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**netjoy<sup>+</sup>**

**NETJOY HOLDINGS LIMITED**

**云想科技控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2131)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Netjoy Holdings Limited (the “**Company**” or “**Netjoy**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and consolidated affiliated entities (together, the “**Group**” or “**we**”) for the six months ended June 30, 2023 (the “**Reporting Period**”) together with the comparative figures for the six months ended June 30, 2022 as follows:

**FINANCIAL RESULTS HIGHLIGHTS**

|                                 | <b>Six months ended June 30,</b>            |                    | <b>Change</b> |
|---------------------------------|---|--------------------|---------------|
|                                 | <b>2023</b>                                 | <b>2022</b>        |               |
|                                 | <b>(unaudited)</b>                          | <b>(unaudited)</b> |               |
|                                 | <i>(RMB in millions, except percentage)</i> |                    |               |
| <b>Revenue</b>                  | <b>1,620.75</b>                             | 1,618.09           | 0.16%         |
| <b>Gross profit</b>             | <b>97.02</b>                                | 97.50              | (0.49%)       |
| <b>Profit before income tax</b> | <b>36.75</b>                                | 70.16              | (47.62%)      |
| <b>Profit for the period</b>    | <b>31.46</b>                                | 62.19              | (49.41%)      |
| <b>Adjusted net profit</b>      | <b>40.68</b>                                | 72.46              | (43.86%)      |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

*For the six months ended June 30, 2023*

|   |              | <b>Six months ended June 30,</b> |                     |
|---|--------------|----------------------------------|---------------------|
|   |              | <b>2023</b>                      | 2022                |
|   | <i>Notes</i> | <b>RMB'000</b>                   | <b>RMB'000</b>      |
|   |              | <b>(unaudited)</b>               | <b>(unaudited)</b>  |
| <b>REVENUE</b>  | 3            | <b>1,620,746</b>                 | 1,618,094           |
| Cost of sales   |              | <u><b>(1,523,728)</b></u>        | <u>(1,520,599)</u>  |
| <b>Gross profit</b>   |              | <b>97,018</b>                    | 97,495              |
| Other income and gains  | 3            | <b>18,482</b>                    | 26,752              |
| Selling and distribution expenses   |              | <b>(7,882)</b>                   | (5,934)             |
| Administrative expenses   |              | <b>(39,482)</b>                  | (28,373)            |
| Impairment losses on financial assets, net  |              | <b>(13,899)</b>                  | (290)               |
| Research and development expenses   |              | <b>(5,469)</b>                   | (4,923)             |
| Other expenses  |              | <b>(1,767)</b>                   | (817)               |
| Finance costs   |              | <b>(10,428)</b>                  | (13,545)            |
| Share of profits and losses of:   |              |                                  |                     |
| Associates  |              | <u><b>178</b></u>                | <u>(203)</u>        |
| <b>PROFIT BEFORE TAX</b>  |              | <b>36,751</b>                    | 70,162              |
| Income tax expense  | 4            | <u><b>(5,287)</b></u>            | <u>(7,972)</u>      |
| <b>PROFIT AND TOTAL COMPREHENSIVE<br/>INCOME FOR THE PERIOD</b>                         |              | <u><b>31,464</b></u>             | <u>62,190</u>       |
| <b>Profit and total comprehensive income<br/>attributable to:</b>                       |              |                                  |                     |
| Owners of the parent  |              | <b>33,504</b>                    | 62,190              |
| Profit or loss of minority shareholders   |              | <u><b>(2,040)</b></u>            | <u>–</u>            |
| <b>EARNINGS PER SHARE ATTRIBUTABLE<br/>TO ORDINARY EQUITY HOLDERS OF<br/>THE PARENT</b> |              |                                  |                     |
| Basic and diluted   |              |                                  |                     |
| – For profit for the period   | 6            | <u><b>RMB4.3 cents</b></u>       | <u>RMB8.0 cents</u> |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2023

|   | <i>Notes</i> | <b>As at<br/>June 30,<br/>2023<br/>RMB'000<br/>(unaudited)</b> | <b>As at<br/>December 31,<br/>2022<br/>RMB'000<br/>(unaudited)</b> |
|---|--------------|--|--|
| <b>NON-CURRENT ASSETS</b>                             |              |  |  |
| Property, plant and equipment                         |              | 5,330  | 4,930  |
| Right-of-use assets                                   |              | 6,689  | 8,710  |
| Intangible assets                                     |              | 35,076   | 31,710   |
| Prepayments, other receivables and other assets       |              | 758  | 4,160  |
| Deferred tax assets                                   |              | 54,187   | 50,436   |
| Investments in associates                             |              | 34,572   | 4,394  |
| Held-to-maturity investment                           |              | 6,120  | –  |
| Financial assets at fair value through profit or loss |              | 48,014   | 37,534   |
| <b>Total non-current assets</b>                       |              | <b>190,746</b>   | <b>141,874</b>   |
| <b>CURRENT ASSETS</b>                                 |              |  |  |
| Inventories   |              | 18,502   | 68,810   |
| Trade receivables and bills                           | 7            | 1,599,931  | 1,570,887  |
| Prepayments, other receivables and other assets       |              | 406,333  | 276,715  |
| Restricted cash                                       |              | 168  | 11,117   |
| Cash and cash equivalents                             |              | 526,117  | 279,690  |
| Held-to-maturity investment                           |              | 11,831   | –  |
| Financial assets at fair value through profit or loss |              | 13,634   | –  |
| <b>Total current assets</b>                           |              | <b>2,576,516</b>   | <b>2,207,219</b>   |
| <b>CURRENT LIABILITIES</b>                            |              |  |  |
| Trade payables  | 8            | 539,764  | 241,983  |
| Other payables and accruals                           |              | 160,716  | 97,062   |
| Interest-bearing bank borrowing                       |              | 601,414  | 574,725  |
| Lease liabilities                                     |              | 4,879  | 5,088  |
| Contract liabilities                                  |              | 36,654   | 36,535   |
| Tax payable   |              | 16,962   | 18,218   |
| <b>Total current liabilities</b>                      |              | <b>1,360,389</b>   | <b>973,611</b>   |
| <b>NET CURRENT ASSETS</b>                             |              | <b>1,216,127</b>   | <b>1,233,608</b>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>          |              | <b>1,406,873</b>   | <b>1,375,482</b>   |

|  | <b>As at<br/>June 30,<br/>2023<br/>RMB'000<br/>(unaudited)</b> | <b>As at<br/>December 31,<br/>2022<br/>RMB'000<br/>(unaudited)</b> |
|--|--|--|
| <b>NON-CURRENT LIABILITIES</b>                                   |  |  |
| Lease liabilities  | 1,510  | 3,168  |
| Deferred tax liabilities   | 759  | 759  |
| Deferred income  | 3,045  | 626  |
|  | <hr/>  | <hr/>  |
| <b>Total non-current liabilities</b>                             | <b>5,314</b>   | <b>4,553</b>   |
|  | <hr/>  | <hr/>  |
| <b>NET ASSETS</b>  | <b>1,401,559</b>   | <b>1,370,929</b>   |
|  | <hr/>  | <hr/>  |
| <b>EQUITY</b>  |  |  |
| Equity attributable to owners of the parent                      |  |  |
| Share capital  | 148  | 148  |
| Treasury shares  | (40,934)   | (40,526)   |
| Reserves   | 1,444,402  | 1,411,324  |
|  | <hr/>  | <hr/>  |
| <b>Total equity attributable to owners of<br/>parent company</b> | <b>1,403,616</b>   | <b>1,370,946</b>   |
|  | <hr/>  | <hr/>  |
| Minority shareholders' equity                                    | (2,057)  | (17)   |
|  | <hr/>  | <hr/>  |
| <b>TOTAL EQUITY</b>  | <b>1,401,559</b>   | <b>1,370,929</b>   |
|  | <hr/>  | <hr/>  |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2023

