



JOY SPREADER

樂享集團

JOY SPREADER GROUP INC.

樂享集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6988



2023
INTERIM REPORT

Content

2	Corporate Information
4	Financial Highlights
6	Corporate Profile
22	Management Discussion and Analysis
37	Corporate Governance and Other Information
47	Report on Review of Condensed Consolidated Financial Statements
48	Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
50	Condensed Consolidated Statement of Financial Position
52	Condensed Consolidated Statement of Changes in Equity
54	Condensed Consolidated Statement of Cash Flows
55	Notes to the Condensed Consolidated Financial Statements
77	Definitions

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. Hu Qingping (胡慶平)
(resigned as a non-executive Director on July 7, 2023)
Mr. Hu Jiawei (胡家璋)

Independent Non-executive Directors

Mr. Tang Wei (唐偉)
Mr. Fang Hongwei (房宏偉)
Mr. Huang Boyang (黃博揚)

AUDIT COMMITTEE

Mr. Tang Wei (唐偉) (*Chairman*)
Mr. Huang Boyang (黃博揚)
Mr. Fang Hongwei (房宏偉)
(appointed as a member of the Audit Committee on July 7, 2023)
Mr. Hu Qingping (胡慶平)
(resigned as a member of the Audit Committee on July 7, 2023)

REMUNERATION COMMITTEE

Mr. Fang Hongwei (房宏偉) (*Chairman*)
Mr. Cheng Lin (成林)
Mr. Huang Boyang (黃博揚)

NOMINATION COMMITTEE

Mr. Zhu Zinan (朱子南) (*Chairman*)
Mr. Fang Hongwei (房宏偉)
Mr. Huang Boyang (黃博揚)

AUTHORISED REPRESENTATIVES

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

REGISTERED OFFICE

Office of Sertus Incorporations (Cayman) Limited
Sertus Chambers
Governors Square, Suite #5-204
23 Lime Tree Bay Avenue
P.O. Box 2547, Grand Cayman
KY1- 1104, Cayman Islands

COMPANY'S HEADQUARTERS IN THE PRC

27/F, Wangjing Jinhui Building
Chaoyang District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1-9010
Cayman Islands

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants and Registered PIE Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

JOINT COMPANY SECRETARIES

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

HONG KONG LEGAL ADVISOR

Kirkland & Ellis
26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Central
Hong Kong

INVESTOR RELATIONS

Tel: (86)10-87726988
Email: investment@joyspreader.com

WEBSITE

www.joyspreader.com

STOCK CODE

6988

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

FINANCIAL HIGHLIGHTS

The unaudited condensed consolidated interim results of the Group 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

	For the six months ended June 30		Year-on-year changes Increase/ (decrease)
	2023 (Unaudited)	2022 (Unaudited)	
	<i>(HK\$ in millions, except for percentages)</i>		
Revenue	2,148.18	1,366.71	57.18%
Gross profit	211.79	188.46	12.38%
(Loss)/profit for the period attributable to owners of the Company	(194.83)	75.48	N/A
Net (loss)/profit margin	(9.07)%	5.52%	(14.59) ⁽¹⁾
Earnings per Share			
– Basic and diluted (HK cents)	(8.22)	3.47	N/A

Note:

(1) Change in percentage points.

Highlights of the Group's operational results for the Reporting Period, together with comparative figures for the corresponding period in 2022, are as follows:

OPERATIONAL RESULTS HIGHLIGHTS

	As of June 30 or for the six months ended June 30		Year-on- year changes
	2023	2022	Increase/ (decrease)
Overseas sales of E-commerce goods business			
Sales (HK\$ million)	1,944.14	1,021.27	90.36%
Sales volume (units)	1,432,074	813,415	76.06%
Algorithm-based marketing business			
GMV of domestic short video platform E-commerce marketing (HK\$ million)	255.01	310.72	(17.93)%
Number of paid actions of interactive entertainment products marketing ⁽¹⁾ ('000)	23,883	95,382	(74.96)%
Average revenue per paid action (HK\$)	2.46	2.54	(3.15)%
R&D Investments			
R&D expenditure (HK\$ million)	43.39	46.28	(6.24)%
Number of data models (sets)	192	188	2.13%

Note:

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

CORPORATE PROFILE

OVERVIEW

In recent years, in order to cope with the dramatic economic changes occurred during the pandemic and the post-pandemic era, as well as various challenges from international trade and geopolitics tensions, the Chinese government has made continuous adjustment to its strategies and policies in respect of economy, industry, foreign trade and other areas, which has also reshaped the Group's development environment. In this regard, the Group has made several commercial judgments as follows:

1. Huge trade potential in the ASEAN region

The Association of Southeast Asian Nations (hereinafter referred to as "ASEAN") region has become China's largest trading partner for three consecutive years since 2020, and the Group set to establish our business presence in the region two years ago. According to data from China Customs, the trade volume between China and ASEAN in the first half of 2023 amounted to RMB3.08 trillion, representing a year-on-year growth of 5.4% and accounting for 15.3% of China's total foreign trade volume. With the in-depth implementation of the "Belt and Road" initiative, Southeast Asia, as a key hub of the "Maritime Silk Road" and key area for the joint construction of high-quality "Belt and Road", has witnessed a comprehensive escalation of economic and trade cooperation between China and the ASEAN region, bringing about structural large-scale and high-growth opportunities in foreign trade and enabling the Group to leverage the development trend of the ASEAN region. Through precise analysis and judgment by the management of the Company, we started to enter the ASEAN region as early as 2021. With our self-developed standalone website platform, precise online marketing, stringent product selection standards and efficient supply chain integration, we have been able to record high-speed and sustainable growth in revenue from the overseas sales of E-commerce goods business. In the later two years, our overseas sales of E-commerce goods business in the ASEAN region has achieved rapid growth. In the first half of 2023, it generated revenue of HK\$1,944.14 million, representing a year-on-year growth of 90.36%. The rapid expansion of the business fully validates the accurate prediction of the management of the Company on the development potential of the ASEAN region and the business model of the overseas sales of E-commerce goods business.

2. Domestic macro-economy and policies bring impacts to the internet marketing business

China's economy has not recovered as fast as expected overall in the post-pandemic era. Additionally, impacted by China's controls over the regulatory approval for game licenses and paid literature in previous periods, the development of the internet marketing industry has been restricted to a certain extent. The management of the Company had already predicted the industry development trend last year, and therefore, in the first half of 2023, despite the impact, the Group's internet marketing business was still able to outperform the industry, in particular, the domestic E-commerce marketing segment managed to buck the trend and grow, which effectively compensated for partial decrease in market momentum caused by the adjustments of policies in the game and literature sectors.

3. Collaborate with central enterprises to enter the film and television culture and entertainment industry

The film and television culture and entertainment industry was among the first industries recovering strongly after the pandemic. In 2022, the Group carried out a mixed reform with the central enterprise Poly Culture Group Corporation Limited (保利文化集团股份有限公司) (hereinafter referred to as “**Poly Culture Group**”) and established a mixed reform platform, Poly Joy Spreader Digi-Entertainment (Beijing) Co., Ltd. (保利樂享文娛科技(北京)有限公司) (hereinafter referred to as “**Poly Digi-Entertainment**”), to initiate an in-depth cooperation at the business level. The management of the Company fully recognizes the importance of participating in the mixed reform of state-owned and central enterprises, which not only brings business synergies, but also enable us to obtain the quality resources of state-owned and centralized enterprises. At the same time, it also confirms our previous prediction on the development prospect of the film and television industry. According to data from China Film Bureau, in the first half of 2023, the total box office in Mainland China amounted to RMB26.271 billion, representing an increase of 52.91% compared with the same period in 2022. Total number of moviegoers nationwide was 604 million, representing an increase of 51.76% over the same period in 2022. Since 2022, we have participated in a number of film and television investments in order to be well poised to embrace the sustained booming of the film and television culture and entertainment industry.

Based on the above judgments, the Group has made a forward-looking deployment in the E-commerce market in Southeast Asia, benefiting from the cooperation between China and its largest and most promising trading partner. With the strategical partnership with a cultural central enterprise, the Group begins to establish an innovative business presence in culture and entertainment technology. By concentrating on digital algorithm technology, continuously expanding into new application areas, and extending and improving a loop-locked industrial chain, Joy Spreader Group has developed into a mobile internet marketing group for full industrial chain consisting of overseas independent electronics vertical E-commerce platform business (hereinafter referred to as “**overseas sales of E-commerce goods business**”), interest-based content recommendation algorithm-based marketing business in China (hereinafter referred to as “**algorithm-based marketing business**”), culture and entertainment technology business – Web3.0, AIGC, film and television culture and entertainment production, MCN and own 1P Traffic (hereinafter referred to as “**culture and entertainment technology business**”).

OVERSEAS INDEPENDENT CONSUMER ELECTRONICS VERTICAL E-COMMERCE PLATFORM BUSINESS

- **Principal businesses:**

Currently, short video social platforms are emerging traffic pools where international internet giants have stepped up their efforts, and the social E-commerce model based on such platforms has also become a major trend in the global E-commerce industry. Meanwhile, China's economic and trade relations with the ASEAN is becoming increasingly close. According to data from the China Customs, trade between the two parties has grown at an average annual rate of 9.9% over the past 10 years, 4.3 percentage points higher than China's overall annual growth rate of foreign trade, and from 2020 onwards, ASEAN has become China's largest trading partner. Under such circumstances, China became the first country to complete the approval of the Regional Comprehensive Economic Partnership (RCEP) in 2021. We expect that both parties will continue their large-scale and high-growth economic and trade exchanges after becoming the largest trading partner.

Accordingly, we started our overseas sales of E-commerce goods business in 2021, and by leveraging the opportunities of Chinese native brands and traffic platforms going overseas, established our own E-commerce platform, MARTOP, aiming to build one of the most competitive consumer electronics vertical E-commerce platforms in Southeast Asia.

We make full use of the famous overseas short video platforms as the major marketing channels to attract user traffic for the E-commerce platform, MARTOP. Based on the Group's mature and advanced recommendation algorithm as a tool to acquire traffic, we enhance the accuracy of traffic matching and the efficiency of transformation on social platforms. Meanwhile, we have set up a complete overseas supply chain by acquiring more offline distributors in Southeast Asia, and established an "online + offline" sales system. Relying on a mature and stable supply chain as a complete chain from the product source to the end consumer, we ultimately complete orders and product deliveries on our MARTOP E-commerce platform, which helps the sales of electronic consumer products from China to overseas.

- **Main products for sales:** 3C electronic consumer products
- **Main service targets:** Distributors (B-end small and medium customers) and customers of electronic consumer products
- **Main service area:** ASEAN countries
- **Main marketing channels:** famous overseas short video platforms

INTEREST-BASED CONTENT RECOMMENDATION ALGORITHM-BASED MARKETING BUSINESS IN CHINA

- **Principal businesses:**

Interest-based content recommendation algorithm-based marketing business in China is the earliest layout and most mature business of the Group, and is also the foundation and technical gene for the Group to expand new business.

In the era of mobile internet, internet traffic dominated by portal websites and search engines has gradually migrated to new media platforms, and the traffic distribution mode has also changed from bidding ranking display to interest-based content algorithm recommendation. The new media platforms recommend “customized content” to internet users through intelligent recommendation algorithm, and based on this, Joy Spreader Group helps mobile internet social platforms and short video platforms such as Douyin and WeChat official account to recommend “customized products” to users, thereby helping them increase sales volume, downloads and activity level. Joy Spreader Group has built its own data analysis system to analyze products, content and internet users and to establish modeling for them, forming data labels. Through recommendation algorithms and middle platform technology, Joy Spreader Group conducts matchmaking based on highly relevant products, content and users, so as to enable users to find products suitable for their needs and preferences more quickly, promote “discovery consumption”, and charge customers according to actual matchmaking transactions.

- **Profit model:**

The Group earns revenues from service fees, such as cost per sales, downloads and the improvement of activity. Major costs are the costs of acquisition of traffic.

- **Main services:**

Interactive entertainment product distribution over mobile internet, selling goods through E-commerce, APP downloads and marketing activity etc.

