,005**	958

12. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Depreciation of property, plant and equipment	**8,274**	2,195
Depreciation of right-of-use assets	**9,403**	4,945
Amortisation of intangible assets (included in administrative expenses)	**2,477**	2,652
Total depreciation and amortisation	**20,154**	9,792
Staff costs (including Directors' remuneration as set out in note 13):		
Salaries and other benefits-in-kind	**20,053**	6,993
Contributions to retirement benefits scheme	**2,436**	150
Discretionary bonus	**8,184**	6,603
Total staff costs	**30,673**	13,746
Auditors' remuneration	**3,679**	3,170
Cost of inventories recognised as an expense	**138,728**	–

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

a. Directors' and Chief Executive's Emoluments

Details of the emoluments paid or payable to the Directors and chief executive officer of the Company during the year are as follows:

	Fees HK$'000	Salaries and other benefits-in-kind HK$'000	Contributions to retirement benefits scheme HK$'000	Discretionary bonus (note (a)) HK$'000	Total HK$'000
Year ended 31 December 2021					
Executive directors					
Zhu Zinan	–	413	65	115	593
Zhang Zhidi (i)	–	221	36	43	300
Cheng Lin	–	480	64	458	1,002
Qin Jiaxin (ii)	–	785	48	277	1,110
Sheng Shiwei (ii)	–	1,197	12	444	1,653
Subtotal	–	3,096	225	1,337	4,658
Non-executive directors					
Guo Sijia (iii)	73	–	–	–	73
Hu Qingping (note (b))	–	–	–	–	–
Chen Yuanyuan (iii, note (b))	–	–	–	–	–
Hu Jiawei (iv, note (b))	–	–	–	–	–
Subtotal	73	–	–	–	73
Independent non-executive directors					
Xu Chong (v)	120	–	–	–	120
Tang Wei (v)	120	–	–	–	120
Fang Hongwei (v)	120	–	–	–	120
Yap Jin Meng Bryan (vi)	113	–	–	–	113
Subtotal	473	–	–	–	473
Total					5,204

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

a. Directors' and Chief Executive's Emoluments (Continued)

	Fees HK$'000	Salaries and other benefits-in-kind HK$'000	Contributions to retirement benefits scheme HK$'000	Discretionary bonus (note (a)) HK$'000	Total HK$'000
Year ended 31 December 2020					
Executive directors					
Zhu Zinan	–	245	4	250	499
Zhang Zhidi	–	177	4	148	329
Cheng Lin	–	333	4	206	543
Subtotal	–	755	12	604	1,371
Non-executive directors					
Guo Sijia	68	–	–	–	68
Hu Qingping (note (b))	–	–	–	–	–
Chen Yuanyuan (note (b))	–	–	–	–	–
Subtotal	68	–	–	–	68
Independent non-executive directors					
Xu Chong (v)	31	–	–	–	31
Tang Wei (v)	31	–	–	–	31
Fang Hongwei (v)	31	–	–	–	31
Yap Jin Meng Bryan (vi)	4	–	–	–	4
Subtotal	97	–	–	–	97
Total					1,536

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

a. Directors' and Chief Executive's Emoluments (Continued)

(i) Zhang Zhidi resigned as an executive director of the Company on 30 September 2021.

(ii) Qin Jiaxin and Sheng Shiwei were appointed as executive directors of the Company on 22 March 2021.

(iii) Guo Sijia and Chen Yuanyuan resigned as non-executive directors of the Company on 22 March 2021.

(iv) Hu Jiawei was appointed as a non-executive director of the Company on 22 March 2021.

(v) Xu Chong, Tang Wei and Fang Hongwei were appointed as independent non-executive directors of the Company on 26 August 2020.

(vi) Yap Jin Meng Bryan was appointed as an independent non-executive director of the Company on 18 December 2020 and resigned as an independent non-executive director on 10 December 2021.

The executive directors' and chief executive's emoluments shown above were mainly for their services in connection with the management affairs of the Company and the Group.

The non-executive directors' emoluments shown above were for their services as directors of the Company and its subsidiaries, if applicable.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Notes:

(a) The discretionary bonus is determined by the Directors based on the performance of the Directors and the Group.

(b) Certain non-executive directors agreed to waive their remuneration during the years ended 31 December 2020 and 2021.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

b. Employees' Emoluments

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

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Salaries and other benefits-in-kind	**2,287**	799
Contributions to retirement benefits scheme	**51**	13
Discretionary bonus (note)	**865**	722
	3,203	1,534

The number of the highest paid employees who are not the Directors whose remuneration fell within the following bands is as follows:

	2021	2020
	Number of employees	
Nil to HK$1,000,000	**–**	3
HK$1,000,001 to HK$1,500,000	**1**	–
HK$1,500,001 to HK$2,000,000	**1**	–
	2	3

Note: The discretionary bonus is determined by the Directors based on the performance of the employees and the Group.

During the year, except for certain non-executive directors mentioned above, none of the Directors and chief executive of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the Directors or chief executive or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

14. 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 (note 21)	**(3,044)**	(4,172)
	(2,922)	(5,322)

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	**241,720**	133,357
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 ("HNTE")	**(1,403)**	–
Tax effect of tax losses not recognised	**4,140**	–
Over-provision in prior years	**–**	(3,666)
Tax credit	**(2,922)**	(5,322)

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.