|   | Attributable to owners of the parent |                 |                      |                  |                           |   |                  |                  |                               |                  |
|---|--------------------------------------|-----------------|----------------------|------------------|---------------------------|---|------------------|------------------|-------------------------------|------------------|
|   | Share capital                        | Treasury shares | Share option reserve | Capital reserve  | Statutory surplus reserve | Fair value reserve of financial assets at fair value through other comprehensive income | Retained profits | Total            | Minority shareholders' equity | Total equity     |
|   | RMB'000                              | RMB'000         | RMB'000              | RMB'000          | RMB'000                   | RMB'000   | RMB'000          | RMB'000          | RMB'000                       | RMB'000          |
| At January 1, 2022  | 148                                  | (36,670)        | 12,197               | 1,229,544        | 46,459                    | (400)   | 331,403          | 1,582,681        | -                             | 1,582,681        |
| Profit and total comprehensive income for the period        | -                                    | -               | -                    | -                | -                         | -   | 62,190           | 62,190           | -                             | 62,190           |
| Shares repurchased  | -                                    | (454)           | -                    | -                | -                         | -   | -                | (454)            | -                             | (454)            |
| Equity-settled share option arrangements                    | -                                    | -               | 2,774                | -                | -                         | -   | -                | 2,774            | -                             | 2,774            |
| Dividends had been declared                                 | -                                    | -               | -                    | -                | -                         | -   | (33,898)         | (33,898)         | -                             | (33,898)         |
| Transfer from retained profits                              | -                                    | -               | -                    | -                | 1,502                     | -   | (1,502)          | -                | -                             | -                |
| At June 30, 2022  | <u>148</u>                           | <u>(37,124)</u> | <u>14,971</u>        | <u>1,229,544</u> | <u>47,961</u>             | <u>(400)</u>  | <u>358,193</u>   | <u>1,613,293</u> | <u>-</u>                      | <u>1,613,293</u> |
| At January 1, 2023  | 148                                  | (40,526)        | 16,273               | 1,229,544        | 46,459                    | (400)   | 119,448          | 1,370,946        | (17)                          | 1,370,929        |
| Profit/(loss) and total comprehensive income for the period | -                                    | -               | -                    | -                | -                         | -   | 33,504           | 33,504           | (2,040)                       | 31,464           |
| Shares repurchased  | -                                    | (408)           | -                    | -                | -                         | -   | -                | (408)            | -                             | (408)            |
| Equity-settled share option arrangements                    | -                                    | -               | 2,175                | -                | -                         | -   | -                | 2,175            | -                             | 2,175            |
| Acquisition of subsidiaries                                 | -                                    | -               | -                    | (2,601)          | -                         | -   | -                | (2,601)          | -                             | (2,601)          |
| Transfer from retained profits                              | -                                    | -               | -                    | -                | 1,801                     | -   | (1,801)          | -                | -                             | -                |
| At June 30, 2023  | <u>148</u>                           | <u>(40,934)</u> | <u>18,448</u>        | <u>1,226,943</u> | <u>48,260</u>             | <u>(400)</u>  | <u>151,151</u>   | <u>1,403,616</u> | <u>(2,057)</u>                | <u>1,401,559</u> |

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2023

### 1. CORPORATE AND GROUP INFORMATION

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

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

#### Information about subsidiaries

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

| Name   | Place of incorporation/ registration and business | Issued ordinary/ Registered share capital | Percentage of equity attributable to the Company |            | Principal activities                |
|--|---|---|--|------------|-------------------------------------|
|  |   |   | Direct %   | Indirect % |                                     |
| MIX Technology Co., Ltd.<br>(合光(寧波)科技有限公司)<br>(note (a))   | PRC/Mainland China                                | USD10,000,000                             | –  | 100        | Marketing services                  |
| Yunxiang Shuke (Xi’an) Information Technology Co., Ltd.<br>(云想數科(西安)信息技術有限公司)<br>(note (a))                                | PRC/Mainland China                                | USD10,000,000                             | –  | 100        | Marketing services                  |
| Netjoy International Limited   | British Virgin Islands                            | USD50,000                                 | 100  | –          | Investment holding                  |
| Yunxiang Shuke (Shanghai) Information Technology Co., Ltd.<br>(“Yunxiang Information”)<br>(云想數科(上海)信息技術有限公司)<br>(note (a)) | PRC/Mainland China                                | RMB50,000,000                             | –  | 100        | Technical and consultation services |
| Letui (Shanghai) Culture Broadcast Co., Ltd.<br>(樂推(上海)文化傳播有限公司)<br>(note (b))   | PRC/Mainland China                                | RMB10,000,000                             | –  | 100        | Marketing services                  |
| Hainan Yunjing Xingzhan Private Equity Fund Management Co., Ltd.<br>(海南云景星展私募基金管理有限公司)(note (b))                           | PRC/Mainland China                                | RMB10,000,000                             | –  | 100        | Capital market service              |
| Yunxiang Entertainment (Shanghai) Co., Ltd.<br>(云想娛樂(上海)有限公司)<br>(note (b))  | PRC/Mainland China                                | RMB5,000,000                              | –  | 100        | Technical and consultation services |

| Name   | Place of incorporation/<br>registration and<br>business | Issued ordinary/<br>Registered share<br>capital | Percentage of<br>equity attributable<br>to the Company |               | Principal activities                |
|--|---|---|--|---------------|-------------------------------------|
|  |   |   | Direct<br>%  | Indirect<br>% |                                     |
| Letui Chuanshi (Shanghai) Information Technology Co., Ltd.<br>(樂推傳視(上海)信息技術有限公司)<br>(note (b)) | PRC/Mainland China                                      | RMB5,000,000                                    | –  | 100           | Technical and consultation services |
| Letui Zhixiao (Shanghai) Cultural Communication Co., Ltd.<br>(樂推智效(上海)文化傳播有限公司)<br>(note (b))  | PRC/Mainland China                                      | RMB5,000,000                                    | –  | 100           | Marketing services                  |
| Letui Zhixiao (Lishui) Culture Communication Co., Ltd.<br>(樂推智效(麗水)文化傳播有限公司)<br>(note (b))     | PRC/Mainland China                                      | RMB2,000,000                                    | –  | 100           | Technical and consultation services |
| Horgos Quantum Dynamic Culture Media Co., Ltd.<br>(霍爾果斯量子動態文化傳媒有限公司)(note (b))                 | PRC/Mainland China                                      | RMB1,000,000                                    | –  | 100           | Marketing services                  |
| Guangzhou Guomeng Network Technology Co., Ltd.<br>(廣州果盟網絡科技有限公司)<br>(note (b))                 | PRC/Mainland China                                      | RMB1,000,000                                    | –  | 100           | Technical and consultation services |
| Qizheng (Shanghai) Culture Communication Co., Ltd.<br>(啟征(上海)文化傳播有限公司)<br>(note (b))           | PRC/Mainland China                                      | RMB1,000,000                                    | –  | 100           | Technical and consultation services |
| Horgos Large Amount Information Technology Co., Ltd.<br>(霍爾果斯爆量信息技術有限公司)<br>(note (b))         | PRC/Mainland China                                      | RMB1,000,000                                    | –  | 100           | Marketing services                  |
| Horgos Quantum Data Services Co., Ltd.<br>(霍爾果斯量子數據服務有限公司)<br>(note (b))                       | PRC/Mainland China                                      | RMB1,000,000                                    | –  | 100           | Marketing services                  |
| Shanghai Leman Yunxiang E-commerce Co., Ltd.<br>(上海樂曼云享電子商務有限公司)<br>(note (b))                 | PRC/Mainland China                                      | RMB1,000,000                                    | –  | 100           | Marketing services                  |

| Name  | Place of incorporation/<br>registration and<br>business | Issued ordinary/<br>Registered share<br>capital | Percentage of<br>equity attributable<br>to the Company |               | Principal activities                                    |
|---|---|---|--|---------------|---|
|   |   |   | Direct<br>%  | Indirect<br>% |   |
| Letui Chuanpin (Shanghai)<br>E-commerce Co., Ltd.<br>(樂推傳品(上海)電子商務有限公司)<br>(note (b))                     | PRC/Mainland China                                      | RMB1,000,000                                    | –  | 100           | Marketing services                                      |
| Zheng Han Bio-tech Research<br>Co., Limited<br>(正漢生物科技研發有限公司)   | Hong Kong, China  | HKD20,000,000                                   | 100  | –             | Investment holding                                      |
| Netjoy International (Hong Kong) Limited  | Hong Kong, China  | HKD1  | –  | 100           | Technical and<br>consultation<br>services               |
| Yunwei Chuangshi (Shanghai)<br>Information Technology Co., Ltd.<br>(云未創視(上海)信息技術有限公司)<br>(note (b))       | PRC/Mainland China                                      | RMB1,250,000                                    | –  | 60            | Software-as-a-service<br>("SaaS")                       |
| <i>Indirectly controlled by the Company pursuant to the contractual agreements</i>                        |   |   |  |               |   |
| Netjoy (Shanghai) Network Technology<br>Co., Ltd. ("Netjoy Network")<br>(note (b))                        | PRC/Mainland China                                      | RMB53,528,203                                   | –  | 100           | Entertainment-oriented<br>content platform<br>operation |
| Tradeplus (Shanghai) Information<br>Technology Co., Ltd. ("Tradeplus")<br>(連山加(上海)信息技術有限公司)<br>(note (b)) | PRC/Mainland China                                      | RMB5,000,000                                    | –  | 100           | SaaS  |

*Notes:*

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

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

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

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

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

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

## **2.1 BASIS OF PREPARATION**

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

### **Basis of consolidation**

The consolidated financial statements include the condensed consolidated financial statements of the Group for the six months ended June 30, 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

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

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

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

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

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2022, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's unaudited condensed consolidated financial statements.

|   |  |
|---|--|
| Amendments to IFRS 3                          | <i>Reference to the Conceptual Framework</i>   |
| Amendments to IAS 16                          | <i>Property, Plant and Equipment: Proceeds before Intended Use</i>                   |
| Amendments to IAS 37                          | <i>Onerous Contracts – Cost of Fulfilling a Contract</i>                             |
| <i>Annual Improvements to IFRSs 2018–2020</i> | Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41 |

The amendments did not have any significant impact on the Group's unaudited condensed consolidated financial statements.