- **Main service area:** Mainland China

- **Main marketing channels:** Well-known internet social networking platforms and short video platforms in mainland China

CULTURE AND ENTERTAINMENT TECHNOLOGY BUSINESS (WEB3.0, AIGC, FILM AND TELEVISION CULTURE AND ENTERTAINMENT PRODUCTION, MCN AND OWN 1P TRAFFIC BUSINESSES)

- **Principal businesses:**

With the continuous penetration of the digital economy in a variety of industries and the implementation of the national cultural digitization strategy, the integration and development of digital technologies such as the interest-based content recommendation algorithm deeply developed by the Group with the cultural and entertainment industry has given rise to a large number of industrial opportunities. Meanwhile, as China has clearly set the development goal of building a strong cultural country by 2035, and the Ministry of Finance and the Publicity Department of CPC Central Committee have jointly established a culture industry fund of RMB50 billion to improve the policy support to culture industry investment, we believe that the film and television culture industry will usher in a golden period of rapid development.

Against this background, at the end of March 2022, the Group successfully participated in the mixed ownership reform of Poly Digi-Entertainment under Poly Culture Group, a central state-owned culture enterprise, and became its strategic shareholder. The Group has initiated an in-depth cooperation at the business level and carried out innovative business layout such as Web3.0, AIGC, film and television culture and entertainment production, MCN and own 1P Traffic together with central state-owned enterprises.

1. Web3.0 business

Digital asset is a major entry point for technology enterprises to seize the Web3.0 era, and also one of the first areas where the Group has made a breakthrough together with central state-owned enterprises. Based on its own blockchain technology, Poly Digi-Entertainment has built a digital asset service platform for film and television culture and entertainment contents, “Kong Jian (空兼)”, which boasts its own intellectual property rights as well as independent and complete operation and provides blockchain services for application scenarios in different industries, such as culture and art, judicial evidence preservation and consumer goods. As a self-developed digital asset service platform with the background of central state-owned enterprises in the film and television culture and entertainment industry, “Kong Jian” is jointly built by Joy Spreader Group, Poly Culture Group and JDT (京東科技集團). Among them, Joy Spreader Group, as a leading mobile internet marketing group serving full industrial chain, is the sole middle platform operator of “Kong Jian”; leveraging its outstanding advantages in big data and interest-based content recommendation algorithm, it provides support for the market-oriented operation of digital assets and is fully responsible for the actual operation of the platform, including IP introduction, customer introduction, platform promotion and other specific businesses. Poly Digi-Entertainment, relying on Poly Culture Group’s profound brand and industrial resource advantages, provides overall operation support for “Kong Jian”. JDT (京東科技集團), as a leading technology company in China, provides the bottom blockchain open source technical support for “Kong Jian”.

2. MCN business

Taking advantage of the unique background of the central state-owned culture enterprise, we actively develop customers which are state-owned or central enterprises, undertake national key film and television projects, and establish the first national leading central state-owned enterprise MCN (Multi-Channel Network), to focus on creating short video contents and talents in line with the general direction of national ideology. Joy Spreader Group will leverage its first mover advantages in data scale and interest-based content recommendation model to provide exclusive technical support to this MCN organization.

3. Film and television culture and entertainment production business

Relying on Poly Film Investment Corporation Limited (hereinafter referred to as “**Poly Film**”)’s full industry chain layout in the film industry, Poly Digi-Entertainment focuses on the diversified development of film and television business and digital business, and actively explores the production business of film and television culture and entertainment works. Our culture and entertainment technology business takes advantage of the mixed ownership mechanism, covers the development and incubation, production and production management, publicity, distribution and internet marketing, cross-border integration development of “film and television +” and other fields of theatrical films and short, middle and long dramas, and is committed to creating and enriching Joy Spreader Group’s own IP, and forming own 1P Traffic cluster of Joy Spreader Group by culture empowering the industry.

4. Own 1P Traffic business

We believe that new media platforms are built on content, especially high-quality professional content. Joy Spreader Group has been exploring and waiting for the opportunity to cultivate its own traffic with high-quality IP and content, which will not only reduce our cost of traffic procurement, but also provide customized content to our clients to facilitate marketing conversion.

Together with the MCN business as well as the film and television culture and entertainment production business jointly developed with our strategic central enterprise partner, we are committed to creating a diversified matrix comprised of MCN short video contents, celebrities and renowned artists with positive impact, while developing new media accounts that have in-depth co-operation with the Group through strategic alliance, investment, incubation and other ways to utilize high-quality IP (Intellectual Property) to produce high-quality internet content in the form of “PGC+AIGC”, thus generating our own traffic for the commercialization of our new media business.

On the basis above, we will be able to replicate the logic of the algorithm-based marketing business of Joy Spreader Group. The recommendation algorithms model may enable us to match our own traffic content with the customer products and target consumer groups of our algorithm-based marketing business to facilitate marketing conversion. Similarly, our own traffic content will also facilitate the digital marketing of the overseas sales of E-commerce goods business. We will also provide support for the promotion and operation of the platform “Kong Jian” by means of digital asset marketing. In addition, we will explore more ways of traffic conversion depending on our subsequent business expansion and changes in the development of the internet technology industry.

5. AIGC business

“Commercialization of AIGC Service” is the objective of Joy Spreader Group to expand into the new culture business. Following PGC and UGC, AIGC is a new AI-enabled production method for automatic content generation, which can break through the limitation of manpower, improve the efficiency and diversification of content production, and significantly reduce the cost of digital content production.

Leveraging the data algorithm ability of Joy Spreader Group and relying on the high-quality digital native content and IP resources of Poly Culture Group, Poly Digi-Entertainment carries out AIGC application business through access to large AI platforms, such as the open-source OpenAI and ERNIE Bot, and has firstly made a breakthrough in the integration of AIGC and holographic display technology with successful development of a digital holographic display system, taking the lead in the industry to break through technical bottlenecks such as resolution ratio, environmental restrictions and view angle, and realize well-established commercialization of a wide use of holographic technology. Based on AI model access, the digital holographic display system will also be able to realize high-quality AIGC Q&A directional service without delay. Through these efforts, we are committed to the evolution of holographic technology to promote the disruptive upgrade of public communication and interaction.

Joy Spreader Group is accelerating the research and development of its AIGC project, which covers the digital human field of visual interaction, audio service field of auditory interaction and design service field of graphic output. In the meantime, we are also trying to use AIGC to support content creation (including code script, novel creation, script shooting, short video, AI video script for film and television works and post-production, etc.), industrial design services, creative design services, smart city construction, cultural and tourism industry digital scenario application, etc., allowing our culture and entertainment technology business to benefit from the digital era.

- **Main service area:** Mainland China

THE INDUSTRY WHERE WE OPERATE

- **Industry segments:**

1. Concept of E-commerce

Algorithm-based marketing business is mainly focused on sales of E-commerce, and overseas sales of E-commerce goods business is mainly focused on self-establishment of E-commerce platform, targeting the E-commerce customers on domestic and oversea famous short video platforms.

Short video E-commerce market is growing continuously in China with trillion-RMB market potential. On the other hand, the commercialization of famous oversea short video platforms is at the start-up period, and overseas short video E-commerce is entering the blue ocean market stage with significant future growth potential against the trillion-RMB domestic short video E-commerce market.

2. Internet marketing segment

The major service component of the algorithm-based marketing business is to help customers conduct sales and marketing services on mobile internet platform through recommendation algorithms technology. This is the income source of algorithm-based marketing business.

We are one of the first companies to explore in internet interest-based algorithms marketing. Internet marketing is based on the interest-based content recommendation algorithm, which aims to carry out online marketing in the large and scattered medium and long tail traffic. The way of delivering content according to the real-time needs and interests of the users has greatly improved the use efficiency and satisfaction of the users, thus promoting the rapid growth of the user scale and time users spend on new media applications, which are widely recognized by users.

3. Big data segment

The interest-based content recommendation algorithm technology of algorithm-based marketing business is based on sufficient accumulation, selecting and iteration of the huge marketing data and content data of the mobile internet, and automatically generates marketing strategy by leveraging self-developed recommendation algorithms model, thus serving the target customers. We are one of the first technology companies in China to use big data in the field of mobile internet marketing.

The digital economy with big data as its core continues to receive the support and attention of policy, and building a digital China is an important engine for advancing Chinese modernization in the digital era and a powerful support for building new advantages in national competition. It is expected that by 2025, the size of China's digital economy will exceed RMB60 trillion.

4. SaaS segment

The service form of the algorithm-based marketing business is to provide customers with a free and automated SaaS marketing platform. SaaS marketing is a service system for lead discovery, lead nurturing and lead management through the integration of advertising and marketing technologies, with the ultimate goal of helping enterprises improve the efficiency of the acquisition of customer and sales.

5. Film and television entertainment segment

Culture and entertainment technology business will rely on Poly Digi-Entertainment to launch the production business of film and television entertainment products, IP incubation and brokerage business of artists and internet celebrities.

Film and television culture and entertainment content can attract a large amount of user traffic on mobile internet platforms, and there is great potential for promotion and distribution, commercialization of contents, film and game linkage, as well as other businesses based on film and television culture and entertainment content.

- **Concept segments:**

6. **Concept of short video**

The main channels of E-commerce marketing business within the algorithm-based marketing business and E-commerce marketing business in overseas sales of E-commerce goods business are focused on the Douyin short video platform and famous overseas short video platform of ByteDance. The Group is one of the first technology companies to support the commercialization of Douyin, and also among the first Chinese companies to realize the commercialization of business on the famous overseas short video platform.

Currently, short video has become the dominant form of information dissemination and short video platforms are the new hot-spot of mobile internet traffic. The online time spent by mobile internet users watching short video continuously increases to generate more marketing opportunities and assist the establishment of matured value chain for commercialization like Joy Spreader Group's short video.

7. **Concept of Tencent**

The promotion of interactive entertainment of the algorithm-based marketing business focuses on the download of game, literature and application, mainly on channels like Tencent official account and video account.

8. **Concept of Web3.0**

The culture and entertainment technology business relies on the Web3.0 business of Poly Digi-Entertainment to launch the middle platform operation, IP incubation, distribution and other business of "Kong Jian" which is a digital asset service platform for film and television culture and entertainment contents.

Web3.0 is committed to creating a user-led and decentralized network ecosystem based on blockchain technology. Web3.0 ecosystem is formed in the process of user interaction and value circulation and its core value factor is digital assets. Employing copyright protection technology and digital authentication technology, it distributes digital assets in the fields of film and television, culture and entertainment to users in an open, transparent and tamper-resistant form.

9. **Concept of AI**

The culture and entertainment technology business will comprehensively use open-source AI platform to conduct the exploration and development of AI technology application layers, facilitate the digital intelligence upgrade of the business, and expand more business areas with long-term prospects on this basis. Currently, the application areas of the Group's AI technology include:

AIGC technology

Based on large leading generative AI models in and out of China such as ChatGPT and Baidu ERNIE Bot, the Group heavily invests in AIGC business layout facing vertical scenario application market, continues to carry forward to explore and research and develop innovation business in virtual human, virtual voice business, graphic output, short video AIGC, AI video script for film and television works, AIGC post-production and other fields through AIGC.

Virtual reality technology

As a glass-free 3D virtual reality interactive device, the digital holographic display system successfully breaks through various bottlenecks of holographic display technology by integrating front-end technologies such as digital twin, digital human and AI (artificial intelligence), which will provide technical support for the creation of a virtual world in the future.

OUR STRENGTHS AND BARRIERS

(I) Clear industry prospects and vast market space

The digital economy-related industry in which the Group is engaged has clear industry prospects and vast market space. With the implementation of a digital economy strategy in China and the launch of kinds of encouragement and support policies by the government at various levels, the domestic and overseas E-commerce, film and television culture and entertainment and other businesses begin to flourish in a more regulated market environment and have long-term growth potential. In particular, Southeast Asia has become one of the fastest growing E-commerce regions in the world due to the favorable macro environment and various positive market factors, providing a unique historical opportunity for technology companies with data algorithm capabilities to go abroad and expand their business overseas.