14. INCOME TAX CREDIT (Continued)

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税優惠政策的通知" (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.

15. 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	2020
	HK$'000	HK$'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

15. EARNINGS PER SHARE (Continued)

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	**N/A**	1,782,093

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 31 (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 33 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.

16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2020 and 2021.

17. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
COST				
At 1 January 2020	1,079	5,988	–	7,067
Additions	652	12,393	2,954	15,999
Disposals	(39)	(898)	–	(937)
Exchange realignment	104	1,039	168	1,311
At 31 December 2020	1,796	18,522	3,122	23,440
Additions	1,958	34,563	3,603	40,124
Acquisition of a subsidiary (note 34)	–	1,128	–	1,128
Disposals	(19)	(3,855)	–	(3,874)
Exchange realignment	81	1,029	147	1,257
At 31 December 2021	**3,816**	**51,387**	**6,872**	**62,075**
DEPRECIATION				
At 1 January 2020	514	576	–	1,090
Provided for the year	385	1,810	–	2,195
Eliminated on disposals	(30)	(171)	–	(201)
Exchange realignment	52	131	–	183
At 31 December 2020	921	2,346	–	3,267
Provided for the year	628	5,429	2,217	8,274
Eliminated on disposals	(18)	(1,648)	–	(1,666)
Exchange realignment	37	126	32	195
At 31 December 2021	**1,568**	**6,253**	**2,249**	**10,070**
CARRYING VALUES				
At 31 December 2021	**2,248**	**45,134**	**4,623**	**52,005**
At 31 December 2020	875	16,176	3,122	20,173

17. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis, taking into account their residual values, at the following rates per annum:

Furniture, fixtures and equipment	31.67%
Vehicles	19.00%
Leasehold improvement	Over the shorter of the expected life of leasehold improvement or the lease term

18. RIGHT-OF-USE ASSETS

For both years, the Group leases certain buildings for its operations. The average lease term varies from 2 to 5 years.

The Group does not have the option to purchase the buildings at the end of the lease term.

	Buildings HK$'000
CARRYING VALUES	
At 1 January 2020	12,721
Addition	9,859
Depreciation charge	(4,945)
Exchange realignment	1,097
At 31 December 2020	18,732
Addition	**1,564**
Depreciation charge	**(9,403)**
Exchange realignment	**432**
At 31 December 2021	**11,325**

The Group regularly entered into short-term leases for buildings. During the current year, expenses relating to short-term leases of buildings amounting to HK$341,000 (2020: HK$274,000) were recognised. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

During the current year, the total cash outflow for leases was HK$7,323,000 (2020: HK$3,824,000).

18. RIGHT-OF-USE ASSETS (Continued)

Restrictions or covenants on leases

In addition, lease liabilities of HK$17,179,000 are recognised with related right-of-use assets of HK$11,325,000 as at 31 December 2021 (2020: lease liabilities of HK$21,042,000 and related right-of-use assets of HK$18,732,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

19. INTANGIBLE ASSETS

	Software HK$'000	Others HK$'000	Total HK$'000
COST			
At 1 January 2020	15,526	–	15,526
Additions	68	2,248	2,316
Exchange realignment	1,003	128	1,131
At 31 December 2020	16,597	2,376	18,973
Additions	2,169	–	2,169
Exchange realignment	520	70	590
At 31 December 2021	**19,286**	**2,446**	**21,732**
AMORTISATION			
At 1 January 2020	6,998	–	6,998
Provided for the year	2,652	–	2,652
Exchange realignment	601	–	601
At 31 December 2020	10,251	–	10,251
Provided for the year	2,477	–	2,477
Exchange realignment	338	–	338
At 31 December 2021	**13,066**	**–**	**13,066**
CARRYING VALUES			
At 31 December 2021	**6,220**	**2,446**	**8,666**
At 31 December 2020	6,346	2,376	8,722

All of the Group's intangible assets were acquired from independent third parties and have finite useful lives.

Software is amortised on a straight-line basis over 3 to 5 years.

Other intangible assets are amortised on a systematic basis over its useful life.

20. 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**
	36,764

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 2020 %	2021 %	Principal activity
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.

20. INTEREST IN AN ASSOCIATE (Continued)

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**

21. DEFERRED TAXATION

For the purpose of presentation in the consolidated statements of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Deferred tax assets	**4,787**	1,300
Deferred tax liabilities	**(949)**	(573)
	3,838	727

The deferred tax assets and liabilities recognised by the Group and the movements thereon during the current and prior years are as follows:

	Fair value gain on equity instruments at FVTOCI	**Impairment loss on receivables**	**Tax losses**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2020	(658)	33	–	(625)
(Charge)/credit to profit or loss	–	(31)	4,203	4,172
Charge to other comprehensive income	(2,854)	–	–	(2,854)
Exchange realignment	(206)	–	240	34
At 31 December 2020	(3,718)	2	4,443	727
Credit to profit or loss	–	69	2,975	3,044
Charge to other comprehensive income	(25)	–	–	(25)
Exchange realignment	(110)	1	201	92
At 31 December 2021	**(3,853)**	**72**	**7,619**	**3,838**

At the end of the reporting period, the Group has unused tax losses of HK$63,081,000 (2020: HK$37,304,000) available for offset against future profits. A deferred tax assets has been recognised in respect of HK$41,457,000 (2020: HK$32,240,000) of such losses. No deferred tax asset has been recognised in respect of the remaining HK$21,624,000 (2020: HK$5,064,000) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$12,634,000 (2020: HK$5,064,000) with expiry dates as disclosed in the following table. Other tax losses may be carried forward indefinitely.