### 3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

|                                       | <b>Six months ended June 30,</b> |                         |
|---------------------------------------|----------------------------------|-------------------------|
|                                       | <b>2023</b>                      | <b>2022</b>             |
|                                       | <b>RMB'000</b>                   | <b>RMB'000</b>          |
|                                       | <b>(unaudited)</b>               | <b>(unaudited)</b>      |
| Revenue from contracts with customers | <b><u>1,620,746</u></b>          | <b><u>1,618,094</u></b> |

#### Revenue from contracts with customers

##### (i) *Disaggregated revenue information*

|   | <b>Six months ended June 30,</b> |                         |
|---|----------------------------------|-------------------------|
|   | <b>2023</b>                      | <b>2022</b>             |
|   | <b>RMB'000</b>                   | <b>RMB'000</b>          |
|   | <b>(unaudited)</b>               | <b>(unaudited)</b>      |
| Types of services                                 |                                  |                         |
| Online marketing solutions services               |                                  |                         |
| – All-in-one services                             | 1,514,125                        | 1,543,862               |
| – Advertisement distribution services             | 27,987                           | 44,196                  |
| SaaS service                                      | 5,535                            | 11,668                  |
| Other business                                    | <b><u>73,099</u></b>             | <b><u>18,368</u></b>    |
| Total revenue from contracts with customers       | <b><u>1,620,746</u></b>          | <b><u>1,618,094</u></b> |
| Timing of revenue recognition                     |                                  |                         |
| Marketing services transferred at a point in time | 1,612,452                        | 1,603,742               |
| Marketing services transferred over time          | <b><u>8,294</u></b>              | <b><u>14,352</u></b>    |
| Total revenue from contracts with customers       | <b><u>1,620,746</u></b>          | <b><u>1,618,094</u></b> |

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

|  | <b>Six months ended June 30,</b> |                      |
|--|----------------------------------|----------------------|
|  | <b>2023</b>                      | <b>2022</b>          |
|  | <b>RMB'000</b>                   | <b>RMB'000</b>       |
|  | <b>(unaudited)</b>               | <b>(unaudited)</b>   |
| Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period: | <b><u>36,535</u></b>             | <b><u>33,343</u></b> |

There is no revenue recognised in the current accounting period from performance obligations satisfied in previous periods for the six months ended June 30, 2022 and June 30, 2023, respectively.

##### (ii) *Performance obligations*

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

###### *Online marketing solutions services*

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

### *SaaS service*

The Group provides SaaS service to advertisers and separate service contracts are signed for these services. The performance obligation is satisfied on a user's optimised click (oCPC) on one of the customer-sponsored links or on optimised the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (oCPM) or over the subscription period on a straight-line basis.

### *Other business*

It includes the original pan-entertainment business as well as live streaming businesses.

Pan-entertainment business performance obligation is satisfied on a pro-rata basis over the contractual term for cost per time advertising arrangements, commencing on the start date of the display of the advertisement or on the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (CPM). Live streaming business performance obligation is satisfied at a point in time when the live broadcast duration and sale transaction of goods is completed.

The transaction prices allocated to the remaining performance obligations unsatisfied as at June 30, 2023 are RMB36,654,000 (June 30, 2022: RMB23,989,000).

All the remaining performance obligations unsatisfied as at June 30, 2023 are expected to be recognised within one year as the performance obligations are part of contracts that have an original expected duration of one year or less.

An analysis of other income and gains is as follows:

|                               | <b>Six months ended June 30,</b> |                    |
|-------------------------------|----------------------------------|--------------------|
|                               | <b>2023</b>                      | <b>2022</b>        |
|                               | <b>RMB'000</b>                   | <b>RMB'000</b>     |
|                               | <b>(unaudited)</b>               | <b>(unaudited)</b> |
| <b>Other income and gains</b> |                                  |                    |
| Bank interest income          | <b>1,058</b>                     | 4,672              |
| Government grants             | <b>14,326</b>                    | 21,604             |
| Others                        | <b>3,098</b>                     | 476                |
|                               | <b>18,482</b>                    | <b>26,752</b>      |

## **4. INCOME TAX**

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

### **Cayman Islands**

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

## **British Virgin Islands**

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

## **Hong Kong**

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the six months ended June 30, 2023 (2022: Nil).

## **Mainland China**

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

According to Several Opinions of the State Council on Supporting the Construction of Kashgar and Horgos Economic Development Zones (國務院關於支持喀什霍爾果斯經濟開發區建設的若干意見) promulgated on 30 September 2011, and Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgos in Xinjiang (財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知) promulgated by the Ministry of Finance of the PRC (中國財政部) and the State Administration of Taxation of the PRC (中國國家稅務總局) on 29 November 2011, from 2010 to 2020, the newly established enterprises in Kashgar and Horgos within the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Tax Treatment (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) granted the preferential tax treatment of five years EIT exemption beginning from the first taxable year after the becoming profitable. Upon the expires of the tax exemption period, the local share of EIT would be exempted for another five years, and a subsidy would be granted by the Finance Bureau of the Development Zone in the form of rewards. Quantum Culture Media was entitled to the PRC tax bureau for EIT exemption from 1 January 2017 to 31 December 2021 and the exemption of EIT charged by local tax bureau according to Preferential Filing Record of EIT (企業所得稅優惠事項備案表) from 1 January 2022 to 31 December 2026 and obtained the related approval from the PRC tax bureau, which takes account for 40% of the total EIT.

According to the Implementation Opinions on Accelerating the Construction of Kashgar and Horgos Economic Development Zones (關於加快喀什、霍爾果斯經濟開發區建設的實施意見), from January 1, 2010 to December 31, 2020, enterprises newly established in the development zone that fall within the scope of the Catalogue of Enterprise Income Tax Preferences for Industries Encouraged to Develop in Difficult Areas of Xinjiang (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) will be exempted from enterprise income tax for five years from the tax year in which the first production and operation income is obtained. After the tax exemption period expires, the local share of EIT will be exempted for another five years, and the subsidy will be granted by the Finance Bureau of the Development Zone in the form of rewards. According to Preferential Filing Record of EIT (企業所得稅優惠事項備案表), thereinto, Quantum Data, the third-tier subsidiary of the Company, obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2022 to 31 December 2026.

Pursuant to the Notice on Enterprise Income Tax Policies for the Integrated Circuit Design and Software Industries (關於集成電路設計和軟件產業企業所得稅政策的公告) issued by the Ministry of Finance of the PRC and the State Administration of Taxation of the PRC and with approval from the tax authorities in charge, one of the Group’s subsidiaries, Tradeplus, is entitled to an exemption from CIT for two years, commencing from 2022, the first year that Tradeplus generates taxable profit, and a deduction of 50% on the CIT rate for the following three years.

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

|                     | <b>Six months ended June 30,</b> |             |
|---------------------|----------------------------------|-------------|
|                     | <b>2023</b>                      | 2022        |
|                     | <b>RMB'000</b>                   | RMB'000     |
|                     | <b>(unaudited)</b>               | (unaudited) |
| Current income tax: |                                  |             |
| Mainland China      | <b>9,036</b>                     | 7,896       |
| Hong Kong           | <b>2</b>                         | –           |
| Deferred income tax | <b>(3,751)</b>                   | 76          |
|                     | <b>5,287</b>                     | 7,972       |

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

|   | <b>Six months ended June 30,</b> |             |             |      |
|---|----------------------------------|-------------|-------------|------|
|   | <b>2023</b>                      |             | 2022        |      |
|   | <b>RMB'000</b>                   | %           | RMB'000     | %    |
|   | <b>(unaudited)</b>               |             | (unaudited) |      |
| Profit before tax   | <b>36,751</b>                    |             | 70,162      |      |
| Tax at the statutory tax rate                             | <b>9,187</b>                     | <b>25</b>   | 17,540      | 25   |
| Preferential tax rates enacted by local authority         | <b>(7,779)</b>                   | <b>(21)</b> | (10,098)    | (14) |
| Additional deduction on research and development expenses | <b>(491)</b>                     | <b>(1)</b>  | (523)       | (1)  |
| Effect on deferred tax of changes in tax rates            | –                                | –           | 40          | –    |
| Tax losses and temporary differences not recognised       | <b>4,910</b>                     | <b>13</b>   | 1,210       | 2    |
| Tax losses utilised from previous periods                 | <b>(598)</b>                     | <b>(2)</b>  | (526)       | (1)  |
| Expenses not deductible for tax                           | <b>58</b>                        | –           | 329         | –    |
| Tax charge at the effective rate                          | <b>5,287</b>                     | <b>14</b>   | 7,972       | 11   |

## 5. DIVIDENDS

No dividend was declared for the six months ended June 30, 2023.

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

The calculations of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 775,149,260 (June 30, 2022: 778,280,420) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended June 30, 2022 and 2023 in respect of a dilution as the Group had no potentially ordinary dilutive ordinary shares in issue during the six months ended June 30, 2022 and 2023.