In response to the current development stage and future trends of both domestic and overseas market, we notice that:

(a) The Southeast Asian market has tremendous potential

Southeast Asia has a high population density and a large number of young people. Its GDP growth is higher than the average level of the world. The young consumers group emerges to drive shopping demand. The internet penetration rate there is also higher than the global average. Meanwhile, marketing, payment, logistics and other sectors are gradually improving in Southeast Asia. According to the research carried out by Frost & Sullivan, the Southeast Asian market has become the fastest growing market among the major e-commerce retail markets in the world. In 2022, the trading volume of the Southeast Asian e-commerce retail market amounted to US\$154.8 billion, representing a year-on-year growth of 20.7%, which is expected to reach US\$188.6 billion by 2023.

There are obvious “effects of generation gap” between the consumer electronics in China and the consumer electronics in Southeast Asia. During the period when 4G and 5G are becoming more popular and consumption upgrades in the context of GDP growth in Southeast Asia, the consumer electronics in China have notable advantages in terms of production capacity and quality.

In addition, various favorable factors, including some shared cultural characteristics of Southeast Asia region and China, the formal implementation of RCEP, and the continuous progress in facilities connection, also make China’s advantages more distinctive in exporting products to the Southeast Asia region. China’s export to Southeast Asia is in a sustained high-speed growth period. According to data from China Customs, in 2022, China’s import and export with ASEAN reached RMB6.52 trillion, representing a year-on-year growth of 15%, of which exports amounted to RMB3.79 trillion, up by 21.7%. ASEAN’s share of China’s foreign trade was 15.5%, continuing to maintain its position as China’s largest trading partner.

(b) The famous overseas short video platform has a large user base and is entering a rapid commercialization phase

The overseas short video new media platform, with a large base of users and diversified contents, is in the accelerating stage of commercialization and have huge commercial value and development potential. Meanwhile, China’s huge export size of consumer electronics requires to expand new sales channels by leveraging overseas short video traffic;

(c) **Film and television culture and entertainment industry ushers in lots of development opportunities**

With the improvement of people's living standard, the demand for culture and entertainment is getting higher and higher, implying a wide market space for the film and television culture industry. Meanwhile, the popularization and promotion of digital technology has also brought new business patterns and growth points for the industry. The Ministry of Finance and the Publicity Department of CPC Central Committee jointly set up a culture industry fund of RMB50 billion to improve the policy support to culture industry investment. The next 15 years are anticipated to be a golden period for the rapid development of the film and television culture industry, which will maintain the momentum of rapid development and witness various outstanding new works and stars;

(d) **Artificial intelligence technology is developing at a high speed**

The production method for automatic content generation using Artificial Intelligence (AI) technology has been able to learn and understand human language and engage in dialogue with humans. Following UGC and PGC, it is a new production method using AI technology to automatically generate content, providing new opportunities for film and television culture and entertainment and other business areas to gain a competitive edge in the digital upgrading of culture industry; and

(e) **China's short video platform E-commerce market is just flourishing, potentially with a trillion RMB-level market size**

Major short video platforms are striving to improve content quality, infrastructure and commercialization functions, intensify investment in private domain business functions and increase support for private domain traffic to facilitate the development of commercial ecosystems for the respective platform.

(II) **First-mover advantages of data and model algorithm to give a heavy blow in overseas market**

The Group started to conduct the R&D of data and model algorithm on the WeChat official accounts platform as early as 2013 and did the same on Douyin platform in 2018, and in the fourth quarter of 2021, the Group firstly applied interest-based content recommendation model to a famous overseas short video platform and realized sales revenue from standalone E-commerce website. With first-mover advantages, we have accumulated data of industry-leading scale and long span of time. Data accumulation has a decisive impact on model construction and model effect, which has also built a competitive barrier for the Group's leading position in the industry. Richly-structured, large-scale, time-spanning and real-time interactive data helps us better test, build and improve our algorithm models, and ensure our marketing performance and improve our services continuously.

(III) Leveraging on the advantages of mixed ownership reform of a central enterprise to expand into business areas not readily accessible to private enterprises

With, among others, the country's further regulation on macro economy, the tightened supervision and control over the culture and entertainment industry, and the demand of state-owned and central enterprises for business digital upgrade, private enterprises may not understand and implement national policies and regulations as effectively as state-owned and central enterprises, and it is also not easy for them to engage in businesses that need to be carried out by state-owned and central enterprises. The mixed ownership reform of Joy Spreader Group and a central enterprise enables Joy Spreader Group to enter areas like Web3.0, block chain, and culture and entertainment content production under the guidance and management of the central enterprise, and effectively broaden and develop the customer base and business portfolio of Joy Spreader Group.

At the end of March 2022, the Group successfully participated in the mixed-ownership reform of Poly Digi-Entertainment, a subsidiary of Poly Culture Group (a central state-owned culture enterprise), and became a strategic shareholder of Poly Digi-Entertainment to establish in-depth business cooperation. On November 1, 2022, "Kong Jian", a digital asset service platform for film and television culture and entertainment contents launched by Poly Digi-Entertainment was officially put into operation and achieved a phased progress. Projects related to the development of quality traffic and digital assets has been steadily progressing.

As a professional central enterprise engaged in the culture industry, our partner is not only a professional PGC institution, but also has unique advantages in terms of industrial resources, and risk control and compliance. In the future, we will leverage the PGC content and stars conforming to domestic policies, as well as MCN network content and celebrities under the cooperation framework to cultivate our 1P Traffic and fans and facilitate our new business expansion.

OUR BUSINESS RESULTS

In the first half of 2023, in the face of the complex and volatile domestic and international economic situation, the Group continued to increase investment in overseas sales of E-commerce goods business, deepened the innovative business cooperation with Poly Culture Group, a central state-owned cultural enterprise, and Poly Film, and actively adjusted the algorithm-based marketing business strategy, thus achieving fruitful results in various businesses, and providing strong support for the Group to cope with multiple challenges in the market environment and achieve stable operation and development.

(I) Overseas sales of E-commerce goods business

In the first half of 2023, we continued to improve our supply chain system, increase our product offerings and expand our business scale, and recorded sales volume of 1,432,074 units and sales revenue of HK\$1,944.14 million, increasing by 90.36% year-on-year. Since the second half of last year, we have implemented a marketing subsidy program, which resulted in a temporary loss in this segment, but the subsidies boosted sales to a certain extent and enabled us to quickly capture the local market. Our target it to achieve a 10% market share in Southeast Asia.

CORPORATE PROFILE

In terms of the supply chain, while maintaining close cooperation with our existing large-scale suppliers, we have selected new strong and renowned suppliers of consumer electronics to further ensure the stable supply and outstanding quality of goods. The number of distributors we have partnered with has grown rapidly to 269 as of June 30, 2023, representing an increase of 82.99% as compared to 147 as of December 31, 2022, which strengthened the logistics, after-sales service and offline promotion capabilities of our overseas sales of E-commerce goods business.

In terms of product categories, the sales volume of smartphone products of well-known brands sold on the MARTOP platform grew rapidly, and negotiations with new brands for co-operation are progressing steadily. Meanwhile, in the first half of 2023, the MARTOP platform began to sell non-phone consumer electronics, such as tablets, as an effort to continuously expand its product categories, and captured a larger market share with sales breakthroughs.

We have full confidence in the overseas development of interest-based content recommendation algorithm E-commerce, as well as our domestic consumer electronics. We are committed to helping domestic companies to expand overseas sales channels that are more efficient and economical than traditional E-commerce platforms, reaching consumers directly. We are making efforts to develop Joy Spreader Group's E-commerce platform into one of the most competitive vertical E-commerce platforms of consumer electronics in Southeast Asia.

(II) Culture and entertainment technology business

1. Application of Web 3.0 in vertical scenarios

Since its launch in November 2022, "Kong Jian" platform has successfully issued the digital assets for the "Chinese Classic Film Music (中國風經典電影音樂)" series of China Record Corporation, the digital assets for the self-developed IP "P-Key Series (P-Key 皮克系列)" of Poly Digi-Entertainment, the digital assets for the commemorative shirt theme with signatures of main producers of the movie "The Tipping Point" (《掃黑行動》), the digital assets for the Han Dynasty pottery figurine series of China Agricultural Museum, the digital assets for Zun vessel in the shape of rabbit (立兔形典尊) and the digital assets for the vintage souvenir medal of the 20th anniversary of Cheung Kwok Wing.

On February 21, 2023, Poly Digi-Entertainment Chain (保利文娛科技鏈) (Jing Wang Xin Bei No. 11010522595327680023) was granted a recordation number as one of the 11th batch of the domestic blockchain-based information service providers by the Cyberspace Administration of China. Poly Digi-Entertainment Chain, being jointly created by Poly Digi-Entertainment and JDT (京東科技集團), supports the state cryptographic algorithm, has the advantages of flexible deployment and low threshold of use, and can realize extensive functional scenarios such as supply chain traceability, digital storage, business-end and customer-end innovative applications. Based on the leading blockchain underlying technology, Poly Digi-Entertainment may provide all kinds of efficient, flexible and secure blockchain technical products and solutions for various users such as governments and enterprises.

2. Accumulation of own 1P Traffic

We are committed to using high-quality Intellectual Property (IP) and content incubation, together with PGC brokerage and PGC content, to cultivate our own 1P Traffic for our new media commercialization business. We believe that new media platforms are built on content, especially high-quality professional content. As a digital algorithm technology company, Joy Spreader Group has been trying and waiting for the opportunity to cultivate our own 1P Traffic based on high-quality IP and content. It will reduce our costs of external procurement of traffic, while providing customized content to our customers and improving transformation of marketing.

Since 2022, we have successively invested in “The Tipping Point” 《掃黑行動》, “To Our Dreamland of Ice” 《冰雪之名》 and “Ping-pong of China” 《中國乒乓》, and Poly Digi-Entertainment has signed to produce many film and television productions and signed with several well-known artists with positive influence. According to China Film Administration, in the first half of 2023, the total box office of films in Mainland China reached RMB26.271 billion, an increase of 52.91% over the same period of 2022, and total number of moviegoers in China reached 604 million, an increase of 51.76% over the same period of 2022. The film and television culture and entertainment industry is among the first industries recovering strongly after the end of the pandemic, demonstrating our previous anticipation on the industry’s prospects. We believe that our investment in and contracting of high-quality films and television productions will bring more momentum to the development of our culture and entertainment technology business.

3. Commercialization of AIGC service

Referring to the trending topics, Poly Digi-Entertainment has also made its first attempt in the technology of conversational language modelling. In February 2023, it became one of the first-batch ecological partners of RNIE Bot (an AI project launched by Baidu) to apply Baidu’s cutting-edge technological achievements made in intelligent conversation to digital original content, virtual human, digital art, traditional offline culture scenarios.

In the first half of 2023, Poly Digi-Entertainment successfully developed a digital holographic display system by innovatively integrating front-end technologies such as digital twin, digital human and AI artificial intelligence, which realized the integration application of AIGC and holographic display technology. In the future, Poly Digi-Entertainment will carry out market promotion attempts in various areas such as digital showcase, garment industry digitalization, commercial value and achievement exhibition, music festival synchronous broadcasting, museum, convention and exhibition and religion with the applicable scenarios of the digital holographic display system.

CORPORATE PROFILE

(III) Algorithm-based marketing business

In the first half of 2023, taking into full consideration of the changing industry trend of continuous migration of internet traffic to short video platforms, and the need for synergetic development with overseas sales of E-commerce goods business, the Group proactively adjusted its business strategy by focusing its main resources and efforts on the short video platform E-commerce marketing segment. In the first half of 2023, for the short video platform E-commerce marketing business, we helped customers sell goods amounting to HK\$225.01 million aggregately on Douyin platform; and for the digital distribution of online products business, we helped customers achieve effective paid actions of 23.88 million in the first half of 2023, including top-up, download, installation, etc.

70% of our employees are research and development, technical and operation personnel in Joy Spreader Group. We have developed 192 sets of data models for different products and media, and 2,855 data labels were applied to the algorithm models. This reflects the technology gene of Joy Spreader Group, which are also our valuable assets.