21. DEFERRED TAXATION (Continued)

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
2025	**5,064**	5,064
2026	**7,570**	–
	12,634	5,064

At the end of the reporting period, the Group has deductible temporary differences of HK$24,044,000 (2020: HK$20,134,000). No deferred tax asset in respect of the Group's subsidiaries located in Horgos city in the PRC has been recognised in relation to such deductible temporary differences of HK$23,567,000 (2020: HK$20,120,000) because these subsidiaries are exempted from income tax.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$513,579,000 (2020: HK$402,507,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The corresponding unrecognised deferred tax liabilities as at 31 December 2021 were HK$51,358,000 (2020: HK$40,251,000).

22. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at FVTOCI as at 31 December 2020 and 2021 represented the Group's 19.916% equity interests in 北京影漪視界科技有限公司 ("Yingyi Technology"), an unlisted company established in the PRC. The Directors have elected to designate the investment in equity instruments as at FVTOCI as they believe that the investment is not held for trading and not expected to be sold in the foreseeable future. Details of the fair value measurement are disclosed in note 36(c).

23. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Trade receivables	**455,810**	340,126
Less: Allowance for credit losses	**(20,692)**	(19,252)
	435,118	320,874
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	**(3,352)**	(882)
	16,921	14,262
Total trade and other receivables and deposits	**452,039**	335,136
Analysis as		
Non-current	**2,931**	2,791
Current	**449,108**	332,345
	452,039	335,136

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

23. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

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
	HK$'000	HK$'000
Within 3 months	**234,844**	264,444
3-6 months	**128,732**	53,244
7-12 months	**71,542**	3,186
	435,118	320,874

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. Details of impairment assessment of trade and other receivables and deposits are set out in note 36(b).

24. LOAN RECEIVABLES

Loan receivables as at 31 December 2020 represented an unsecured advance to Yingyi Technology originated on 11 February 2020 for Yingyi Technology's liquidity purpose amounting to HK$1,782,000 with a loan term of 12 months and an unsecured advance to a third party (the "Third Party") originated on 11 November 2020 for the Third Party's liquidity purpose amounting to HK$35,645,000 with a loan term of 12 months. The advance carried fixed interest rate at 12% and 6% per annum chargeable to Yingyi Technology and the Third Party, respectively.

Loan receivables as at 31 December 2021 represented an unsecured advance to the Third Party amounting to HK$18,346,000. During the year ended 31 December 2021, the loan to Yingyi Technology amounting to HK$1,782,000 and the loan to the Third Party amounting to HK$17,618,000 were settled, and the remaining loan to the Third Party was renewed in December 2021 with a loan term of 12 months.

Details of impairment assessment of loan receivables are set out in note 36(b).

25. 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
	1,188,931	610,854

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at FVTPL as at 31 December 2021 represented the Group's investment in a private fund, through which the Group invested in JD Logistics, Inc., a company listed on the Stock Exchange. The Directors have measured the financial assets as at FVTPL as they believe that the investment is held for trading and expected to be sold in the foreseeable future. Details of the fair value measurement are disclosed in note 36(c).

27. INVESTMENTS IN FILMS AND TELEVISION DRAMAS

	HK$'000
CARRYING VALUES	
At 1 January 2021	–
Additions	**23,624**
Exchange realignment	**226**
At 31 December 2021	**23,850**

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.

28. BANK BALANCES AND CASH

Bank balances carried interest at market interest rate ranging from 0.01% to 2.50% (2020: 0.01% to 0.35%). Bank balances and cash amounting to HK$58,315,000 (2020: HK$6,977,000) were denominated in US Dollar ("US$"). Bank balances and cash amounting to HK$31,179,000 (2020: HK$930,849,000) were denominated in HK$.

29. 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
	122,932	99,090

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.

30. LEASE LIABILITIES

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Non-current	**2,775**	14,890
Current	**14,404**	6,152
	17,179	21,042

Maturity analysis

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
No later than 1 year	**15,042**	6,787
Later than 1 year but not longer than 2 years	**2,833**	13,806
Later than 2 years but not longer than 5 years	**–**	2,009
	17,875	22,602
Less: future finance charges	**(696)**	(1,560)
	17,179	21,042

The weighted average incremental borrowing rates applied to lease liabilities was 5% at 31 December 2021 (2020: 5%).

31. 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 (note a)	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 (note a)	1,614,950,568	–
Issue of shares on 23 September 2020 (note b)	543,700,000	5,437
Issue of shares on 28 October 2020 (note c)	10,305,000	103
At 31 December 2020	2,185,268,200	21,853
Share purchased under Share Award Scheme (note 33)	(49,488,000)	–
Share repurchased pending for cancellation	(5,341,000)	–
At 31 December 2021	**2,130,439,200**	**21,853**

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Presented as	**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 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.