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

|  | <b>Six months ended June 30,</b> |                    |
|--|----------------------------------|--------------------|
|  | <b>2023</b>                      | <b>2022</b>        |
|  | <b>RMB'000</b>                   | <b>RMB'000</b>     |
|  | <b>(unaudited)</b>               | <b>(unaudited)</b> |
| <b>Earnings</b>  |                                  |                    |
| Profit attributable to ordinary equity holders of the parent   | <u>33,504</u>                    | <u>62,190</u>      |
|  | <b>Number of shares</b>          |                    |
|  | <b>Six months ended June 30,</b> |                    |
|  | <b>2023</b>                      | <b>2022</b>        |
|  | <b>(unaudited)</b>               | <b>(unaudited)</b> |
| <b>Shares</b>  |                                  |                    |
| Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation | <u>775,149,260</u>               | <u>778,280,420</u> |

## 7. TRADE RECEIVABLES AND NOTES

|                   | <b>As at</b>            | <b>As at</b>        |
|-------------------|-------------------------|---------------------|
|                   | <b>June 30,</b>         | <b>December 31,</b> |
|                   | <b>2023</b>             | <b>2022</b>         |
|                   | <b>RMB'000</b>          | <b>RMB'000</b>      |
|                   | <b>(unaudited)</b>      | <b>(audited)</b>    |
| Notes receivable  | <b>210,000</b>          | 138,917             |
| Trade receivables | <b>1,611,403</b>        | 1,639,543           |
| Impairment        | <b>(221,472)</b>        | (207,573)           |
|                   | <u><b>1,599,931</b></u> | <u>1,570,887</u>    |

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 210 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentrations of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

|                  | <b>As at<br/>June 30,<br/>2023<br/>RMB'000<br/>(unaudited)</b> | As at<br>December 31,<br>2022<br>RMB'000<br>(audited) |
|------------------|--|---|
| Less than 1 year | 1,375,763  | 1,423,735   |
| 1 to 2 years     | <u>14,168</u>  | <u>8,235</u>  |
|                  | <b><u>1,389,931</u></b>  | <b><u>1,431,970</u></b>                               |

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

|                        | <b>As at<br/>June 30,<br/>2023<br/>RMB'000<br/>(unaudited)</b> | As at<br>December 31,<br>2022<br>RMB'000<br>(audited) |
|------------------------|--|---|
| At beginning of period | 207,573  | 56,111  |
| Impairment losses, net | <u>13,899</u>  | <u>151,462</u>  |
| At end of period       | <b><u>221,472</u></b>  | <b><u>207,573</u></b>                                 |

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

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

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

**As at June 30, 2023**

|                       | <b>Expected<br/>credit loss<br/>rates</b> | <b>Gross<br/>carrying<br/>amounts<br/>RMB'000</b> | <b>Impairment<br/>RMB'000</b> |
|-----------------------|---|---|-------------------------------|
| Defaulted receivables | 100.00%                                   | 149,517   | 149,517                       |
| Less than 1 year      | 1.15%                                     | 1,391,761   | 15,998                        |
| 1 to 2 years          | 75.43%                                    | 57,673  | 43,505                        |
| 2 to 3 years          | 100.00%                                   | 3,794   | 3,794                         |
| Over 3 years          | 100.00%                                   | <u>8,658</u>                                      | <u>8,658</u>                  |
|                       | <b>13.74%</b>                             | <b><u>1,611,403</u></b>                           | <b><u>221,472</u></b>         |

**As at December 31, 2022**

|                       | Expected<br>credit loss<br>rates | Gross<br>carrying<br>amounts<br><i>RMB'000</i> | Impairment<br><i>RMB'000</i> |
|-----------------------|----------------------------------|--|------------------------------|
| Defaulted receivables | 100.00%                          | 155,668  | 155,668                      |
| Less than 1 year      | 1.15%                            | 1,440,263                                      | 16,528                       |
| 1 to 2 years          | 75.43%                           | 33,520   | 25,285                       |
| 2 to 3 years          | 100.00%                          | 4,545  | 4,545                        |
| Over 3 years          | 100.00%                          | 5,547  | 5,547                        |
|                       | 12.66%                           | <u>1,639,543</u>                               | <u>207,573</u>               |

**8. TRADE PAYABLES**

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

|                | <b>As at<br/>June 30,<br/>2023<br/><i>RMB'000</i><br/>(<i>unaudited</i>)</b> | As at<br>December 31,<br>2022<br><i>RMB'000</i><br>( <i>audited</i> ) |
|----------------|--|---|
| Within 90 days | <b>509,411</b>   | 229,129   |
| 91 to 365 days | <b>23,292</b>  | 9,520   |
| Over 1 year    | <b>7,061</b>   | 3,334   |
|                | <u><b>539,764</b></u>  | <u>241,983</u>  |

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### RESULTS HIGHLIGHTS FOR THE FIRST HALF OF 2023

In the first half of 2023, the Group prudently optimized its business structure and development strategy through continuous enhancement of platform technology, rich and comprehensive media resources and high-quality and balanced corporate customer base, and the business quality showed a steady trend of improvement accumulating strength. Although the domestic economic recovery in the post-epidemic era is not as fast as expected, coupled with lingering uncertainties in the international macro-environment, we are still highly confident as always in the development of digital and platform economy in China and the world. Based on comprehensive consideration of the economic environment, market demand and technology trends, the Group will continue to follow the three strategic development directions of “Platformization”, “Diversification” and “Internationalization”, consolidate its advantage business from the core competitiveness level, steadily expand new potential business areas, pay more attention to improving quality and efficiency at the operational level, and lay a solid foundation for long-term development.

During the Reporting Period, we achieved a total revenue of RMB1.621 billion, which was slightly higher than RMB1.618 billion in the first half of 2022. The total bill reached RMB3.84 billion, a year-on-year increase of 6.63%. In the first half of 2023, while consolidating the business scale, we paid more attention to the recovery and optimization of profit performance. We recorded the gross profit of RMB97.02 million, with a gross profit rate of 5.99%, up by 5.07 percentage points compared with the whole year of 2022; The net profit was RMB31.46 million, and the net interest rate rose by 7.33 percentage points to 1.94% compared with last year’s annual level. As of June 30, 2023, our cash and bank balance reached RMB526 million, with abundant cash reserves and sound financial structure.

During the Reporting Period, the Group made steady progress in three major strategies. In terms of “Platformization”, the platform system with core self-developed “Tianji (天玑)” and “Tradeplus (連山智投)” has undergone many iterations and upgrades, which has continuously strengthened our automation and large-scale business management and operation ability in short video marketing market. At the same time, we have embedded the application ability of Generative Artificial Intelligence (“AIGC”) technology at the graphic level into the enterprise’s internal operation technology system and standardized software-as-a-service (“SaaS”) business application tools, further enhancing the cost reduction and increasing efficiency of the content production. In terms of “Diversification”, in order to fully meet customers’ demand for digital business services derived from the growth of modern new media ecology, the Group strategically gradually improved the service matrix based on short video ecology, including extending effect marketing to integrated marketing, and expanding brand live broadcast operation to all-round e-commerce services. In the first half of 2023, the scale of our business in the field of e-commerce services has shown a considerable growth trend, and at the same time, the synergy and empowerment effects among various businesses have gradually emerged. In terms of “Internationalization”, during the Reporting Period,

the Group further consolidated the team’s digital ability in the global short video market by enhancing the video production capacity in different languages and expanded overseas collaboration networks. Presently, we have become a commercial video creative provider for overseas enterprises such as TikTok for Business and Temu. Therefore, with the extension of technical and business advantages, the number of key account (“KA”) advertisers we served in the first half of this year increased to 791, and 2,556 new small and medium-sized business (“SME”) customers subscribed to the Group’s standardized SaaS marketing tools. As of the date of this announcement, the Group have cumulatively served 21,077 advertisers in 269 vertical segments.

With the aid of continuous investment and innovation in platform technology and service capabilities, the Group has been widely recognized by more and more professional organizations, customers, media platforms and other parties. As of the date of this announcement, we have won many industry awards, including “Gold Award for Creative Communication Track” (「創意傳播賽道金獎」) and “Bronze Award for Live Marketing Track” (「直播營銷賽道銅獎」) at the 14th Golden Mouse Digital Marketing Competition (第14屆金鼠標數字營銷大賽), “Annual Long-term Operation Award” (「共擎獎之年度長效經營大獎」) at the 2022-2023 Giant Engine Co-engine Award (巨量引擎2022-2023年度共擎獎), “Live Marketing Case Award” (「直播營銷案例獎」) and other three awards at the Fourth Giant Engine Co-engine Case Award (巨量引擎第四期共擎•案例獎), “Annual Ecological Award” (「年度生態大獎」) at the Third Session of Giant Engine Engine Award (巨量引擎第三屆引擎獎), and other four awards, such as “Top Ten Emerging Partners of Magnetic Engine of the Year” (「磁力引擎年度十佳新銳合作夥伴」) and “Excellent Partner of Magnetic Taurus of the Year” (「磁力金牛年度優秀合作夥伴」) at the 2023 Magnetic Engine Partner Conference (2023磁力引擎合作夥伴大會), “Annual Effect Innovation and Efficiency Enhancement Award” (「年度效果創新增效獎」) at the 2023 Tencent Advertising Channel Partner Summit (2023騰訊廣告渠道合作夥伴峰會), and “Silver Brand Service Provider” (「銀牌品牌服務商」) at the 2023 TikTok E-commerce (2023抖音電商).

We believe that, as one of the important driving forces of global economic development, the digital economy is deepening its integration with more economic formats. With the digital content in the form of short video penetrating the whole life scene of global mobile users more deeply, also let the commercialization of short video has become a competitive track for domestic and foreign enterprises to create new growth. Netjoy will continue to consolidate its technical barriers and industry advantages in the field of short video, help all walks of life benefit from the new opportunities in the digital era, promote the integration and empowerment of digital economy and different industries, and realize our own long-term development in the process.