OUR REVENUE AND COST MODEL

According to different business types, the Group's revenue can be mainly categorized into "cost per sale (i.e. CPS)", "cost per action (i.e. CPA)" and "revenue from sales of goods", as shown in the table below:

Business type	Main implementation platforms	Main revenue model
Algorithm-based Marketing		
• Short video platform E-commerce marketing	Douyin	CPS
• Interactive entertainment and digital products marketing	WeChat and Douyin	CPS or CPA
Overseas sales of E-commerce goods	A famous overseas short video platform and Joy Spreader's standalone E-commerce website	Revenue from sales of goods

OUR CORE TECHNOLOGIES

The Group has accumulated long-term and substantial project data relating to domestic and overseas E-commerce and interactive entertainment through business practices, which has enabled the Group to build a technology platform combined with valid data collection capabilities, strong data analysis capabilities and highly automated middle platform implementation capabilities. As a technology-driven company with data and algorithms as its core competencies, the Group is able to analyze and conduct information structure processing on data of products, new media content and anonymous behavior of user groups through an automated platform to recommend such products distribution and marketing strategies as tailored to the new media commercial activities of our customers and ensure the effect and efficiency of such commercial activities.

The implementation of our business is highly automated through various technical aspects such as data analysis, tagging and portrait, algorithm matching, programmatic placement and performance monitoring, under the guidance of project management and technical staff. Through our own database and new media platform tools, we analyze commercial activity related data on the product and media sides and form portrait and tagging, match the product tags with the media tags with the help of our algorithm engine, automatically monitor the conversion performance and make optimization adjustments as necessary to achieve the best conversion results.

To ensure the execution performance of the Group's business, we make investment in R&D based on our business development needs. Especially when entering new business markets and exploring new forms of media, we will need to enhance efforts on R&D to ensure the rapid implementation of business and achieve more favorable marketing performance. In the first half of 2023, in view of the rapid development of overseas sales of E-commerce goods business, we increased our R&D investment in standalone website operation, big data analysis and model proofreading. For the first half year ended June 30, 2023, the Group's total R&D expenses amounted to HK\$43.39 million. Of which, HK\$34.67 million was incurred by the overseas sales of E-commerce goods business, representing approximately 79.90% of the total R&D expenses, which were mainly used for the establishment and optimization of overseas market data models. Such data models have played an important role in the marketing of the overseas sales of E-commerce goods business, and subsequently with continuous refinement of them, it will be more accurate and efficient to promote standalone website.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2023, in order to cope with the dramatic social and economic changes after the pandemic, the Chinese government made adjustment to its policies in respect of economy, industry, foreign trade and other areas. Against this background, the Group had the following judgments:

- 1. Large trade market in the ASEAN region.** The ASEAN region has become China's largest trading partner for three consecutive years since 2020, whose development benefited the dividend of the era as a key region of China's "Belt and Road" strategy. The Group commenced its business in the ASEAN market in 2021 by carrying out overseas sales of E-commerce goods in ASEAN. After two years of strategic layout, the business has recorded rapid development in the ASEAN market. In the first half of 2023, the revenue from this business reached HK\$1,944.14 million, representing an increase of 90.36% year-on-year. This business has implemented a market subsidy program since the second half of last year to boost sales volume and enable us to quickly seize market share. The rapid expansion of this business fully demonstrates the accurate prediction of the management of the Company on the development potential in the ASEAN region and the overseas sales of E-commerce goods business model.
- 2. Great pressure faced by domestic macroeconomy and policy.** The Chinese economy was under more considerable downward pressure in the post-pandemic era, and the Chinese government strengthened its regulatory approval for game licenses and paid literature, which has had an impact on the internet marketing industry. In the first half of 2023, the Group's internet marketing business still outperformed the industry level despite the impact. Taking into full consideration of the changing industry trend of continuous migration of internet traffic to short video platforms, the Group proactively adjusted its business strategy by focusing on the short video E-commerce marketing segment, and recorded a better-than-market growth for domestic E-commerce marketing segment.
- 3. Involvement in the film and television culture and entertainment industry supported by central state-owned enterprises.** After the pandemic, the film and television culture and entertainment industry has become the first industry in China to recover strongly. The participation in the mixed ownership reform of central state-owned enterprises has brought business synergies for the Group, and enabled it to obtain high-quality resources of them, thus to enjoy the dividend of recovery and growth of the film and television culture and entertainment industry after the pandemic. We have participated in a number of film and television investments since 2022, and have reserved sufficient projects for the continuous explosive growth of the film and television culture and entertainment industry, while laying a foundation for the Group to cultivate its own traffic business with high-quality IP and content in the future. In the first half of 2023, Poly Digi-Entertainment made active exploration and innovation in the field of AIGC, successfully developed a digital holographic display system by integrating front-end technologies such as digital human and AI artificial intelligence, and realized the converged application of AIGC and holographic display technology.

BUSINESS REVIEW

- **Progress of Business for the First Half of 2023**

- **Overseas sales of E-commerce goods Business**

In the first half of 2023, the Group recorded sales of HK\$1,944.14 million from overseas sales of E-commerce goods business, representing an increase of 90.36% as compared with HK\$1,021.27 million of the same period last year, which was because the Group made a forward-looking layout in the business as early as 2021 upon in-depth analysis and research on the Southeast Asian market and cross-border E-commerce industry. After two years of experience accumulation and time precipitation, the overseas sales of E-commerce goods business recorded rapid and sustainable revenue growth for its unique business model, accurate online marketing capabilities, rigorous product selection standards and efficient supply chain integration.

- **Algorithm-Based Marketing Business**

- *Interactive Entertainment and Digital Product Marketing*

In the first half of 2023, the Group recorded revenue of HK\$55.38 million from interactive entertainment and digital product marketing, representing a decrease of 75.80% as compared with HK\$228.88 million of the same period last year, which was mainly due to (i) the tightened regulatory approval of game licenses and paid literature in China, which led to restrictions on such business, therefore the Company adjusted its business layout in a timely manner; and (ii) customers generally lowered their budgets for product placement under the macro environment featuring slowdown in domestic economy, resulting in a decrease in the revenue from this business as compared to the same period last year.

- *Short Video Platform E-Commerce Marketing*

In the first half of 2023, the E-commerce product GMV (gross merchandise volume) of HK\$255.01 million was achieved through the Group's marketing services, representing a decrease of 17.93% as compared with HK\$310.72 million in the first half of 2022. As the revenue from the Group's short video platform E-commerce marketing was recognized on a net basis, revenue of HK\$148.59 million was recorded in the first half of 2023, representing an increase of 28.48% as compared with HK\$115.65 million in the first half of 2022. In the first half of 2023, the Group adjusted its business strategy with the addition of new customers and E-commerce categories with higher share ratios as compared to the same period last year, therefore, despite the decrease in GMV, the revenue of this business still increased.

- **Progress on Research & Development**

The Group recorded research and development expenses of HK\$43.39 million in the first half of 2023, representing a decrease of 6.24% as compared with HK\$46.28 million in the first half of 2022, showing no significant change.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is committed to establishing competitive advantage on algorithm-based big data. The data models of the Group based on various product categories amounted to 192 sets as of June 30, 2023, representing an increase of 1.05% as compared with 190 sets as of December 31, 2022. Data labels adopted by intelligent recommendation coupling model amounted to 2,855, representing an increase of 1.13% as compared with 2,823 as of December 31, 2022. The improvement of data models and enhancement of algorithm capability have made a solid foundation for the Group to improve its marketing business and expand new business categories in the future.

During the Reporting Period, the research and development expenses of the Group's overseas E-commerce department amounted to HK\$34.67 million, which were mainly used for the establishment and optimization of overseas market data models. The online promotion of overseas standalone E-commerce website relies on the continuous accumulation of big data. Based on rich amount of data, the algorithm models are constantly refined to match the marketing points more accurately.

- **Strategic Layout for the Second Half of 2023 and in the Future**

Looking back, we have made accurate judgment and layout on the development of the ASEAN region, the opportunities of the mixed reform of state-owned and central enterprises, and the booming of the film and television culture and entertainment industry. Looking forward, we will follow the new media commercialization industry chain to consolidate our existing business, and continue to develop and expand new businesses, cultivate new traffic, build new models, show new presence, continuously creating new momentums for the long-term development of the Group for further growth.

- **Expand the overseas sales of E-commerce goods business with increased investment**

The standalone website E-commerce business based on the interest-attracted traffic of our overseas short video platform is one of the strategic priorities of the Group. Currently, it has passed our preliminary model verification and we are expanding its application scenarios in a rapid manner. In the second half of 2023 and beyond, we will continue to focus on the expansion in ASEAN region as one of our priorities, and gradually improve the new technology model and service system focusing on our own standalone website by reference to the characteristics of overseas mobile new media operations and the market environment, continuing to intensify our analysis on new media contents and user portraits in different countries and regions on the traffic side, and upgrade the data model of recommendations algorithm. On the supply side, we will further diversify supplier channels, expand product lines, optimize logistics and payment processes, and improve user experience in order to develop one of the most competitive vertical E-commerce platforms of consumer electronics in Southeast Asia.

The Group has targeted its sales in emerging economies in Southeast Asia, including Indonesia, Malaysia, Singapore and Thailand since 2021 when it began to launch its overseas sales of E-commerce goods business. In the future, with continuous expansion of famous overseas short video platform traffic areas and distributor network, the overseas sales of E-commerce goods business will be launched in Southeast Asia or other countries and regions. With continuous improvement of the supply chain and more extensive product offerings, the Group will focus on mobile phones and peripheral products to deeply cultivate the consumer electronics sector.

- **Deepen the exploration of the innovative business deployment of culture and entertainment technology with the central enterprise strategic partners**

As another important direction for the strategic development of the Group, we will maintain in-depth and comprehensive cooperation with Poly Culture Group (a central enterprise) and Poly Film as our strategic partners to jointly broaden new business cooperation and empower the development of the industry under the guidance of the “Strategy of Building a Strong Cultural Country” and “Digital Economy Development Strategy” of China. On one hand, we will create “Kong Jian” as a multi-scenario and multilevel integrated digital service platform. In addition to digital asset services, it will also expand a series of digital businesses such as virtual human and Web3.0, allowing a wider range of digital asset application scenarios accessible to users. Meanwhile, we will expand the application of AIGC into more scenarios such as content creation, industrial design services, creative design services, smart city construction, and cultural and tourism industry digitalization, so as to continue to deepen the deployment in the digital industry. On the other hand, focusing on the film and television culture and entertainment industrial chain, we will improve our deployment in the business fields such as MCN of central enterprises, film and television culture and entertainment production and own 1P Traffic, and form an innovative development pattern of cultural and entertainment technology in which the digital industry and the film and television culture and entertainment industry integrate and promote each other.

- **Continue to consolidate the technology gene to support the rapid development of overseas sales of E-commerce goods, AIGC and other new businesses**

As a technology company focusing on data algorithm and providing new media commercialization services on international and multi-platform basis, the Group will enhance our core skills, continuously improving technological capabilities and level of services, maximizing the momentum of data assets, accelerating the construction of solid business barriers, and facilitating our business development with innovative and high-quality services to further consolidate our leading position in the industry.

For new business sectors such as overseas sales of E-commerce goods and cultural business, we will increase our R&D investment in, including but not limited to, our own standalone E-commerce platform, traffic algorithm model, intelligent supply chain system, film and entertainment contents incubation, new media promotion, digital asset-related businesses, digitalization of E-commerce product of state-owned and central enterprises, application models in AIGC vertical sectors, artificial intelligence algorithm models, to promote the continuous launch of new business segments and provide continuous momentum for the long-term development of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

• FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 57.18% from approximately HK\$1,366.71 million for the six months ended June 30, 2022 to approximately HK\$2,148.18 million for the six months ended June 30, 2023. In particular, the revenue from the overseas business increased by 90.36% to HK\$1,944.14 million and the revenue from the domestic business decreased by 40.93% to HK\$204.04 million. The increase in the revenue of the Group was mainly due to the rapid and sustainable growth recorded in the revenue of overseas sales of E-commerce goods business driven by its unique business model, precise online marketing capability, rigorous product selection criteria and efficient supply chain integration after the experience-accumulated and time-tested two-year period, in which business the Group has prospectively made layout as early as 2021 through in-depth analysis of and research on the Southeast Asia market and cross-border E-commerce industry.