31. SHARE CAPITAL (Continued)

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 Highest HK$	Price per share Lowest HK$	Aggregate consideration paid HK$'000
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
	5,341,000			11,950

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.

32. RESERVES

The principal reserves of the Group consist of the following:

Capital reserve

Capital reserve represents the difference between the total amount of the par value of shares issued and the proceeds from issuance of shares. Capital reserve arose from the capital injection by shareholders before the Listing and share premium on share issuance in connection with the Listing.

FVTOCI reserve

Gains and losses arising from changes in fair value of investments in equity instruments designated at FVTOCI are recognised in FVTCOI reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

32. RESERVES (Continued)

Statutory reserve funds

Pursuant to the relevant PRC rules and regulations, the Company's subsidiaries and the Consolidated Affiliated Entities which are incorporated in the PRC are required to transfer no less than 10% of its profits after taxation, after offsetting any prior years' loss as determined under the relevant accounting policies and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before the distribution of a dividend to shareholders of these PRC subsidiaries and Consolidated Affiliated Entities. Statutory reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

Translation reserve

Exchange differences relating to the translation of the net assets of the Company and its non-foreign operation subsidiaries from functional currencies to the Group's presentation currency of HK$ are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Exchange differences relating to the translation of the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency are recognised directly in other comprehensive income and accumulated in the translation reserve. Such exchange differences accumulated in the translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

33. 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.

34. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

In March 2021, the Group acquired 100% of the equity interest in Beijing Anxin Teling Biotechnology Limited ("Beijing Anxin") from an independent third party for a consideration of HK$1,194,000. The acquisition was accounted for as acquisition of assets as Beijing Anxin has not carried any business so far. Beijing Anxin changed its name to "Beijing Lexiang Yisheng Culture Technology Co., Ltd" on 6 December 2021.

Consideration transferred

	HK$'000
Cash	1,194

Assets acquired and liabilities recognised at the date of acquisition are as follows:

	HK$'000
Bank balances and cash	66
Property, plant and equipment	1,128
	1,194

Net cash outflow on acquisition of Beijing Anxin

	HK$'000
Cash consideration paid	1,194
Less: cash and cash equivalents balances acquired	66
	1,128

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern with maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debt, which includes the lease liabilities as disclosed in note 30, net of bank balances and cash, and total equity of the Group, comprising share capital, retained earnings and reserves as disclosed in notes 31 and 32 respectively.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through raising of new capital, issue of new debt or the redemption of the existing debt.

36. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
Financial assets		
Financial assets at amortised cost	**1,089,421**	1,583,010
Financial assets at FVTPL	**5,383**	–
Equity instruments at FVTOCI	**39,143**	37,862
Financial liabilities		
Amortised cost	**109,781**	71,525

b. Financial risk management objectives and policies

The Group's major financial instruments consisted of trade and other receivables and deposits, loan receivables, bank balances and cash, financial assets at FVTPL, equity instruments at FVTOCI, trade and other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk, and price risk), credit risk and liquidity risk.

The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities and fixed-rate loan receivables. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances due to the fluctuation of the prevailing market interest rate on bank deposits.

The Group currently does not have interest rate hedging policy. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The bank balances are excluded from the sensitivity analysis as the management of the Group considers that the interest rate fluctuation is insignificant. The Group did not have significant interest rate risk at 31 December 2021 and 2020.

(ii) Currency risk

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. Approximately 11% (2020: nil) of the Group's sales is denominated in US$.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting periods are as follows:

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
US$ denominated monetary assets	**95,182**	6,977
HK$ denominated monetary assets	**31,179**	930,849
US$ denominated monetary liabilities	**(53,702)**	–
HK$ denominated monetary liabilities	**(29,820)**	–

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.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) ***Currency risk*** **(Continued)**

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to exchange rates of US$ and HK$ against RMB. For a 5%, 10%, 15% weakening of US$ and HK$ against RMB and all other variables being held constant, there would have no material impact on the Group's total equity apart from the retained earnings and the effect on the Group's profit after taxation are as follows:

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
	Decrease	
US$ against RMB		
Weakening		
– 5%	**(1,581)**	(281)
– 10%	**(3,162)**	(562)
– 15%	**(4,743)**	(843)
HK$ against RMB		
Weakening		
– 5%	**(67)**	(37,431)
– 10%	**(134)**	(74,862)
– 15%	**(201)**	(112,293)

For a 5%, 10%, 15% strengthening of US$ and HK$ against RMB, there would be an equal and opposite impact on the profit after taxation.

(iii) Other price risk

The Group is exposed to equity price risk through its investment in equity security measured at FVTOCI. The Group invested in certain unquoted equity security for an investee operating in short-form video making industry sector for long term strategic purpose which had been designated as FVTOCI. The Group monitors the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 36(c).

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

At the end of each reporting periods, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to failure to discharge an obligation by the counterparties for the carrying amounts of the financial assets at amortised cost.

The Group mainly conducts transactions with customers with good quality and long term relationship, when accepting new customers, the Group considers the reputation of the customer before contract is signed. In order to minimise the credit risk, the management of the Group continuously monitors the credit quality and financial conditions of the debtors to ensure that follow-up action is taken to recover overdue debts.