## **BUSINESS REVIEW**

In the first half of 2023, the Group prudently and steadily expanded various businesses in a timely and appropriate manner, continuously enhancing the stability of business development and creating high-quality business value. Driven by the strategy of “Platformization”, “Diversification” and “Internationalization”, we have continuously enhanced our capabilities and advantages in technology, products and services, and made positive and sustainable remarkable progress in the three business segments of online marketing solutions, SaaS services and e-commerce services.

### **Online marketing solutions**

As the core strength of the Group, short video marketing has been firmly consolidating its business “moat” for a long time, and constantly strengthening its “internal force” through the upgrading of platform technology and the innovation of content production capacity to consolidate its market position. At the same time, with the continuous optimization of media and customer structure and more comprehensive marketing services, we have steadily expanded our business volume and effectively improved our profitability. During the Reporting Period, the Group provided customized online marketing solutions for 791 advertisers, the business gross profit margin increased by 5.3 percentage points compared with the whole year of 2022.

The improvement of business quality comes from the continuous investment in the technical field. First of all, we insist on upgrading the platform technology to achieve the growth of scale and efficiency. During the Reporting Period, we continued to improve the technical system around the whole link of short video marketing, and iteratively upgraded two independent research and development platforms – “Tianji (天玑)” and “Tradeplus (連山智投)” to provide advertisers with one-stop and all-round technical service solutions covering all aspects such as large-scale content production, programmed accurate delivery, big data effect analysis and independent budget management. Thanks to the platform technology, the Group has once again enhanced the scale and automation control ability and delivery effect of short video marketing by virtue of profound big data accumulation and excellent algorithm technology, and achieved a new breakthrough in team efficiency-the total bill amount generated by the Group per capita in the first half of the year increased by 18.76% year-on-year to RMB10.16 million. Based on the progress at this stage, we will explore the capacity building of Natural Language Processing (“NLP”) technology in the intelligent delivery link in the future, so as to promote the intelligent upgrade of our own platform technology and further improve the mechanization and leanness of marketing links. As of June 30, 2023, the short video we delivered and programmed has generated over 1,258.3 billion impressions and over 455.3 billion video views.

In addition, we are also strengthening the production capacity of creative content driven by data and technology. By integrating the application capacity of AIGC and NLP technology at the graphic level into the production of short videos, the team's output efficiency of graphic content such as script creation, marketing copywriting and element design has been improved, the Group's large-scale production capacity in the field of commercial short videos continued to maintain the leading level in the industry. As of the date of this announcement, the monthly production capacity of the internal video production team peaked at over 21,400, and the monthly production capacity per capita increased by 31.05% to 359. At the same time, we are upgrading our creative production capacity from short video to three dimensional ("3D") content, not only have we built a virtual reality ("VR") production base, but also established a strategic cooperative relationship with leading domestic metauniverse and artificial intelligence ("AI") technology companies to jointly build the infrastructure of Metauniverse marketing and explore new business models in depth. Based on this, we have cooperated with overseas leading game makers, domestic leading Internet platforms and other enterprises in related projects, continuously accumulated service experience in the field of metauniverse through business practice, and deepened the marketing and commercial service capabilities precipitated in the VR scene. We believe that the Group's current investment in technology and resources in the field of 3D content will bring long-term impetus to the future growth and efficiency improvement of the Group.

With the continuous improvement of technical capabilities, our coverage of cooperative media and the business depth of customer service have been further enhanced. On the media side, Netjoy, as a pioneer in the field of short video marketing, has become an important partner for many content distribution platforms to promote "short video". In the first half of this year, on the basis of continuing to deepen cooperation with domestic head platforms such as TikTok Group, Kuaishou, Tencent, RED, Alibaba Group and JD Group, we have newly opened up Bilibili, becoming one of the only seven authorized agents in the game industry in China. And with the help of mature and innovative digital marketing service system, we have become its high-quality partners in a short time. On the customer service side, we also constantly improve our integrated marketing capabilities, and gradually strengthen brand marketing, talent economy, content marketing and other service types based on short video effect marketing to provide customers with more comprehensive and efficient marketing empowerment.

Relying on the industry experience, creative ability and technical advantages successfully verified in the domestic short video marketing market, the Group's expansion in the international market has also formed a strong endogenous driving force. During the Reporting Period, we have achieved the market coverage of users in eight different foreign languages, further expanded the cooperation network of overseas business, and launched one-stop customized overseas marketing content services. Based on large-scale, localized short video creative ability and big data-driven precision marketing technology, we have become creative content service providers for overseas enterprises such as TikTok for Business and Temu, helping customers build brand awareness in the global market and reach target users efficiently.

Based on the iterative and upgraded platform technology and the increasingly perfect marketing service system, we introduced a number of high-quality domestic and foreign customers during the Reporting Period, including world famous maternal and child brands and daily chemical brands, domestic internet platforms, trendy play brands and game manufacturers, etc., and the diversity and richness of customers continued to be broadened. In the first half of the year, the number of advertisers served by the Group increased to 791 up by 37.80% year-on-year. The industry structure of customer base continues to maintain a balanced and diversified development trend. The top three industries are network service, financial service and network game, accounting for 27.2%, 26.2% and 22.2% of online marketing solution revenue respectively.

### SaaS services

During the Reporting Period, in order to better empower SMEs to carry out programmed and intelligent short video marketing and operation, the Group realized the merger of its two standardized SaaS products, that is, the short video marketing and operation management tool “Yunshiyouke” and the programmed creative marketing tool “Qunying” were integrated, and the version of “Yunshiyouke 3.0” was launched. On this basis, we continue to iterate product functions, and have applied AIGC technology to the related functional blocks of short video production, realizing the automatic generation of video scripts, video titles, marketing copywriting, dubbing commentary and other graphic levels, and strengthening the capabilities of intelligent account diagnosis and automatic marketing of its products, greatly improving the marketing and operation efficiency of SME on short video platforms.

During the Reporting Period, the Group continued to strengthen its nationwide channel network and held a total of 35 product summits in 22 local cities to accelerate its penetration into the SME market. In the first half of 2022, we added 2,556 SME subscribers, generating a total subscription contract value of RMB25.28 million.

In addition, the Group has further strengthened its binding depth with KA customers through SaaS services. For example, during the Reporting Period, we improved the data closed loop between the mainstream short video platform and the traditional e-commerce platform, and formed short video marketing Click ID (“CID”) technical services based on SaaS platform for e-commerce customers, enabling them to achieve the effective gross merchandise volume (“**effective GMV**”) of RMB52.00 million across platforms. At the same time, the Group is merging two major technology platforms “Tradeplus” and “Tianji”, aiming at realizing the effective combination and coordination between the operating link of content and delivery management and the capital link of budget management in short video marketing, which will further improve the short video marketing efficiency, operational efficiency and data control autonomy of KA advertisers, and achieve the goal of reducing costs and increasing efficiency for the Group and customers in both directions. By the end of the Reporting Period, the quarterly turnover of “Tianji” had increased to RMB1.262 billion, and the number of platform users had increased to 270. We believe that “Tianji” has been successfully applied on a large scale in customer business scenarios, which can play a positive role in the commercialization of the Group’s smart launch and products with CID technology.

## **E-commerce services**

In the first half of 2023, we continued to broaden and strengthen the more comprehensive e-commerce service capabilities from the brand live broadcast operation, and extended the track from consumer goods to life services. First of all, within the short video industry ecology, the Group has gradually established an in-station global e-commerce service system that integrates brand self-broadcasting, talent matching and store operation, and combined with our industry-leading large-scale creative production capacity, precision marketing technology and data analysis capabilities, we help brands achieve efficient global growth on the short video platform with more comprehensive service contacts. In addition, during the Reporting Period, we further penetrated into the e-commerce industry chain, extended e-commerce services to various channels, deepened the layout of consumer goods such as three types of electronic products (“3C”) and daily chemical products, which the Group has the advantages of sub-sectors, and covered many links from upstream suppliers to downstream sales, so as to enhance our influence and competitiveness in the e-commerce service market. In the first half of the year, we provided e-commerce services to 25 domestic and foreign brands in consumer goods such as digital, clothing, pets, maternal and infant, daily chemical products, and generated an effective GMV of RMB570.93 million, up by 528.71% year-on-year.

In June of this year, the central and western headquarters of the Group was officially put into operation in Xi’an, and the business teams related to e-commerce services, including live broadcast operation, streaming operation, content production and data analysis, will gradually move from Shanghai to Xi’an, and we will reserve outstanding talents in related fields and optimize the operating cost structure through cooperation with local universities in Xi’an, which will further strengthen the development resilience and long-term operating efficiency of the Group’s e-commerce service business.

## **BUSINESS OUTLOOK**

Looking forward, we will continue to take root in the three strategic directions of “Platformization”, “Diversification” and “Internationalization”. Based on short video marketing, we will give full play to the development potential of the latest digital technology enabling business such as AIGC, build a diversified business matrix with synergistic effects, realize the overseas extension of core technologies and superior services, and build a perfect smart short video ecological service business system. In the second half of 2023, we will continue to promote business development around the following five key areas.