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

	For the six months ended June 30,			
	2023 (Unaudited)	Percentage	2022 (Unaudited)	Percentage
Marketing revenue from interactive entertainment and digital products	55.38	2.58%	228.88	16.75%
Marketing revenue from domestic E-commerce products	148.59	6.92%	115.65	8.46%
Sales revenue from overseas E-commerce goods	1,944.14	90.50%	1,021.27	74.72%
Revenue from other businesses	0.07	0.00%	0.91	0.07%
Total revenue	2,148.18	100%	1,366.71	100%

Cost of Revenue

The cost of revenue of the Group was mainly comprised of purchase cost of traffic on project placement platform and purchase cost of goods. The cost of revenue increased by 64.35% from approximately HK\$1,178.24 million for the six months ended June 30, 2022 to approximately HK\$1,936.39 million for the six months ended June 30, 2023, which was primarily attributable to the corresponding increase in the cost of revenue resulting in the growing scale of the business during the Reporting Period.

Gross Profit and Gross Profit Margin

For the six months ended June 30, 2023, the gross profit of the Group amounted to approximately HK\$211.79 million, representing an increase of 12.38% as compared with approximately HK\$188.46 million for the six months ended June 30, 2022. The increase in the gross profit of the Group was mainly attributable to the increasing market shares of the overseas sales of E-commerce goods business, which led to an increase in the overall gross profit of the Group. For the six months ended June 30, 2023, the gross profit margin of the Group was 9.86%, representing a decrease of 3.93 percentage points as compared with 13.79% for the six months ended June 30, 2022. The decrease in the gross profit margin of the Group was mainly attributable to the higher proportion of the performance of the overseas sales of E-commerce goods business with lower gross profit, which led to a decrease in the overall gross profit margin. In particular, the gross profit of the overseas sales of E-commerce goods business increased by 154.73% to HK\$134.93 million. The gross profit margin of the overseas business was 6.94%, representing an increase of 1.75 percentage points as compared with 5.19% for the six months ended June 30, 2022.

The gross profit of the domestic business decreased by 43.27% to HK\$76.86 million. The gross profit margin of the domestic business was 37.67%, representing a decrease of 1.55 percentage points as compared with 39.22% for the six months ended June 30, 2022. The decrease in the gross profit of the domestic business was mainly attributable to the lower-than-expected recovery in consumption after the pandemic, resulting in a further decline in demand from our customers. The fact that game and book licenses are still subject to policy control was another reason.

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

	For the six months ended June 30,			
	2023 (Unaudited)	Percentage (HK\$ million, except for percentages)	2022 (Unaudited)	Percentage
Marketing gross profit from interactive entertainment and digital products	12.37	5.84%	74.12	39.33%
Marketing gross profit from domestic E-commerce products	64.42	30.42%	60.59	32.15%
Gross profit from overseas sales of E-commerce goods	134.93	63.71%	52.97	28.11%
Gross profit from other businesses	0.07	0.03%	0.78	0.41%
Total gross profit	211.79	100%	188.46	100%

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income

The other income of the Group decreased by 69.63% from approximately HK\$20.25 million for the six months ended June 30, 2022 to approximately HK\$6.15 million for the six months ended June 30, 2023, mainly attributable to the Group recorded investment income from films and television dramas projects during the same period last year.

Other Expenses

For the six months ended June 30, 2023, the Group had no other expenses. Amortization of the cost of the Group's films and television dramas investment projects in the same period last year was approximately HK\$10.87 million.

Other Gains and Losses

For the six months ended June 30, 2023, the other gains and losses of the Group were gains of approximately HK\$42.64 million (for the six months ended June 30, 2022: gains of HK\$3.92 million), which was mainly due to the exchange gains, net of HK\$43.73 million recorded in the first half of 2023.

Distribution and Selling Expenses

The distribution and selling expenses of the Group increased by 725.34% from approximately HK\$38.64 million for the six months ended June 30, 2022 to approximately HK\$318.91 million for the six months ended June 30, 2023, which was mainly due to the combined effect of the significant increase in the promotion expenses of the overseas sales of E-commerce goods business and the new subsidy provided during the current period.

Administrative Expenses

The administrative expenses of the Group increased by 60.46% from approximately HK\$39.35 million for the six months ended June 30, 2022 to approximately HK\$63.14 million for the six months ended June 30, 2023, primarily due to (i) the increase in staff costs and professional service fees in line with the business expansion of the Group; and (ii) the significant increase in depreciation and office-related expenses as compared to the same period last year.

Research and Development Expenses

The research and development expenses of the Group primarily consist of expenses on data analysis and algorithm modeling, especially expenses on building and optimizing the data model of overseas sales of E-commerce goods business, and remuneration and benefits expenses for technical personnel in relation to the development of technology platforms.

The research and development expenses of the Group decreased by 6.24% from approximately HK\$46.28 million for the six months ended June 30, 2022 to approximately HK\$43.39 million for the six months ended June 30, 2023, showing no significant change.

Finance Costs

During the Reporting Period, the finance costs of the Group were interest expenses of lease liabilities arising from leasing properties during the Reporting Period. The Group had no bank loans during the Reporting Period.

Inventories

As at June 30, 2023, the balance of the inventories of the Group amounted to HK\$183.82 million, equivalent to 4.57 times of HK\$40.25 million as at December 31, 2022, which was mainly due to the increase in the balance of the inventories resulting from the growing scale of overseas sales of E-commerce goods business.

Trade and Other Receivables and Deposits

The Group had trade and other receivables and deposits of HK\$1,268.50 million and HK\$1,060.40 million as at December 31, 2022 and June 30, 2023, respectively.

As at June 30, 2023, the balance of trade receivables of the Group amounted to HK\$238.63 million, representing a decrease of 12.96% as compared with HK\$274.17 million as at December 31, 2022, which was mainly attributable to the decrease in the corresponding trade receivables due to decreased revenue from performance-based marketing services in the first half of 2023.

Other receivables and deposits are deposits to suppliers for expanding overseas sales of E-commerce goods business, employee petty cash expenses, rental deposits, etc. As at June 30, 2023, the balance of other receivables and deposits of the Group amounted to HK\$821.77 million, representing a decrease of 17.36% as compared with HK\$994.34 million as at December 31, 2022, which was mainly attributable to the fact that partial deposits for the overseas sales of E-commerce goods business were refunded in the first half of 2023.

Prepayments

Prepayments of the Group mainly consisted of the prepayments for purchases of traffic, prepayments for purchase of consulting services and other prepayments.

As at June 30, 2023, prepayments of the Group amounted to HK\$589.99 million, representing a decrease of 16.52% as compared with HK\$706.75 million as at December 31, 2022, which was mainly attributable to the consumption of partial prepaid traffic payment by the Group in the first half of 2023.

Deposits and Prepayments Paid to the Largest Supplier

The Group purchases domestic traffic mainly from Shenzhen Lesou Technology Co., Ltd. (深圳市樂搜科技有限公司) and Shenzhen Infinite Joy Network Information Technology Co., Ltd. (深圳市無限歡樂網絡信息科技有限公司), and purchases overseas traffic mainly from Infinite Information Technology Co., Limited (無限歡樂網絡信息科技有限公司). These are entities under common control of an independent third party and together constitute the largest traffic supplier of the Group (the "Largest Traffic Supplier").

The reason of making prepayments for traffic is to ensure a smooth execution of projects and obtain better pricing policies in promoting periods. In addition, the Group also makes certain deposits to the Largest Traffic Supplier pursuant to the policies of ultimate network platforms, which are in turn customers of the Largest Traffic Supplier, for the purpose of indemnifying the platforms from potential liabilities arising from the Group's commercial activities conducted on such platforms. The amount of prepayments made by the Group is determined based on the anticipated traffic to be consumed by the Group, and the amount of deposits varies depending on a series of factors, such as the nature of the e-commerce business, the business and legal environment of the aimed market and the market size of the aimed market. The prepayments will be utilized when the traffic is consumed.

MANAGEMENT DISCUSSION AND ANALYSIS

As of June 30, 2023, the Group's total advanced payments (including the above-mentioned prepayments and deposits) to the Largest Traffic Supplier was HK\$1,348.72 million, representing 55% of the Company's total assets of HK\$2,443.66 million as at the same date. The historical highest percentage since Group's listing was 59%, which was recorded in December 31, 2022. As of December 31, 2022, the Group's total advanced payments (including the above-mentioned prepayments and deposits) to the Largest Traffic Supplier was HK\$1,638.89 million, while the Group's total assets were HK\$2,798.32 million as at the same date.

Loan Receivables

The Group had loan receivables of HK\$26.31 million and HK\$17.63 million as at December 31, 2022 and June 30, 2023, respectively. The decrease in loan receivables of the Group was primarily attributable to the recovery of partial loan receivables.

Equity Instruments at Fair Value through Other Comprehensive Income

The Group had equity instruments at fair value through other comprehensive income of HK\$27.97 million and HK\$24.93 million as at December 31, 2022 and June 30, 2023, respectively, which was mainly due to the fair value decrease as a result of the investment.

Bank Deposits/Bank Balances and Cash

The Group had bank deposits/bank balances and cash of HK\$572.93 million and HK\$418.10 million as at December 31, 2022 and June 30, 2023, respectively. The decrease was primarily due to the increase in the funds used for purchasing inventories resulting from the growing scale of overseas E-commerce business of the Group.

Trade and Other Payables

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

The trade payables of the Group decreased by 34.39% from HK\$251.23 million as at December 31, 2022 to HK\$164.82 million as at June 30, 2023, which was mainly attributable to the timely settlement of payables for the purchase of data traffic and payables for the purchase of goods with suppliers in the first half of 2023.

The other payables of the Group decreased by 20.28% from HK\$43.10 million as at December 31, 2022 to HK\$34.36 million as at June 30, 2023, which was mainly attributable to the decrease in amount due to third parties.

Lease Liabilities

The lease liabilities of the Group increased by 5.20% from HK\$43.08 million as at December 31, 2022 to HK\$45.32 million as at June 30, 2023, which was primarily due to the new property leases entered into.

Liquidity and Capital Resources

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

	For the six months ended	
	June 30	
	2023	2022
	(Unaudited)	(Unaudited)
	HK\$ million	
Net cash used in operating activities	(131.39)	(151.35)
Net cash from (used in) investing activities	5.34	(47.68)
Net cash (used in) from financing activities	(8.96)	583.44
Net (decrease) increase in cash and cash equivalents	(135.01)	384.41
Cash and cash equivalents at the beginning of the period	533.95	619.04
Effect of foreign exchange rate changes	(20.02)	(17.96)
Cash and cash equivalents at the end of the period, represented by bank balances and cash	378.92	985.49

As at June 30, 2023, cash and cash equivalents were mainly denominated in RMB, United States dollars and HK\$.

Cash Flow from Operating Activities

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

For the six months ended June 30, 2023, our net cash used in operating activities was HK\$131.39 million (for the six months ended June 30, 2022: HK\$151.35 million), which is mainly due to the combined effect of the purchase of inventories, the increase in account receivable collection and the increase in prepayments in the first half of 2023. The net operating cash outflow of the Group improved with the substantial increase in revenue, representing the Group's strong capital management capacity.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow from Investing Activities

Our cash used in investing activities primarily consist of purchase of fixed assets, purchase of financial assets at fair value through profit or loss, purchase of equity instruments at fair value through other comprehensive income, investments in an associate, grant and recovery of loan receivables as well as interest income.

For the six months ended June 30, 2023, our net cash generated from investing activities was HK\$5.34 million (for the six months ended June 30, 2022: net cash used in investing activities of HK\$47.68 million), which was mainly due to purchase of fixed assets, grant and recovery of loan receivables and interest income.

Cash Flow from Financing Activities

For the six months ended June 30, 2023, our net cash used in financing activities was HK\$8.96 million (for the six months ended June 30, 2022: net cash generated from financing activities of HK\$583.44 million), such change was primarily attributable to the proceeds from the placement of Shares in June 2022.