To manage risk arising from receivable balances, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management of the Group performs ongoing credit evaluations of its counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group has concentration of credit risk as 15% of the total trade receivables was due from the Group's largest customer as at 31 December 2021 (2020: 19%), and 46% of the total trade receivables was due from the Group's five largest customers as at 31 December 2021 (2020: 56%).

Trade receivables arising from contracts with customers

The Group reassesses lifetime ECL for trade receivables arising from contracts with customers to ensure that adequate impairment loss are made for significant increase in the likelihood or risk of a default occurring. The ECL on these assets are individually assessed for debtors with significant balances and credit-impaired or collectively using a provision matrix appropriate groupings for the remaining balance. As part of the Group's credit risk management, the Group uses the debtors' aging to assess with the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping and assessment are regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Loan receivables and other receivables and deposits

Before granting the loan receivables, the management of the Group has obtained an understanding to the credit background of the debtors and undertaken an internal credit approval process. The management of the Group has taken into account the economic outlook of the industries in which the debtors operate and reviewed the recoverable amount of each loan receivable at the end of the reporting period to ensure that adequate impairment loss was recognised for irrecoverable debts.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Loan receivables and other receivables and deposits **(Continued)**

For other receivables and loan receivables with non-trade nature, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For the purpose of internal risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The Group has assessed and concluded that the risk of default rate for the other instruments are steady based on the Group's assessment of the financial health of the counterparties. Thus, the Group does not have any other significant concentration of credit risk associated with financial assets.

Bank balances

The Group mainly transacts with banks with high credit ratings. The credit risk for bank balances is considered as not material as such amount is placed in reputable banks. The Group assessed 12m ECL on these balances are by reference to probability of default and loss given default and concluded that the ECL are insignificant and thus no impairment loss was recognised.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

31 December 2021	Notes	External rating credit	Internal rating credit	12m or lifetime ECL	Average loss rate	Gross carrying amount HK$000
Financial assets at amortised cost						
Trade receivables - goods and services	23	N/A	(note a)	Lifetime ECL (not credit-impaired and assessed individually)	1.5%	177,647
				Lifetime ECL (assessed in provision matrix)	0.6%	261,868
				Lifetime ECL (credit-impaired and assessed individually)	100%	16,295
Loan receivables	24	N/A	(note b)	12m ECL (assessed individually)	–	18,346
Other receivables and deposits	23	N/A	(note b)	12m ECL (assessed individually)	–	9,976
				Lifetime ECL (not credit-impaired and assessed individually)	7.3%	3,224
				Lifetime ECL (credit-impaired and assessed individually)	44.1%	7,073
Bank balances	28	AAA	–	12m ECL (assessed individually)	–	618,268

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

31 December 2020	Notes	External rating credit	Internal rating credit	12m or lifetime ECL	Average loss rate	Gross carrying amount HK$000
Financial assets at amortised cost						
Trade receivables - goods and services	23	N/A	(note a)	Lifetime ECL (not credit-impaired and assessed individually)	0.5%	181,476
				Lifetime ECL (assessed in provision matrix)	0.9%	141,493
				Lifetime ECL (credit-impaired and assessed individually)	100%	17,157
Loan receivables	24	N/A	(note b)	12m ECL (assessed individually)	–	37,427
Other receivables and deposits	23	N/A	(note b)	12m ECL (assessed individually)	–	8,831
				Lifetime ECL (not credit-impaired and assessed individually)	5.0%	863
				Lifetime ECL (credit-impaired and assessed individually)	12.0%	5,450
Bank balances	28	AAA	–	12m ECL (assessed individually)	–	1,206,243

Notes:

a. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for receivables with significant balances and credit-impaired, the Group determines the ECL on these items using a matrix grouped by internal credit rating and past due status.

The Group's internal credit risk grading assessment for trade receivables comprises the following categories:

- Low risk (Lifetime ECL – not credit-impaired): The counterparty has a low risk of default and a strong capacity to meet contractual cash flows.
- Credit-impaired (Lifetime ECL – credit-impaired): There is evidence indicating the asset is credit-impaired.
- Write-off (Amount is written off): There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

b. For loan receivables and other receivables, the Group has applied the 12m ECL, unless when there has been a significant increase in credit risk since initial recognition and for balances which are credit-impaired, the Group recognises lifetime ECL.

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

	At 31 December 2021		
	Average loss rate	Gross carrying amount HK$000	Impairment loss allowance HK$'000
Trade receivables			
Within 3 months	**0.16%**	**121,880**	**195**
3-6 months	**0.54%**	**93,977**	**505**
7-12 months	**1.93%**	**46,011**	**888**
		261,868	**1,588**

	At 31 December 2020		
	Average loss rate	Gross carrying amount HK$000	Impairment loss allowance HK$'000
Trade receivables			
Within 3 months	0.39%	85,990	336
3-6 months	1.32%	52,105	688
7-12 months	6.25%	3,398	213
		141,493	1,237

In addition, debtors with significant outstanding balances or credit-impaired with gross carrying amount of HK$193,942,000 as at 31 December 2021 (2020: HK$198,633,000) were assessed individually. Impairment allowance of HK$19,104,000 was made on debtors with significant balances and credit-impaired as at 31 December 2021 (2020: HK$18,015,000).