### **Enhance the research and development (“R&D”) and application of the latest digital technology, and expand the application and empowerment of AI technology**

As a technologically innovative enterprise, we will, as always, focus on the development of technical assets, continue to devote ourselves to the in-depth research on the automatic generation of video ideas and the content modeling of metaverse scenes, and improve the commercial application ability of AI technologies such as AIGC technology, NLP technology, digital human and virtual scene 3D modeling in content production, large-scale operation and management, so as to reduce the cost, increase the output and optimize the effect of short video marketing. At present, we have embedded the application ability of AIGC technology at the graphic level into our internal technical system and SaaS tools for SMEs, and will further unlock the commercial application potential of related technologies in video creation, intelligent delivery, e-commerce services and other fields in the future.

We will join hands with industry-leading content and technology partners to develop the technical infrastructure of the metaverse marketing scenario, and adopt technical solutions such as VR/Augmented Reality (“AR”) content marketing and digital human business application in customer service. We believe that the effective reuse and innovation of the company’s technology accumulation in the field of short video will help us gain the first-mover advantage in the industry upgrade and open up new development space.

### **Improve international resources and enhance multi-directional cooperation with the platform**

With more and more overseas media platforms and domestic content distribution platforms laying out short video content and related commercial scenes, we will further broaden the mainstream media cooperation network at home and abroad with the aid of the accumulated technical ability, precipitated data assets and successful methodology deeply rooted in the short video marketing market in China. In addition, we will organically integrate endogenous and exogenous forces, accelerate our layout in overseas markets and improve our global marketing service matrix by cooperating with high-quality marketing enterprises or teams in Southeast Asia, North America and other overseas regions and combining our own advantages and capabilities in short video marketing and e-commerce services.

At the same time, in the face of the ever-changing domestic Internet market and media ecology and the ever-changing user behavior habits, we will continue to keep up with the development trend of the industry, deepen close cooperation with various media platforms with clear strategies, and provide corporate customers with more comprehensive service content that keeps pace with the times, so as to be included in new important customer groups.

### **Deepen the layout of e-commerce industrial chain and strengthen the penetration of key vertical industries**

Based on the deep coverage we have formed in the e-commerce industry, we will steadily expand the layout of e-commerce service business, and combine our own technical advantages in the marketing field, the professional ability of live e-commerce, diversified channel resources, and deep cultivation and insight into advantageous consumer goods such as digital products, daily chemicals, maternal and infant, and accelerate the penetration into the upstream and downstream of the e-commerce industry chain, so as to form the layout of the whole e-commerce industry chain of “people, goods and fields” based on the short video ecology.

With our iterative technical products and mature and efficient professional services, we will also accelerate the expansion of vertical industries such as local life and digital entertainment, and precipitate new business forms, platform resources and ecological partners that are more vertical and competitive in the industry. The in-depth layout of the above vertical industries will help us to create a differentiated competitive advantage in the segmentation track, and enable us to take into account the short-term growth opportunities and long-term business value in the segmentation field, and further enhance the expandability of our business map.

### **Continue to broaden the diversified business matrix and improve customer cooperation stickiness**

Driven by the wave of digital economy in China, China enterprises have generated many new development needs in the process of digital transformation. As a leading enterprise in the field of short video effect marketing, we will promote the perfection of commercial service system through the innovation of technology, service and content, provide global digital marketing services covering the whole marketing link for corporate customers, help enterprises achieve long-term and efficient all-round growth in the short video ecosystem, and establish closer and deeper cooperation with customers in the process. In this regard, we will further strengthen the integrated marketing capabilities including brand marketing, talent economy and VR content marketing. At the same time, we will make use of the experience of e-commerce accumulated in the track of advantageous consumer industries and extend it to other retail formats and life service categories, so as to strengthen our service ability for the whole industry chain of e-commerce as a whole.

In addition, with the recovery of domestic residents' offline consumption scenes in the post-epidemic era, we expect the offline economy to accelerate its integration with the online economy. Based on our in-depth layout in the Internet advertising market and online media ecology, we will increase the business expansion of offline business scenarios such as local life, promote offline and online business collaboration and further expand the diversified business scale.

### **Continuously upgrade endogenous platform technology to improve the efficiency of large-scale operation**

With the development and maturity of domestic short video market, short video marketing tends to lean operation and intelligent management, and the market puts forward higher requirements for the mechanization and automation of related links in the industrial chain. We will continue to adhere to the business development concept of "technology-driven growth", further integrate technical resources and upgrade internal technical capabilities in a platform-based manner, strengthen the technical system of operation management, and enhance our operational efficiency and benefits in all links of short video marketing, such as content production, cross-platform accurate distribution, cross-platform account operation management and data analysis.

At the same time, based on our data assets and mature underlying technology platform in the field of short video marketing, we will build a unified, interoperable and highly open business middle platform and data middle platform, so as to realize a more stable, lightweight and extensible technical product and functional architecture foundation, provide technical platform support for the development and collaboration in the fields of live e-commerce, talent economy and local consumer services, and empower the team to effectively promote the large-scale expansion of important business sectors.

Based on the five key development aspects above, we will also actively and selectively seek strategic cooperation or investment merger and acquisition ("M&A") opportunities with outstanding external companies, so as to form long-term business synergy value, grasp market opportunities that are compatible with our ability advantages, and accelerate the layout and development of high-value business ecology.

## FINANCIAL REVIEW

Six months ended June 30, 2023 as compared with six months ended June 30, 2022:

|   |              | <b>Six months ended June 30,</b> |                     |
|---|--------------|----------------------------------|---------------------|
|   |              | <b>2023</b>                      | 2022                |
|   | <i>Notes</i> | <b>RMB'000</b>                   | <b>RMB'000</b>      |
|   |              | <b>(unaudited)</b>               | <b>(unaudited)</b>  |
| <b>REVENUE</b>  | 3            | <b>1,620,746</b>                 | 1,618,094           |
| Cost of sales   |              | <u><b>(1,523,728)</b></u>        | <u>(1,520,599)</u>  |
| <b>Gross profit</b>   |              | <b>97,018</b>                    | 97,495              |
| Other income and gains  | 3            | <b>18,482</b>                    | 26,752              |
| Selling and distribution expenses   |              | <b>(7,882)</b>                   | (5,934)             |
| Administrative expenses   |              | <b>(39,482)</b>                  | (28,373)            |
| Impairment losses on financial assets, net  |              | <b>(13,899)</b>                  | (290)               |
| Research and development expenses   |              | <b>(5,469)</b>                   | (4,923)             |
| Other expenses  |              | <b>(1,767)</b>                   | (817)               |
| Finance costs   |              | <b>(10,428)</b>                  | (13,545)            |
| Share of profits and losses of:   |              |                                  |                     |
| Associates  |              | <u><b>178</b></u>                | <u>(203)</u>        |
| <b>PROFIT BEFORE TAX</b>  |              | <b>36,751</b>                    | 70,162              |
| Income tax expense  | 4            | <u><b>(5,287)</b></u>            | <u>(7,972)</u>      |
| <b>PROFIT AND TOTAL COMPREHENSIVE<br/>INCOME FOR THE PERIOD</b>                         |              | <u><b>31,464</b></u>             | <u>62,190</u>       |
| <b>Profit and total comprehensive income<br/>attribute to:</b>                          |              |                                  |                     |
| Owners of the parent  |              | <b>33,504</b>                    | 62,190              |
| Profit or loss of minority shareholders   |              | <u><b>(2,040)</b></u>            | <u>–</u>            |
| <b>EARNINGS PER SHARE ATTRIBUTABLE<br/>TO ORDINARY EQUITY HOLDERS OF<br/>THE PARENT</b> |              |                                  |                     |
| Basic and diluted   |              |                                  |                     |
| – For profit for the period   | 6            | <u><b>RMB4.3 cents</b></u>       | <u>RMB8.0 cents</u> |

## KEY FINANCIAL RATIOS

|   | Six months ended June 30, |      |
|---|---------------------------|------|
|   | 2023                      | 2022 |
| Gross profit margin (%) <sup>(1)</sup>        | <b>5.99</b>               | 6.03 |
| Net profit margin (%) <sup>(2)</sup>          | <b>1.94</b>               | 3.84 |
| Current ratio (times) <sup>(3)</sup>          | <b>1.89</b>               | 2.33 |
| Adjusted net profit margin (%) <sup>(4)</sup> | <b>2.51</b>               | 4.48 |
| Debt-to-asset ratio (times) <sup>(5)</sup>    | <b>0.49</b>               | 0.41 |

### Notes:

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

## Revenue

We generate our revenue primarily from the provision of (i) our one-stop online marketing solutions to advertisers directly or through advertising agencies; (ii) SaaS service; and (iii) other business. Our total revenue increased by 0.16% from RMB1,618.09 million for the six months ended June 30, 2022 to RMB1,620.75 million for the six months ended June 30, 2023, which was mainly attributable to the increase in the revenue from our other business.