Capital Expenditures

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

	For the six months ended June 30	
	2023 (Unaudited)	2022 (Unaudited)
	HK\$ million	
Fixed assets	7.31	21.21
Right-of-use assets	11.53	38.00
Total	18.84	59.21

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associates

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

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated September 10, 2020 and in the part headed "Use of Proceeds from Listing" and "Use of Proceeds from the Placing" in this interim report, the Group does not have any other plans for material investments or capital assets.

Segment Information

Details of segment information are set out in Note 5 to the condensed consolidated financial statements.

Indebtedness

Bank Borrowings

As at June 30, 2023, the Group did not have any bank borrowings.

Contingent Liabilities

As at June 30, 2023, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

Charges of Assets and Guarantees

As at June 30, 2023, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As at June 30, 2023, the gearing ratio of the Group was 12.80% (as at December 31, 2022: 13.72%). The further decrease in the Group's gearing ratio indicated that the Group's indebtedness and risk level were maintained at a low level, leaving more room for the Group to obtain financing in the future.

Current Ratio

Current ratio represents current assets divided by current liabilities. Current ratio increased from 7.67 times as at December 31, 2022 to 9.47 times as at June 30, 2023.

Foreign Exchange Risk and Hedging

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

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

Employees and Remuneration Policies

As at June 30, 2023, the Group had about 116 employees in the PRC and overseas (as at December 31, 2022: 120 employees). The majority of the Group's employees were based in the PRC. As of June 30, 2023, over 70% of our employees were research and development, technical and operation personnel.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Share Award Scheme

The Company has adopted a share award scheme (the “Share Award Scheme”) on June 21, 2021 (the “Adoption Date”) to recognize the contributions of the certain directors, employees, consultants and advisers of the Group in order to incentivize them to retain with the Group, and to motivate them to strive for the future development and expansion of the Group. The summary of the Share Award Scheme is as follows:

(I) Duration and termination of the Share Award Scheme

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

(II) Share Award Scheme Limit

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

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

(III) Administration of the Share Award Scheme

The Share Award Scheme is subject to the administration of the Board and the Trustee in accordance with the terms stated in the Share Award Scheme Rules and the terms of the Trust Deed.

(IV) Voting rights of the Award Shares

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

(V) Operation of the Share Award Scheme

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

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

Upon receipt of the instruction from the Board as to the name of Selected Participant(s) and the number of Award Shares to be granted to the Selected Participant(s), the Trustee shall make relevant arrangement to convert the Scheme Shares to the Award Shares for the relevant Selected Participant(s).

(VI) Vesting and lapse of the Share Award Scheme

When the Selected Participant(s) has (have) satisfied all vesting conditions specified by the Board at the time of making the Award and becomes entitled to the Shares forming the subject of the Award, the Trustee shall transfer the relevant Award Shares to the Selected Participant(s) or their Nominee(s). The Vesting Date shall be on any Business Day at the end of the month specified by the Company of any year, but in any event not later than 12 months after the Reference Date.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the six months ended June 30, 2023, no Shares of the Company were purchased by the trustee from the market. No Shares were granted to eligible employees pursuant to the Share Award Scheme during the Reporting Period. At the end of the Reporting Period, 2,500,000 Shares were held by the trustee.

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

CHANGES IN DIRECTORS' INFORMATION

According to Rule 13.51B(1) of the Listing Rules, the changes in information on the Directors of the Company required to be disclosed are as follows:

Mr. Xu Chong has resigned as an independent non-executive Director of the Company on March 31, 2023 due to his other personal pursuits and business commitments.

Mr. Huang Boyang was appointed as an independent non-executive Director of the Company with effect from March 31, 2023.

Mr. Hu Qingping has resigned as a non-executive Director of the Company on July 7, 2023 due to his personal work arrangements and business commitment.

Mr. Cheng Lin, Mr. Hu Jiawei, Mr. Fang Hongwei and Mr. Huang Boyang, all being Directors, hold office of three years commencing on the day of the conclusion of the annual general meeting of the Company which was held on June 30, 2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

OUR MAJOR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

As at 30 June, 2023, the Group has the following major subsidiaries and consolidated affiliated entities:

Subsidiaries	Place of Establishment	Date of Establishment
Joy Spreader Interactive Technology (HK) Limited	Hong Kong	March 28, 2019
Joy Spreader International	Hong Kong	October 25, 2019
Joy Spreader Interactive Technology Co., Ltd	Beijing, PRC	May 22, 2019
Horgos Joyspreader Interactive Technology Co., Ltd	Horgos, PRC	March 24, 2020
Joy Spreader (Nanjing) Investment Co., Ltd	Nanjing, PRC	November 17, 2020
Joy Spreader (Nanjing) Interactive Technology Co., Ltd	Nanjing, PRC	November 23, 2020
Beijing Joy Spreader Interactive E-commerce Limited	Beijing, PRC	August 8, 2022
Joy Spreader Singapore	Singapore	February 23, 2023
Joy Spreader International E-commerce	Hong Kong	May 31, 2023

Consolidated Affiliated Entities	Place of Establishment	Date of Establishment
Beijing Joyspreader	Beijing, PRC	October 9, 2008
Horgos Wuyou Internet Technology Co., Ltd	Horgos, PRC	March 20, 2017
Beijing Wuyou Technology Co., Ltd	Beijing, PRC	July 30, 2014
Horgos Yaoxi Internet Technology Co., Ltd	Horgos, PRC	March 19, 2017
Horgos Zhipu Shulian Internet Technology Co., Ltd	Horgos, PRC	January 7, 2020
Hainan Joy Spreader International Technology Ltd	Sanya, PRC	July 20, 2021
Beijing Joy Spreader Huayue Culture Technology Ltd	Beijing, PRC	August 18, 2021
Horgos Lexiang Huayue Culture Technology Co., Ltd	Horgos, PRC	December 31, 2021

PROPERTIES

Our headquarters is located in Beijing. As of 30 June, 2023, we did not have any owned properties and we leased 18 properties with an aggregate gross floor area of approximately 8,995.45 square meters from independent third parties. Our leased properties are primarily used as premises for our offices.

CONTRACTUAL ARRANGEMENTS

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

Please refer to the section headed "Contractual Arrangements" in the Prospectus for details. For the six months ended June 30, 2023, the Board has reviewed the overall performance of the contractual arrangements and believed that the Group has complied with the contractual arrangements in all material respects.

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

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

The Foreign Investment Law stipulates that the Negative List is applied in certain industry sectors. The Negative List set out in the Foreign Investment Law sets out in a unified manner the special management measures for foreign investment access, such as the requirements of equity interest and senior executives. Where any foreign investor directly or indirectly holds shares, equity, properties or other interests in any domestic enterprise, such domestic enterprise is not allowed or limited to invest in any sector set out in the Guidance Catalog of Industries for Foreign Investment 《外商投資產業指導目錄》. Foreign investors are allowed to invest in any sector beyond the Negative List and shall be managed on the same basis as domestic investments.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in internet culture businesses and other related businesses. In particular, under the Negative List (2021 version), certain of the Group's performance-based marketing services fall into the internet culture businesses which is considered prohibited. To comply with PRC laws and regulations, the Group conducts our performance-based marketing in China through Beijing Joyspreader and its subsidiaries, based on a series of Contractual Arrangements by and among WFOE, Beijing Joyspreader and the Registered Shareholders. As a result of these Contractual Arrangements, the Group exerts control over Beijing Joyspreader and its subsidiaries and consolidates their results of operations into the Group's financial statements. Beijing Joyspreader and its subsidiaries hold the licenses, approvals and key assets that are essential for the operations of the Group's Relevant Businesses.

During the Reporting Period and up to the date of this interim report, there has been no update on the Foreign Investment Law and the Group has complied with the Foreign Investment Law and the implementation rules in relation to the qualification requirements.

For the efforts made and actions taken by the Group in compliance with the qualification requirements, please refer to the section headed “Contractual Arrangements” in the Prospectus.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 14 to Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code for the six months ended June 30, 2023, except for a deviation from the code provision C.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer of the Company are not separate and are both performed by Mr. Zhu Zinan. In view of Mr. Zhu’s experience, personal profile and his roles in the Group and that Mr. Zhu has assumed the role of chief executive officer of our Group since its establishment, the Board considers it beneficial to the business prospect and operational efficiency of our Group for Mr. Zhu acting as the chairman of the Board and continuing to act as the chief executive officer of the Company. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors, and we believe that there is sufficient check and balance in the Board; (ii) Mr. Zhu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary. Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of shareholders of the Company.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “**Model Code**”) as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, all of them have confirmed that they have complied with the Model Code for the six months ended June 30, 2023. No incident of non-compliance of the Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

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

As at June 30, 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares or underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares/ underlying Shares ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporation ⁽²⁾	783,409,400 (L)	33.03%
ZZN. Ltd.	Beneficial owner	747,298,300 (L)	31.51%
Laurence mate. Ltd.	Beneficial owner	36,111,100 (L)	1.52%
Ms. Qin Jiaxin	Beneficial owner	4,400,000 (L)	0.19%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.
- (2) 747,298,300 Shares and 36,111,100 Shares of the Company are held by ZZN. Ltd. and Laurence mate. Ltd. respectively. Mr. Zhu held 100% interests of ZZN. Ltd. and 90% interests of Laurence mate. Ltd., and therefore Mr. Zhu is deemed to be interested in the Shares held by ZZN. Ltd. and Laurence mate. Ltd. under the SFO.

Interests in Shares or Underlying Shares of Beijing Joyspreader

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

Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.
- (2) Mr. Zhu held 90% equity interests of Beijing Zinan and Friends, which in turn held 1,111,111 shares of Beijing Joyspreader, and therefore Mr. Zhu is deemed to be interested in the shares held by Beijing Zinan and Friends in Beijing Joyspreader under the SFO.

Save as disclosed above, as at June 30, 2023, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at June 30, 2023, so far as it was known to the Directors or chief executive of the Company, the following persons had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Shares or Underlying Shares of the Company

Name of Shareholder	Nature of interest	Number of Shares/ underlying Shares ⁽¹⁾	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporation ⁽²⁾	783,409,400 (L)	33.03%
ZZN. Ltd.	Beneficial owner ⁽³⁾	747,298,300 (L)	31.51%
Laurence mate. Ltd.	Beneficial owner ⁽⁴⁾	36,111,100 (L)	1.52%
Shenzhen Nanhai Growth	Beneficial owner ⁽⁵⁾	69,110,400 (L)	2.91%
NT Balance Capital Ltd.	Beneficial owner ⁽⁶⁾	114,135,300 (L)	4.81%
Balance Capital Group Ltd.	Beneficial owner ⁽⁷⁾	60,727,100 (L)	2.56%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.
- (2) Mr. Zhu held 100% interests of ZZN. Ltd. and 90% interests of Laurence mate. Ltd.
- (3) ZZN. Ltd. is a limited liability company incorporated in the BVI and wholly owned by Mr. Zhu.
- (4) Laurence mate. Ltd. is owned as to 90% by Mr. Zhu and 10% by Mr. Zhang Zhidi.
- (5) Each of Shenzhen Nanhai Chengzhangtongying (sole shareholder of Shenzhen Nanhai Growth), Cowin Jinxiu Capital Firm (深圳同創錦繡資產管理有限公司) (general partner of Shenzhen Nanhai Chengzhangtongying), Shenzhen Cowin Asset Management Co., Ltd (深圳同創偉業資產管理股份有限公司) (sole shareholder of Cowin Jinxiu Capital Firm), Shenzhen Cowin Venture Capital Co., Ltd. (深圳市同創偉業創業投資有限公司) (holding approximately 35.01% equity interests of Shenzhen Cowin Asset Management Co., Ltd.), Mr. Zheng Weihe (鄭偉鶴) (holding 45% equity interests of Shenzhen Cowin Venture Capital Co., Ltd.) and Ms. Huang Li (黃荔) (holding 55% equity interests of Shenzhen Cowin Venture Capital Co., Ltd.) is deemed to be interested in the Shares held by Shenzhen Nanhai Growth under the SFO.
- (6) Each of Nantong Pinghengchuangye (sole shareholder of NT Balance Capital Ltd.), Nantong Pingheng Capital Management Center (Limited Partnership) (南通平衡資本管理中心(有限合夥)) ("Nantong Pingheng Capital", general partner of Nantong Pinghengchuangye), Nanjing Pingheng Capital (general partner of Nantong Pingheng Capital), Mr. Lv Xueqiang (呂學強 · general partner of Nanjing Pingheng Capital), Nantong Luhai Tongchou Growth Fund Co., Ltd (南通陸海統籌發展基金有限公司) (limited partner holding 40% equity interests of Nantong Pinghengchuangye) and Nantong Finance Bureau (holding 75% equity interest of Nantong Luhai Tongchou Growth Fund Co., Ltd) is deemed to be interested in the Shares held by NT Balance Capital Ltd. under the SFO.
- (7) Each of Nanjing Pingheng Capital (sole shareholder of Balance Capital Group Ltd.) and Mr. Lv Xueqiang (呂學強 · general partner of Nanjing Pingheng Capital) is deemed to be interested in the Shares held by Balance Capital Group Ltd. under the SFO. Mr. Lv Xueqiang is also the ultimate controller of NT Balance Capital Ltd.