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movements in lifetime ECL that have been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) HK$000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2020	948	4,579	5,527
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(954)	–	(954)
– Impairment losses recognised	–	11,622	11,622
New financial assets originated	1,982	–	1,982
Exchange realignment	119	956	1,075
At 31 December 2020	2,095	17,157	19,252
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	**(2,095)**	**(1,346)**	**(3,441)**
New financial assets originated	**4,302**	**–**	**4,302**
Exchange realignment	**95**	**484**	**579**
At 31 December 2021	**4,397**	**16,295**	**20,692**

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the reconciliation of loss allowance that has been recognised for other receivables and deposits.

	Lifetime ECL (not credit-impaired) HK$'000	Lifetime ECL (credit-impaired) HK$'000	Total HK$'000
At 1 January 2020	259	503	762
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	(259)	–	(259)
– Impairment losses recognised	–	111	111
New financial assets originated	214	–	214
Exchange realignment	14	40	54
At 31 December 2020	228	654	882
Changes due to financial instruments recognised as at 1 January 2021:			
– Impairment losses reversed	**(228)**	**–**	**(228)**
– Impairment losses recognised	**–**	**1,273**	**1,273**
New financial assets originated	**230**	**1,135**	**1,365**
Exchange realignment	**5**	**55**	**60**
At 31 December 2021	**235**	**3,117**	**3,352**

36. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk

In the management of liquidity risk, the management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2021						
Non-derivative financial liabilities						
Trade and other payables		109,781	–	–	109,781	109,781
Lease liabilities	5.00%	15,042	2,833	–	17,875	17,179

	Weighted average interest rate %	Less than 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2020						
Non-derivative financial liabilities						
Trade and other payables		71,525	–	–	71,525	71,525
Lease liabilities	5.00%	6,787	13,806	2,009	22,602	21,042

36. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments

Financial instruments carried at fair value

The Group measures its following financial instruments at fair value at the end of each of the reporting period on a recurring basis:

Financial assets	Fair value as at 31 December 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inputs as at 31 December 2021	Relationship of unobservable inputs to fair value
Unlisted equity securitiess	HK$39,143,000	Level 3	Income approach – the discounted cash flow method was used to capture the present value of the expected future economic benefits, to be derived from the ownership of this investee, based on an appropriate discount rate	Long-term revenue growth rate	2.5%	The higher the long term revenue growth rate, the higher the fair value, vice versa (note a)
				Discount rate	17.0%	The higher the discount rate, the lower the fair value, vice versa (note b)
Investment in private fund	HK$5,383,000	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A

Financial assets	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inputs as at 31 December 2020	Relationship of unobservable inputs to fair value
Unlisted equity securities	HK$37,862,000	Level 2	Recent transaction price	N/A	N/A	N/A

Notes:

a. A 1% increase/decrease in the long-term growth rate holding all other variables constant would increase/decrease the carrying amount of unlisted equity securities by HK$1,800,000 as at 31 December 2021.

b. A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of unlisted equity securities by HK$1,676,000 as at 31 December 2021.

The fair value of the unlisted equity securities as at 31 December 2021 has been arrived based on a valuation carried out by an independent valuer.

36. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

Financial instruments carried at fair value (Continued)

The unlisted equity securities represent equity instruments at FVTOCI of the Group (see note 22).

As the new capital raised by Yingyi Technology from an independent third party was made a few days prior to the end of 2020 and the transaction was executed at terms and price that were consistent with how other market participants would transact, the management of the Group determined the fair value of these equity instruments as at 31 December 2020 by reference to this most recent transaction price in December 2020. As a result, these equity instruments were transferred from Level 3 to Level 2 as at 31 December 2020.

As there was no equity transaction of Yingyi Technology happened during the year ended 31 December 2021, the Company could not get available recent transaction price information in the market to determine the fair value of Yingyi Technology as at 31 December 2021. As a result, these equity instruments were transferred from level 2 to level 3 as at 31 December 2021 and were determined based on an independent valuation report.

Reconciliation of level 3 measurements

The following table represents the reconciliation of level 3 measurements throughout the year.

	Unlisted equity securities HK$'000
At 1 January 2020	11,092
Transfer from level 3 to level 2	(11,092)
At 31 December 2020	–
Transfer from level 2 to level 3	38,556
Net gain in other comprehensive income	165
Exchange realignment	422
At 31 December 2021	39,143

Fair values of financial instruments carried at other than fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values.

37. RETIREMENT BENEFIT SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme (the "Retirement Benefits Scheme") operated by the PRC Government. The Group is required to contribute a 16% of the total monthly basic salaries of its current employees to the Retirement Benefits Scheme to fund the benefits.

The Group's contributions to the Retirement Benefits Scheme vest fully and immediately with the employees. Accordingly, there is no forfeited contribution available for the Group to reduce its existing level of contributions to the Retirement Benefits Scheme in future years.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of HK$2,436,000 for the year ended 31 December 2021 (2020: HK$150,000) represented contributions paid and/or payable to the scheme by the Group for the reporting period.

38. MAJOR NON-CASH TRANSACTIONS

During the current year, the Group entered into new lease agreements for buildings with a lease term of 2 to 5 years and recognised right-of-use assets of HK$1,564,000 (2020: HK$9,859,000) and lease liabilities of HK$1,564,000 (2020: HK$9,859,000), respectively.

39. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Year ended 31 December	
	2021	2020
	HK$'000	HK$'000
Fees	**546**	97
Salaries and other benefits-in-kind	**6,009**	1,356
Contributions to retirement benefits scheme	**341**	21
Discretionary bonus	**2,450**	1,070
	9,346	2,544

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Accrued share issue costs* HK$'000	Total HK$'000
At 1 January 2020	12,553	4,283	16,836
Increase of lease liabilities	9,859	–	9,859
Accrued share issue costs	–	90,996	90,996
Financing cash flows	(3,550)	(55,388)	(58,938)
Finance costs	958	–	958
Exchange realignment	1,222	2,303	3,525
At 31 December 2020	21,042	42,194	63,236
Increase of lease liabilities	1,564	–	1,564
Financing cash flows	(6,982)	(11,755)	(18,737)
Finance costs	1,005	–	1,005
Exchange realignment	550	1,062	1,612
At 31 December 2021	**17,179**	**31,501**	**48,680**

* The accrued share issue costs are included in "Accrued listing expense/shares issue costs" as set out in note 29.

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the date of these consolidated financial statements, the Company has direct and indirect interests in the following subsidiaries, particulars of which are set out below:

Name of subsidiaries	Legal form	Place and date of establishment/ incorporation and operation	Issued share capital/paid up registered capital	Proportion of interest and voting power held by the Group At 31 December 2020 %	2021 %	Principal activities
Directly held:						
Joy Spreader Interactive Technology (HK) Limited	Limited liability company	Hong Kong 28 March 2019	HK$1	100	**100**	Investment holding

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Legal form	Place and date of establishment/ incorporation and operation	Issued share capital/paid up registered capital	Proportion of interest and voting power held by the Group At 31 December 2020 %	2021 %	Principal activities
Indirectly held:						
北京樂享互動科技有限公司 Joy Spreader WFOE	Wholly-foreign owned enterprise	PRC 22 May 2019	RMB500,000,000	100	**100**	Investment holding
Joy Spreader Interactive Group (HK) Limited	Limited liability company	Hong Kong 25 October 2019	HK$10,000	100	**100**	Trading business
北京宏成興隆商貿有限公司 Beijing Hongcheng Xinglong Commerce and Trading Co., Ltd	Limited liability company	PRC 01 March 2004	RMB1,000,000	100	**100**	Trading business
霍爾果斯樂享互動網絡科技有限公司 Horgos Joyspreader Interactive Technology Co., Ltd	Limited liability company	PRC 24 March 2020	RMB10,000,000	100	**100**	Digital marketing business and the relevant services
樂享互動(南京)投資有限公司 Joy Spreader (Nanjing) Investment Co., Ltd	Wholly-foreign owned enterprise	PRC 17 November 2020	US$30,000,000	100	**100**	Investment holding
樂享互動(南京)網絡科技有限公司 Joy Spreader (Nanjing) Interactive Technology Co., Ltd	Limited liability company	PRC 23 November 2020	RMB200,000,000	100	**100**	Digital marketing business and the relevant services
北京樂享易盛文化技術有限公司 Beijing Lexiang Yisheng Culture Technology Co., Ltd (i)	Limited liability company	PRC 06 January 2003	RMB1,000,000	–	**100**	Digital marketing business and the relevant services
Consolidated Affiliated Entities:						
北京樂享互動網絡科技股份有限公司 Beijing Joyspreader	Joint stock limited liability company	PRC 9 October 2008	RMB16,312,632	100	**100**	Digital marketing business and the relevant services and investment holding
伍遊(北京)科技有限公司 Beijing Wuyou Technology Co., Ltd	Limited liability company	PRC 30 July 2014	RMB10,000,000	100	**100**	Digital marketing business and the relevant services

41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Legal form	Place and date of establishment/ incorporation and operation	Issued share capital/paid up registered capital	Proportion of interest and voting power held by the Group At 31 December 2020 %	2021 %	Principal activities
霍爾果斯耀西網絡科技有限公司 Horgos Yaoxi Internet Technology Co., Ltd (i)	Limited liability company	PRC 19 March 2017	RMB10,000,000	100	**100**	Digital marketing business and the relevant services
霍爾果斯伍遊網絡科技有限公司 Horgos Wuyou Internet Technology Co., Ltd	Limited liability company	PRC 20 March 2017	RMB10,000,000	100	**100**	Digital marketing business and the relevant services
霍爾果斯智普數聯網絡科技有限公司 Horgos Zhipu Shulian Internet Technology Co., Ltd	Limited liability company	PRC 7 January 2020	RMB10,000,000	100	**100**	Digital marketing business and the relevant services
海南樂享互動國際科技有限公司 Hainan Joy Spreader International Technology Ltd	Limited liability company	PRC 20 July 2021	RMB5,000,000	N/A	**100**	Internet information and Internet cultural business and the relevant services
北京樂享華悅文化科技有限公司 Beijing Joy Spreader Huayue Culture Technology Ltd	Limited liability company	PRC 18 August 2021	RMB10,000,000	N/A	**100**	Internet information and Internet cultural business and the relevant services
樂享株式會社 Joy Spreader Co., Ltd	Limited liability company	Japan 26 November 2021	JPY50,000,000	N/A	**100**	Internet information business and the relevant services
霍爾果斯樂享華悅文化科技有限公司 Horgos Lexiang Huayue Culture Technology Co., Ltd	Limited liability company	PRC 31 December 2021	RMB10,000,000	N/A	**100**	Internet information and Internet cultural business and the relevant services

(i) In March 2021, the Group acquired 100% of the equity interest in Beijing Lexiang Yisheng Culture Technology Co., Ltd from an independent third party as set out in note 34. Beijing Lexiang Yisheng Culture Technology Co., Ltd changed its name from "Beijing Anxin Teling Biotechnology Limited" on 6 December 2021.