## Revenue by business segments

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

|                                     | <b>Six months ended June 30,</b>       |                                 |  |                                 |
|-------------------------------------|--|---------------------------------|--|---------------------------------|
|                                     | <b>2023</b>                            |                                 | <b>2022</b>                            |                                 |
|                                     | <i>(RMB'000)</i><br><i>(unaudited)</i> | <i>% of</i><br><i>the total</i> | <i>(RMB'000)</i><br><i>(unaudited)</i> | <i>% of</i><br><i>the total</i> |
| Online marketing solutions business | <b>1,542,112</b>                       | <b>95.2</b>                     | 1,588,058                              | 98.2                            |
| SaaS service                        | <b>5,535</b>                           | <b>0.3</b>                      | 11,668                                 | 0.7                             |
| Other business <sup>(1)</sup>       | <b>73,099</b>                          | <b>4.5</b>                      | 18,368                                 | 1.1                             |
| <b>Total</b>                        | <b><u>1,620,746</u></b>                | <b><u>100.0</u></b>             | <b><u>1,618,094</u></b>                | <b><u>100.0</u></b>             |

*Note:*

(1) Other business includes pan-entertainment content services business and live streaming business.

We enter into annual framework agreements with our advertising customers and charge them for our online marketing solutions based primarily on a mix of oCPM, oCPC and CPC. Our online marketing solutions business grew stably during the Reporting Period, benefiting from the increased recognition of short video marketing by both audiences and advertisers and the popularity of short video marketing. For the six months ended June 30, 2023, the revenue generated from our online marketing solutions business accounted for 95.2% of our total revenue.

### *Revenue from online marketing solutions business by type of advertising customers*

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

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

|                      | <b>Six months ended June 30,</b>       |                                 |  |                                 |
|----------------------|--|---------------------------------|--|---------------------------------|
|                      | <b>2023</b>                            |                                 | <b>2022</b>                            |                                 |
|                      | <i>(RMB'000)</i><br><i>(unaudited)</i> | <i>% of</i><br><i>the total</i> | <i>(RMB'000)</i><br><i>(unaudited)</i> | <i>% of</i><br><i>the total</i> |
| Advertisers          | <b>1,539,993</b>                       | <b>99.9</b>                     | 1,543,862                              | 97.2                            |
| Advertising agencies | <b>2,119</b>                           | <b>0.1</b>                      | 44,196                                 | 2.8                             |
| <b>Total</b>         | <b><u>1,542,112</u></b>                | <b><u>100.0</u></b>             | <b><u>1,588,058</u></b>                | <b><u>100.0</u></b>             |

*Revenue from online marketing solutions business by industry verticals*

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

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

|                                   | Six months ended June 30, |              | 2022             |              |
|-----------------------------------|---------------------------|--------------|------------------|--------------|
|                                   | 2023                      | % of         | (RMB'000)        | % of         |
|                                   | (RMB'000)                 | the total    | (RMB'000)        | the total    |
|                                   | (unaudited)               |              | (unaudited)      |              |
| Online gaming                     | 342,559                   | 22.2         | 444,436          | 28.0         |
| Financial services <sup>(1)</sup> | 403,807                   | 26.2         | 370,731          | 23.3         |
| E-commerce                        | 58,517                    | 3.8          | 170,079          | 10.7         |
| Internet services                 | 419,926                   | 27.2         | 377,174          | 23.8         |
| Advertising                       | 103,237                   | 6.7          | 16,353           | 1.0          |
| Culture & media                   | 208,312                   | 13.5         | 163,972          | 10.3         |
| Others <sup>(2)</sup>             | 5,754                     | 0.4          | 45,313           | 2.9          |
| Total                             | <u>1,542,112</u>          | <u>100.0</u> | <u>1,588,058</u> | <u>100.0</u> |

*Notes:*

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

During the six months ended June 30, 2023, the internet services industry was our largest group of advertising customers. Our revenue generated from the internet services industry accounted for 23.8% and 27.2% of our total revenue derived from online marketing solutions business for the six months ended June 30, 2022 and 2023, respectively.

During the six months ended June 30, 2023, we further explored other industry verticals, such as advertisement industry. Our revenue generated from advertisement industry, as a percentage of our total revenue generated from online marketing solutions business, increased from 1.0% for the six months ended June 30, 2022 to 6.7% for the six months ended June 30, 2023.

## Cost of Sales

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

|                           | <b>Six months ended June 30,</b> |                     |                         |                     |
|---------------------------|----------------------------------|---------------------|-------------------------|---------------------|
|                           | <b>2023</b>                      |                     | <b>2022</b>             |                     |
|                           | <i>(RMB'000)</i>                 | <i>% of</i>         | <i>(RMB'000)</i>        | <i>% of</i>         |
|                           | <i>(unaudited)</i>               | <i>the total</i>    | <i>(unaudited)</i>      | <i>the total</i>    |
| Traffic acquisition cost  | <b>1,450,107</b>                 | <b>95.2</b>         | 1,449,928               | 95.4                |
| Employee benefit expenses | <b>20,201</b>                    | <b>1.3</b>          | 26,561                  | 1.7                 |
| Others <sup>(1)</sup>     | <b>53,420</b>                    | <b>3.5</b>          | 44,110                  | 2.9                 |
| <b>Total</b>              | <b><u>1,523,728</u></b>          | <b><u>100.0</u></b> | <b><u>1,520,599</u></b> | <b><u>100.0</u></b> |

*Note:*

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

Our cost of sales primarily consists of traffic acquisition costs and employee benefit expenses. For the six months ended June 30, 2023, traffic acquisition costs constituted the largest portion of our cost of sales, and others constituted the second largest portion of our cost of sales. For the six months ended June 30, 2022 and the six months ended June 30, 2023, our traffic acquisition costs amounted to RMB1,449.9 million and RMB1,450.1 million, respectively, accounting for approximately 95.4% and 95.2%, respectively, of our total cost of sales for the respective periods, which was in line with our business expansion. For the six months ended June 30, 2022 and the six months ended June 30, 2023, our employee benefit expenses amounted to RMB26.6 million and RMB20.2 million, respectively, accounting for approximately 1.7% and 1.3%, respectively, of our total cost of sales for the respective periods, which was caused by optimizing the organizational structure, reducing costs and increasing efficiency. For the six months ended June 30, 2022 and the six months ended June 30, 2023, our other costs amounted to RMB44.1 million and RMB53.4 million, respectively, accounting for approximately 2.9% and 3.5%, respectively, of our total cost of sales for the respective periods, which was attributable to the increase in other business expenses.

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

|                                     | Six months ended June 30, |              | 2022             |              |
|-------------------------------------|---------------------------|--------------|------------------|--------------|
|                                     | 2023                      | % of         |                  | % of         |
|                                     | (RMB'000)                 | the total    | (RMB'000)        | the total    |
|                                     | (unaudited)               |              | (unaudited)      |              |
| Online marketing solutions business | 1,454,498                 | 95.5         | 1,499,564        | 98.6         |
| SaaS service                        | 4,876                     | 0.3          | 3,587            | 0.2          |
| Other business <sup>(1)</sup>       | 64,354                    | 4.2          | 17,448           | 1.2          |
| Total                               | <u>1,523,728</u>          | <u>100.0</u> | <u>1,520,599</u> | <u>100.0</u> |

Note:

(1) Other business includes pan-entertainment content services business and live-streaming business.

### Gross Profit and Gross Profit Margin

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

|                                     | Six months ended June 30, |              | 2022          |              |
|-------------------------------------|---------------------------|--------------|---------------|--------------|
|                                     | 2023                      | Gross profit |               | Gross profit |
|                                     | Gross profit              | margin       | Gross profit  | margin       |
|                                     | (RMB'000)                 | %            | (RMB'000)     | %            |
|                                     | (unaudited)               |              | (unaudited)   |              |
| Online marketing solutions business | 87,614                    | 5.7          | 88,494        | 5.6          |
| SaaS service                        | 659                       | 11.9         | 8,082         | 69.3         |
| Other business <sup>(1)</sup>       | 8,744                     | 12.0         | 919           | 5.0          |
| Total                               | <u>97,017</u>             | <u>6.0</u>   | <u>97,495</u> | <u>6.0</u>   |

Note:

(1) Other business includes pan-entertainment content services business and live-streaming business.

Our gross profit consists of our revenue less cost of sales. The Group recorded gross profit of RMB97.0 million for the six months ended June 30, 2023, representing a decrease of 0.5% as compared to the gross profit of RMB97.5 million for the six months ended June 30, 2022.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. The gross profit margin for the six months ended June 30, 2022 was 6.0% consistent with that for the six months ended June 30, 2023, which was mainly due to the initial increase in the cost of the company's new business development and new business exploration model, so as to cooperate with the company to select better advertisers and improve the corresponding gross profit.

## **OTHER INCOME AND GAINS**

Our other income and gains decreased from RMB26.75 million for the six months ended June 30, 2022 to RMB18.48 million for the six months ended June 30, 2023, which was mainly attributable to the decrease in the additional deduction of value-added tax throughout 2023 as compared to 2022.

## **SELLING AND DISTRIBUTION EXPENSES**

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

Our selling and distribution expenses gradually increased from RMB5.93 million for the six months ended June 30, 2022 to RMB7.88 million for the six months ended June 30, 2023, which was mainly attributable to the initial increase in the cost of our company's pioneering new business and exploring new business models.

## **GENERAL AND ADMINISTRATIVE EXPENSES**

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

Our administrative expenses gradually increased by 39.16% from RMB28.37 million for the six months ended June 30, 2022 to RMB39.48 million for the six months ended June 30, 2023, which was mainly attributable to the expansion of the company's business and the increase of management personnel.

## **IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET**

Impairment losses on financial assets, net represent provisions of impairment of trade receivables, net of reversal. We recorded impairment losses on financial assets, net of RMB13.90 million for the six months ended June 30, 2023, which was mainly attributable to the provision for general credit losses made by our trade receivables.

## **RESEARCH AND DEVELOPMENT EXPENSES**

Our research and development expenses primarily comprise (i) employee benefit expenses; (ii) outsourcing development expenses; and (iii) others, mainly consisting of server rental expenses. Our research and development expenses increased by 11.18% from RMB4.92 million for the six months ended June 30, 2022 to RMB5.47 million for the six months ended June 30, 2023, which was mainly attributable to the increase in the number of R&D personnel and their average salary level, and the capitalization of the cloud service platform in this period.

## **OTHER EXPENSES**

Our other expenses increased from RMB0.82 million for the six months ended June 30, 2022 to RMB1.77 million for the six months ended June 30, 2023, which was mainly attributable to exchange loss.

## **FINANCE COSTS**

Our finance costs decreased from RMB13.55 million for the six months ended June 30, 2022 to RMB10.43 million for the six months ended June 30, 2023. The decrease in finance costs was mainly due to the decrease in the interest rate of bank loans, which led to a decrease in the corresponding interest expenses of our bank loans by RMB4.62 million.

## **INCOME TAX EXPENSES**

Our income tax expenses decreased from RMB7.97 million for the six months ended June 30, 2022 to RMB5.29 million for the six months ended June 30, 2023, which was mainly due to profit before tax decreased by 47.62% resulted in the corresponding decrease in income tax expenses for the Reporting Period.

## **PROFIT FOR THE PERIOD**

As a result of the above, our profit for the period decreased by 49.41% from RMB62.19 million for the six months ended June 30, 2022 to RMB31.46 million for the six months ended June 30, 2023. Our net profit margin decreased from 3.84% for the six months ended June 30, 2022 to 1.94% for the six months ended June 30, 2023.

## NON-IFRS MEASURE: ADJUSTED NET PROFIT

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

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

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

|  | <b>Six months ended June 30,</b> |                    |
|--|----------------------------------|--------------------|
|  | <b>2023</b>                      | 2022               |
|  | <i>(RMB in millions)</i>         |                    |
|  | <i>(unaudited)</i>               | <i>(unaudited)</i> |
| Net profit for the period                |                                  |                    |
| Add:                                     | <b>31.46</b>                     | 62.19              |
| Share-based compensation                 | <b>2.18</b>                      | 2.77               |
| Foreign exchange differences             | <b>1.75</b>                      | (0.47)             |
| Income tax expense                       | <b>5.29</b>                      | 7.97               |
|  | <hr/>                            | <hr/>              |
| <b>Adjusted net profit<sup>(1)</sup></b> | <b>40.68</b>                     | 72.46              |
|  | <hr/>                            | <hr/>              |

*Note:*

- (1) Adjusted net profit is defined as net profit for the period after adding back one-off income, share-based compensation, foreign exchange differences and income tax expenses incurred during the respective period.

## LIQUIDITY AND FINANCIAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including acquiring user traffic from online publishers, enhancing our content production capabilities, improving our big data analytics and AI capabilities, upgrading our proprietary DMP and other infrastructures as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, and capital contributions from shareholders of the Company (the “**Shareholders**”). Our cash and bank balances increased from RMB290.81 million as at December 31, 2022 to RMB526.29 million as at June 30, 2023, mainly attributable to the replenishment of working capital with the expansion of business scale.

The table below sets out our liquidity as at December 31, 2022 and as at June 30, 2023, respectively:

|                       | <b>As at<br/>June 30,<br/>2023<br/>RMB'000<br/>(unaudited)</b> | As at<br>December 31,<br>2022<br>RMB'000<br>(audited) |
|-----------------------|--|---|
| Cash and bank balance | <b>526,285</b>   | 290,807   |
| Denominated in RMB    | <b>526,156</b>   | 217,589   |
| Denominated in HKD    | <b>91</b>  | 364   |
| Denominated in USD    | <b>38</b>  | 72,854  |
|                       | <b>526,285</b>   | 290,807   |

As at June 30, 2023, our bank loans amounted to approximately RMB601.41 million (as at December 31, 2022: approximately RMB574.73 million). Our bank loans are denominated in RMB. The interest rates on our bank loans ranged from 3.50% to 4.30% (for the year ended December 31, 2022: 3.55% to 4.30%) per annum and the terms of the loans ranged from three months to one year. We will repay the above borrowings in due a course on maturity.

## CAPITAL EXPENDITURES

Our capital expenditures for the six months ended June 30, 2023 primarily consists of expenditures on (i) property, plant and equipment for office equipment and leasehold improvement; and (ii) intangible assets for software and the user right of a website.

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

|                               | <b>As at<br/>June 30,<br/>2023</b><br><i>(RMB in millions)</i><br><i>(unaudited)</i> | As at<br>December 31,<br>2022<br><i>(audited)</i> |
|-------------------------------|--|---|
| Property, plant and equipment | 2.17   | 1.55  |
| Intangible assets             | 7.60   | 16.29   |
| Total                         | <u>9.77</u>  | <u>17.84</u>                                      |

We incurred capital expenditures of approximately RMB9.77 million for the six months ended June 30, 2023, primarily related to office furniture and decoration as well as purchases of servers, software and website. We intend to fund our planned capital expenditures through cash generated from operations.

## PLEDGE OF ASSETS

As at June 30, 2023, no bank loans were secured by the Group's deposits (as at 31 December 2022: nil) and were guaranteed by the Company and certain subsidiaries of the Company.

## FOREIGN EXCHANGE RISK MANAGEMENT

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

## CONTINGENT LIABILITIES

As at June 30, 2023, the Group did not have any material contingent liabilities.

## **EMPLOYEES**

As at June 30, 2023, we had 378 full-time employees, including 348 in Shanghai, 20 in Beijing, 2 in Xi'an and 8 in Xinjiang. As at June 30, 2023, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

Our employees typically enter into standard employment contracts with us. We place high value on recruiting, training and retaining our employees. We maintain high recruitment standards and provide competitive compensation packages. Remuneration packages for our employees mainly comprise base salary and bonus. We also provide both in-house and external trainings for our employees to improve their skills and knowledge. For the six months ended June 30, 2023, total staff remuneration expenses including Directors' remuneration amounted to RMB53.94 million.

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

We have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development. The Company has adopted a post-IPO share option scheme and a restricted share unit scheme (the "**Restricted Share Unit Scheme**"). As at 30 June 2023, the Trustee had purchased a total of 21,021,000 shares in the market under the Restricted Share Unit Scheme adopted by the Company on 18 October 2021, representing approximately 2.642% of the total number of shares in issue as at the date of this announcement (i.e. 795,658,000 shares).

## **RETIREMENT AND EMPLOYEE BENEFITS SCHEMES**

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

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

## **MATERIAL ACQUISITION, DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENT**

During the six months ended June 30, 2023, the Group had no material acquisition, disposal of subsidiaries, associates and joint ventures or significant investment. As of June 30, 2023, the Group did not hold any significant investment.

## **FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS**

As at the date of this announcement, the Group did not have any other immediate plans for material investment and capital assets.

## **SUBSEQUENT EVENTS**

On July 17, 2023, the Company granted a total of 63,514,812 share options at the exercise price of HK\$0.8160 per share to 22 grantees under the post-IPO share option scheme adopted by the Company on November 17, 2020 to subscribe for a total of 63,514,812 shares of the Company, accounting for about 7.9827% of the total issued shares as of the date of grant (i.e. July 17, 2023). For details, please refer to the announcement issued by the Company dated July 17, 2023 and the circular of the Company dated July 31, 2023.

Save as disclosed above, there have been no major events affecting the Group since June 30, 2023 and up to the date of this announcement.

## **INTERIM DIVIDEND**

The Board did not declare the payment of any interim dividend for the six months ended June 30, 2023.

## **CORPORATE GOVERNANCE CODE**

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of the Shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as its governance code.

During the Reporting Period, the Company has always complied with the code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

## **MODEL CODE FOR SECURITIES TRANSACTION**

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

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the six months ended June 30, 2023, none of the Company or any of its subsidiaries or its consolidated affiliated entities had purchased, sold or redeemed any of the listed securities of the Company.

## **AUDIT COMMITTEE**

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

## **REVIEW OF INTERIM RESULTS**

The interim results for the six months ended June 30, 2023 is unaudited and has not been reviewed by the auditor of the Company, but has been reviewed by the Audit Committee.

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

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2022 INTERIM REPORT**

This interim results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.netjoy.com](http://www.netjoy.com)). The interim report for the six months ended June 30, 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

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

Shanghai • China, August 25, 2023

*As at the date of this announcement, the Board comprises Mr. XU Jiaqing, Mr. WANG Chen, Mr. LIN Qian and Ms. ZHA Lijun as executive Directors; Mr. DAI Liqun and Mr. WANG Jianshuo as non-executive Directors; and Mr. CHEN Changhua, Dr. RU Liyun and Ms. CUI Wen as independent non-executive Directors.*