42. 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.

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2021	2020
	HK$'000	HK$'000
NON-CURRENT ASSET		
Investment in a subsidiary	**904,735**	694,878
	904,735	694,878
CURRENT ASSETS		
Financial assets at FVTPL	**5,383**	–
Bank balances and cash	**388,088**	817,106
Other receivables	**3,307**	2,639
	396,778	819,745
CURRENT LIABILITIES		
Other payables	**31,322**	41,040
Amount due to a subsidiary	**16,221**	79,290
	47,543	120,330
NET CURRENT ASSETS	**349,235**	699,415
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,253,970**	1,394,293
CAPITAL AND RESERVES		
Share capital	**22**	22
Reserves	**1,253,948**	1,394,271
TOTAL EQUITY	**1,253,970**	1,394,293

43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movements in the Company's reserves

	Treasury stocks HK$'000	Share premium HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
As at 1 January 2020	–	–	531	(25,376)	(24,845)
Loss and total comprehensive income/(expense) from the year	–	–	55,177	(91,439)	(36,262)
Issue of shares	–	1,595,528	–	–	1,595,528
Share issuance expenses	–	(140,150)	–	–	(140,150)
At 31 December 2020	–	1,455,378	55,708	(116,815)	1,394,271
Loss and total comprehensive income/(expense) from the year	–	–	37,849	(28,170)	9,679
Purchase of shares under Share Award Scheme (note 33)	(138,052)	–	–	–	(138,052)
Purchase of shares pending for cancellation (note 31)	(11,950)	–	–	–	(11,950)
At 31 December 2021	(150,002)	1,455,378	93,557	(144,985)	1,253,948

"AGM"	the annual general meeting of the Company to be held on June 17, 2022
"app"	mobile application
"Articles of Association"	the current memorandum and articles of association of the Company, being the second amended and restated memorandum and articles of association
"Audit Committee"	the audit committee of the Board
"Beijing Daoyoudao"	Daoyoudao Technology Group Co., Ltd. (道有道科技集團股份有限公司, formerly known as 道有道(北京)科技股份有限公司), a company listed on the NEEQ with stock code 832896, established under the laws of the PRC on June 12, 2007
"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
"Beijing Zinan and Friends"	Beijing Zinan and his Friends Cultural Centre (Limited Partnership) (北京子南和他的小夥伴們文化中心(有限合夥)), a limited partnership set up under the laws of the PRC on July 6, 2016 which is directly owned as to 90% by Mr. Zhu and 10% by Mr. Zhang Zhidi (張之的)
"Board"	the board of Directors
"CAGR"	compound annual growth rate
"Corporate Governance 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 annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
"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

DEFINITIONS

"Director(s)"	the director(s) of the Company
"Frost & Sullivan"	Frost & Sullivan International Limited
"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
"interactive entertainment product(s)"	interactive entertainment product(s), primarily comprising games and internet literature, etc.
"Joy Spreader", "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
"Nanjing Pingheng Capital"	Nanjing Balance Capital Management Centre (General Partnership) (南京平衡資本管理中心(普通合夥)), a general partnership set up under the laws of the PRC on March 6, 2013
"Nantong Pinghengchuangye"	Nantong Pinghengchuangye Venture Capital Investment Centre (Limited Partnership) (南通平衡創業投資基金中心(有限合夥)), a limited partnership set up under the laws of the PRC on June 11, 2015
"Nomination Committee"	the nomination committee of the Board
"Mr. Zhu"	Mr. Zhu Zinan (朱子南), our Chairman, executive Director, chief executive officer and one of our Controlling Shareholders
"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 Investment Partnership (Limited Partnership) (嘉興寶正投資合夥企業(有限合夥)), 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
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the twelve months period from January 1, 2021 to December 31, 2021
"SFO"	the Securities and Futures Ordinance
"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

"Shanghai Jinjia"	Shanghai Jinjia Asset Management Co., Ltd. (上海今嘉資產管理有限公司), a company established under the laws of the PRC with limited liability on February 6, 2016
"Shenzhen Nanhai Chengzhangtongying"	Shenzhen Nanhai Growth Win-win Private Equity Investment Fund (Limited Partnership) (深圳南海成長同贏股權投資基金(有限合夥)), a limited partnership set up under the laws of the PRC on July 20, 2017
"Shenzhen Nanhai Growth"	Shenzhen Nanhai Growth Win-win Limited, a limited liability company incorporated in the BVI on March 26, 2019
"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 annual report, 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.