Save as disclosed above, as at June 30, 2023, the Directors and chief executive of the Company were not aware of any other person who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

USE OF PROCEEDS FROM LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on September 23, 2020. According to the relevant disclosures as set out in the Prospectus and the Announcement of Allotment Results, after deducting underwriting fees, commissions and related expenses payable by the Company, the net proceeds obtained by the Company from the Global Offering (the “**Original Net Proceeds from the Listing**”) amounted to approximately HK\$1,498.83 million (including the net proceeds from partial exercise of the Over-allotment Option).

On March 8, 2022, after arm’s length negotiations after taking into consideration of other business arrangement, the Company entered into a debt exemption agreement with one of the International Underwriters in the Global Offering, pursuant to which, such International Underwriter has exempted approximately HK\$21.84 million of the underwriting fee payable to such International Underwriter by the Company under the International Underwriting Agreement. The exemption resulted in a decrease in the total underwriting fee payable by the Company, and the net proceeds from the Listing of the Company increased by approximately HK\$21.84 million (the “**Increased Net Proceeds from the Listing**”) to approximately HK\$1,520.67 million (the “**Updated Net Proceeds from the Listing**”) accordingly. For details, please refer to the Company’s announcement dated March 8, 2022.

Due to the reasons set out in the paragraph headed “Reasons for and Benefits of the Change in the Use of Proceeds from the Listing” below, the Board has passed a resolution on August 31, 2022 to determine that the unutilized Original Net Proceeds from the Listing and the Increased Net Proceeds from the Listing (the “**Unutilized Proceeds from the Listing**”) are reallocated as follows:

The intended use of the net proceeds from the listing as described in the Prospectus	Net Proceeds of Original Proceeds from the Listing (including net proceeds from the exercise of the Over-allotment Option) (HK\$ million)	Approximate percentage of Original Net Proceeds from the Listing (%)	Unutilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)	Reallocated Updated Net Proceeds from the Listing (HK\$ million)	Unutilized proceeds from the listing upon reallocation (HK\$ million)	Utilized proceeds from the listing upon reallocation	Unutilized proceeds from the listing upon reallocation	Expected timetable for the use of Unutilized Proceeds from the Listing
						from September 1, 2022 to June 30, 2023 (HK\$ million)	from June 30, 2023 (HK\$ million)	

To develop our short-form video mobile new media monetization business, the net proceeds:

(1) Will be used to invest in developing our self-owned user traffic;	511.11	34.10%	18.83	-	18.83	8.10	10.73	over next two years
(2) Will be used to expand our team;	61.45	4.10%	26.09	-	26.09	-	26.09	over next two years
(3) Will be used to further develop our short-form video technology infrastructure;	37.47	2.50%	9.10	-	9.10	2.03	7.07	over next two years
(4) Will be used to procure high quality copyrights or ownership of high quality interactive entertainment products or license-in high quality interactive entertainment products; and	265.29	17.70%	32.16	-	32.16	-	32.16	over next two years
(5) Will be used to continuously develop and optimize our algorithms and data collection capabilities to increase the effectiveness of recommendation algorithms for short-form videos.	23.98	1.60%	1.46	-	1.46	-	1.46	over next two years

USE OF PROCEEDS FROM LISTING (CONTINUED)

The intended use of the net proceeds from the listing as described in the Prospectus	Net Proceeds of Original Proceeds from the Listing (including net proceeds from the exercise of the Over-allotment Option)		Unutilized Original Net Proceeds from the Listing as of August 31, 2022			Utilized proceeds from the listing upon reallocation from September 1, 2022 to June 30, 2023		Unutilized proceeds from the listing upon reallocation as of June 30, 2023	Expected timetable for the use of Unutilized Proceeds from the Listing
	(HK\$ million)	Approximate percentage of Original Net Proceeds from the Listing (%)	(HK\$ million)	Reallocated Updated Net Proceeds from the Listing (HK\$ million)	Unutilized proceeds from the listing upon reallocation (HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
(1) Will be used for potential investments in, or acquisitions of suitable licensed or large agents of top mobile we-media platforms;	106.42	7.10%	70.21	–	70.21	–	70.21	over next two years	
(2) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	46.46	3.10%	22.06	–	22.06	–	22.06	over next two years	
(3) Will be used to expand our interactive entertainment product offerings; and	121.41	8.10%	85.77	-40.00	45.77	–	45.77	over next two years	
(4) Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order to capture high-quality mobile new media resources.	22.48	1.50%	22.48	–	22.48	–	22.48	over next two years	

To continue to strengthen our capabilities in performance-based mobile new media marketing services, the net proceeds:

(1) Will be used for potential investments in, or acquisitions of suitable licensed or large agents of top mobile we-media platforms;	106.42	7.10%	70.21	–	70.21	–	70.21	over next two years
(2) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	46.46	3.10%	22.06	–	22.06	–	22.06	over next two years
(3) Will be used to expand our interactive entertainment product offerings; and	121.41	8.10%	85.77	-40.00	45.77	–	45.77	over next two years
(4) Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order to capture high-quality mobile new media resources.	22.48	1.50%	22.48	–	22.48	–	22.48	over next two years

USE OF PROCEEDS FROM LISTING (CONTINUED)

The intended use of the net proceeds from the listing as described in the Prospectus	Net Proceeds of Original Proceeds from the Listing (including net proceeds from the exercise of the Over-allotment Option)	Approximate percentage of Original Net Proceeds from the Listing (%)	Unutilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)	Reallocated Updated Net Proceeds from the Listing (HK\$ million)	Unutilized proceeds from the listing upon reallocation (HK\$ million)	Utilized proceeds from the listing upon reallocation from September 1, 2022 to June 30, 2023 (HK\$ million)	Unutilized proceeds from the listing upon reallocation as of June 30, 2023 (HK\$ million)	Expected timetable for the use of Unutilized Proceeds from the Listing
	(HK\$ million)	(%)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
To finance our international expansion, the net proceeds:								
(1) Will be used to establish an overseas office in South Korea or countries in Southeast Asia and to establish an international sales and marketing team;	61.45	4.10%	61.45	-	61.45	-	61.45	over next two years
(2) Will be used for exploring potential investments and acquisitions, including talent trainee agency companies with strong talent resources in South Korea and Southeast Asia;	38.97	2.60%	38.97	-38.97	-	-	-	over next two years
(3) Will be used for procuring user traffic from overseas mobile new media platforms or their agents that provide traffic resources to extend our performance-based mobile new media marketing services to overseas platforms for both domestic marketers and foreign marketers that seek to market their products on overseas short-video platforms;	29.98	2.00%	14.80	+10.92	25.72	7.84	17.88	over next two years
(4) Will be used to develop overseas versions of our technology platforms; and	22.48	1.50%	7.66	+10.92	18.58	-	18.58	over next two years
(5) Will be used to expand overseas sales of E-commerce goods business	-	-	-	+18.97	18.97	12.15	6.82	over next two years
The net proceeds to develop our culture business:	-	-	-	+60.00	60.00	-	60.00	over next two years
For our working capital and general corporate purposes	149.88	10.00%	23.50	-	23.50	14.81	8.69	over next two years
Total	<u>1,498.83</u>	<u>100.00%</u>	<u>434.54</u>	<u>21.84</u>	<u>456.38</u>	<u>44.93</u>	<u>411.45</u>	

REASONS FOR AND BENEFITS OF THE CHANGE IN THE USE OF PROCEEDS FROM THE LISTING

The Board is of the opinion that, it is necessary for the Group to further intensify its investment in culture business and overseas E-commerce business. The Board believes that the change in the use of Proceeds from the listing is beneficial for the Group to satisfy its current operational requirements, and is therefore in the best interests of the Group and the Shareholders as a whole.

USE OF PROCEEDS FROM THE PLACING

On June 6, 2022, the Company, ZZN. Ltd. (the “**Top-up Vendor**”) and Goldman Sachs (Asia) L.L.C. (the “**Placing Agent**”) entered into the Placing and Subscription Agreement, pursuant to which, (i) the Top-up Vendor agreed to sell, and the Placing Agent agreed, as agent of the Top-up Vendor, to procure on a best effort basis purchasers to purchase, 192,000,000 Placing Shares held by the Top-up Vendor (the “**Vendor Placing**”) at a price of HK\$3.14 per Placing Share; and (ii) the Top-up Vendor conditionally agreed to subscribe for (the “**Subscription**”), and the Company conditionally agreed to issue, 192,000,000 Subscription Shares at the Subscription Price, which is equivalent to the Placing Price. Completion of the Vendor Placing and the Subscription have been took place on June 9, 2022 and June 16, 2022, respectively. The Company received total net proceeds of approximately HK\$592.3 million from the Subscription, net of all applicable costs and expenses including commissions, professional fees and out-of-pocket expenses. For details, please refer to the Company’s announcements dated June 7, 2022 and June 16, 2022. As of June 30, 2023, the Company has utilized HK\$589.42 million of the proceeds from the placing, and HK\$2.88 million remains unutilized.

The Company applied the net proceeds from the placing to support the rapid development of the Group’s overseas sales of E-commerce goods business for expanding the scale and consolidating its market position. The Company intends to fully utilize the net proceeds received from the Subscription within the next five years. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

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

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

REVIEW OF INTERIM RESULTS

The independent auditors of the Company, namely Deloitte Touche Tohmatsu, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the Hong Kong Institute of Certified Public Accountants.

The Audit Committee currently comprises three members, namely Mr. Tang Wei, Mr. Huang Boyang and Mr. Fang Hongwei, all of whom are independent non-executive Directors. The chairman of the Audit Committee is Mr. Tang Wei. The Audit Committee has jointly reviewed with the management and the independent auditors of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2023) of the Group. The Audit Committee considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

INTERIM DIVIDEND

The Board does not recommend the payment of interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: Nil).

APPRECIATION

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

By order of the Board
JOY SPREADER GROUP INC.
Zhu Zinan
Chairman

Beijing, the PRC, August 31, 2023

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF JOY SPREADER GROUP INC.

(Incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Joy Spreader Group Inc. (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) set out on pages 48 to 76, which comprise the condensed consolidated statement of financial position as of 30 June 2023 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 “Interim Financial Reporting” (“**IAS 34**”) issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

31 August, 2023

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue	4	2,148,176	1,366,706
Cost of revenue		(1,936,387)	(1,178,242)
Gross profit		211,789	188,464
Other income	6	6,148	20,248
Other expenses		–	(10,868)
Other gains and losses	7	42,642	3,919
Impairment losses under expected credit loss model, net of reversal	8	(28,640)	(3,951)
Distribution and selling expenses		(318,908)	(38,642)
Administrative expenses		(63,136)	(39,349)
Research and development expenses		(43,392)	(46,278)
Share of results of associates		(128)	74
Finance costs		(1,222)	(493)
(Loss) profit before taxation	9	(194,847)	73,124
Income tax (expense) credit	10	(91)	2,355
(Loss) profit for the period		(194,938)	75,479
(Loss) profit for the period attributable to:			
Owners of the Company		(194,833)	75,479
Non-controlling interests		(105)	–
		(194,938)	75,479

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	NOTE	Six months ended 30 June	
		2023	2022
		HK\$'000 (Unaudited)	HK\$'000 (Unaudited)
Other comprehensive expense:			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(65,546)	(107,700)
Fair value loss on equity instruments at fair value through other comprehensive income		(2,267)	–
Income tax credit to item that will not be reclassified to profit or loss		340	–
		(67,473)	(107,700)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(22,536)	349
Other comprehensive expense for the period, net of income tax		(90,009)	(107,351)
Total comprehensive expense for the period		(284,947)	(31,872)
<i>Total comprehensive expense for the period attributable to:</i>			
Owners of the Company		(284,842)	(31,872)
Non-controlling interests		(105)	–
		(284,947)	(31,872)
Basic (loss) earnings per share (HK cents)	12	(8.22)	3.47
Diluted (loss) earnings per share (HK cents)	12	(8.22)	3.47

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	13	59,442	65,987
Right-of-use assets	13	44,526	41,916
Intangible assets		2,949	3,833
Interests in associates		33,979	35,198
Rental deposits	16	5,434	5,487
Financial assets at fair value through profit or loss	19	5,423	5,597
Equity instruments at fair value through other comprehensive income	14	24,928	27,970
Prepayments	18	8,511	237,100
		185,192	423,088
CURRENT ASSETS			
Inventories	15	183,815	40,254
Trade and other receivables and deposits	16	1,054,962	1,263,017
Loan receivables	17	17,625	26,308
Prepayments	18	581,478	469,649
Financial assets at fair value through profit or loss	19	2,487	3,077
Bank deposits		39,186	38,984
Bank balances and cash		378,916	533,944
		2,258,469	2,375,233
CURRENT LIABILITIES			
Trade and other payables	20	199,181	294,332
Contract liabilities		22,692	1,207
Lease liabilities		15,608	13,298
Income tax payable		944	903
		238,425	309,740
NET CURRENT ASSETS		2,020,044	2,065,493
TOTAL ASSETS LESS CURRENT LIABILITIES		2,205,236	2,488,581

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023	As at 31 December 2022
	<i>NOTES</i>	HK\$'000 (Unaudited)	HK\$'000 (Audited)
NON-CURRENT LIABILITIES			
Lease liabilities		29,714	29,779
Obligation arising from a forward contract with non-controlling interests	21	43,080	42,676
Deferred tax liabilities		1,462	1,845
		74,256	74,300
NET ASSETS			
		2,130,980	2,414,281
CAPITAL AND RESERVES			
Share capital	22	24	24
Reserves		2,130,731	2,413,927
Equity attributable to owners of the Company		2,130,755	2,413,951
Non-controlling interests		225	330
TOTAL EQUITY		2,130,980	2,414,281

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										Total HK\$'000
	Share capital HK\$'000	Treasury stocks HK\$'000	Share premium HK\$'000	Share-based payments			Fair value			Non- controlling interests HK\$'000	
				reserve HK\$'000	income reserve HK\$'000	comprehensive income reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000		
At 1 January 2023 (Audited)	24	(6,955)	2,267,925	412	11,293	177,727	(78,558)	42,083	2,413,951	330	2,414,281
Loss for the period	-	-	-	-	-	-	-	(194,833)	(194,833)	(105)	(194,938)
Changes in fair value of equity instruments	-	-	-	-	(1,927)	-	-	-	(1,927)	-	(1,927)
Exchange differences on translation from functional currency to presentation currency	-	-	-	-	-	-	(65,546)	-	(65,546)	-	(65,546)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(22,536)	-	(22,536)	-	(22,536)
Other comprehensive expense for the period	-	-	-	-	(1,927)	-	(88,082)	-	(90,009)	-	(90,009)
Loss and total comprehensive expense for the period	-	-	-	-	(1,927)	-	(88,082)	(194,833)	(284,842)	(105)	(284,947)
Recognition of equity-settled share-based payment expenses (note 23)	-	-	-	1,646	-	-	-	-	1,646	-	1,646
At 30 June 2023 (Unaudited)	24	(6,955)	2,267,925	2,058	9,366	177,727	(166,640)	(152,750)	2,130,755	225	2,130,980

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company										Total HK\$'000
	Share capital HK\$'000	Treasury stocks HK\$'000	Share premium HK\$'000	Share-based payments reserve HK\$'000	Fair value			Retained earnings HK\$'000	Subtotal HK\$'000	Non- controlling interests HK\$'000	
					Share comprehensive income reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000				
At 1 January 2022 (Audited)	22	(150,002)	1,745,119	-	21,213	163,764	142,617	395,496	2,318,229	-	2,318,229
Profit for the period	-	-	-	-	-	-	-	75,479	75,479	-	75,479
Exchange differences on translation from functional currency to presentation currency	-	-	-	-	-	-	(107,700)	-	(107,700)	-	(107,700)
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	349	-	349	-	349
Other comprehensive expense for the period	-	-	-	-	-	-	(107,351)	-	(107,351)	-	(107,351)
(Loss) profit and total comprehensive (expense) income for the period	-	-	-	-	-	-	(107,351)	75,479	(31,872)	-	(31,872)
Issue of shares (note 22)	2	-	602,878	-	-	-	-	-	602,880	-	602,880
Transaction costs attributable to issue of shares (note 22)	-	-	(21,833)	-	-	-	-	-	(21,833)	-	(21,833)
Cancellation of shares	-	11,950	(11,950)	-	-	-	-	-	-	-	-
Purchase of shares under share award scheme (note 23)	-	(7,280)	-	-	-	-	-	-	(7,280)	-	(7,280)
Reduction of share issuance costs in connection with the listing of the shares	-	-	21,841	-	-	-	-	-	21,841	-	21,841
At 30 June 2022 (Unaudited)	24	(145,332)	2,336,055	-	21,213	163,764	35,266	470,975	2,881,965	-	2,881,965

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash used in operations	(131,367)	(151,354)
Income tax paid	(19)	–
Net cash used in operating activities	(131,386)	(151,354)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(7,310)	(21,210)
Purchase of financial assets at fair value through profit or loss (“FVTPL”)	–	(5,847)
Purchase of equity instrument at fair value through other comprehensive income (“FVTOCI”)	–	(3,691)
Net cash outflow on acquisition of a subsidiary	(113)	–
Repayment of loan receivables	6,791	8,116
Increase in loan receivables	(3,395)	(28,228)
Interest received	5,691	4,409
Investment in associate	–	(1,230)
Proceeds from disposal of property, plant and equipment	3,678	–
Net cash from (used in) investing activities	5,342	(47,681)
FINANCING ACTIVITIES		
Increase in financial liabilities at FVTPL	–	16,838
Purchase of shares under share award scheme	–	(7,280)
Repayment of lease liabilities	(7,742)	(9,665)
Interest paid	(1,222)	(493)
Proceeds from issue of shares	–	593,005
Payment of share issue costs	–	(8,960)
Net cash (used in) from financing activities	(8,964)	583,445
Net (decrease) increase in cash and cash equivalents	(135,008)	384,410
Cash and cash equivalents at beginning of the period	533,944	619,036
Effect of foreign exchange rate changes	(20,020)	(17,952)
Cash and cash equivalents at end of the period, represented by bank balances and cash	378,916	985,494

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. GENERAL INFORMATION

Joy Spreader Group Inc. (the “**Company**”) was incorporated and registered in the Cayman Islands on 19 February 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 23 September 2020. The principal activities of the Company and its subsidiaries (collectively referred to as the “**Group**”) are provision of digital marketing business and the relevant services and sales of E-commerce goods.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (the “**IASB**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values, as appropriate.

Other than the accounting policies resulting from application of new and amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2022.

Application of new and amendments to International Financial Reporting Standards (“IFRSs”)

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules

The application of new and amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Types of goods or services		
Provision of performance-based we-media marketing services		
Interactive entertainment and digital products marketing	55,380	228,879
E-commerce products marketing	148,586	115,652
Others	–	910
	<u>203,966</u>	<u>345,441</u>
Sales of E-commerce goods	<u>1,944,141</u>	<u>1,021,265</u>
Others	<u>69</u>	<u>–</u>
	<u>2,148,176</u>	<u>1,366,706</u>
Timing of revenue recognition		
A point in time	<u>2,148,176</u>	<u>1,366,706</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. SEGMENT INFORMATION

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

Specifically, the Group's operating and reportable segments in the current interim period under IFRS 8 Operating Segments are as follows:

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

The "Others" segment mainly comprises the provision of the culture related services.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (Continued)

Segment revenue and results

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

For the six months ended 30 June 2023

	Provision of performance- based we-media marketing services HK\$'000 (Unaudited)	Sales of E-commerce goods HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue from external customers	<u>203,966</u>	<u>1,944,141</u>	<u>69</u>	<u>2,148,176</u>
Segment profit (loss)	<u>20,816</u>	<u>(222,574)</u>	<u>(14,258)</u>	<u>(216,016)</u>
Share of results of associates				(128)
Unallocated corporate expenses and gains				<u>21,206</u>
Loss for the period				<u>(194,938)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

For the six months ended 30 June 2022

	Provision of performance– based we-media marketing services HK\$'000 (Unaudited)	Sales of E-commerce goods HK\$'000 (Unaudited)	Others HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Segment revenue from external customers	345,441	1,021,265	–	1,366,706
Segment profit (loss)	88,468	(6,722)	–	81,746
Share of results of associates				74
Unallocated corporate expenses				(6,341)
Profit for the period				75,479

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

Segment assets and liabilities

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

5. SEGMENT INFORMATION (Continued)

Geographical information

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Mainland China	204,035	345,441
Hong Kong	1,944,141	1,021,265
	2,148,176	1,366,706

6. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	5,035	3,158
Interest income on loan receivables	656	1,251
Income from investments in films and television dramas	–	11,737
Government grants (<i>note</i>)	457	4,102
	6,148	20,248

Note: According to announcement of Ministry of Finance, State Taxation Administration and General Administration of Customs on Deepening the Relevant Policies of Value-added Tax Reform (Announcement No. 39 of 2019), the Group was qualified to have an additional 10% deduction of the input value-added tax since 1 April 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Gain on disposal of property, plant and equipment, net	(1,572)	–
Foreign exchange gains, net	(43,733)	(6,000)
Loss on fair value changes of financial assets at FVTPL	516	1,898
Loss on fair value changes of obligation arising from a forward contract with non-controlling interests	1,809	–
Others	338	183
	(42,642)	(3,919)

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net impairment losses recognised in respect of:		
trade receivables	23,303	2,437
other receivables	527	1,514
loan receivables	4,810	–
	28,640	3,951

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

9. (LOSS) PROFIT BEFORE TAXATION

(Loss) profit before taxation has been arrived at after charging the following items:

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	9,891	7,371
Depreciation of right-of-use assets	7,447	4,847
Amortisation of intangible assets (included in administrative expenses)	798	1,078
Total depreciation and amortisation	18,136	13,296

10. INCOME TAX EXPENSE (CREDIT)

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax	91	–
Deferred tax	–	(2,355)
	91	(2,355)

11. DIVIDENDS

No dividend were paid, declared or proposed during the six months ended 30 June 2023 (six months ended 30 June 2022: nil). The Directors have determined that no dividend will be paid in respect of the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

12. (LOSS) EARNINGS PER SHARE

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) Earnings		
(Loss) profit for the period attributable to owners of the Company	(194,833)	75,479
Number of shares		
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share ('000)	2,369,427	2,176,471

The weighted average number of ordinary shares for the purpose of calculating basic and diluted (loss) earnings per share for the six months ended 30 June 2023 and 2022 has been arrived at after deducting shares held by share award scheme trust as set out in note 23.

The computation of diluted loss per share for the six months ended 30 June 2023 does not consider the effect of non-vested shares under the share award scheme as it would result in a decrease in loss per share. During the six months ended 30 June 2022, there was no potential ordinary share outstanding.

13. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group acquired property, plant and equipment with an aggregate amount of HK\$7,310,000 (six months ended 30 June 2022: HK\$21,210,000).

During the six months ended 30 June 2023, the Group entered into several new lease agreements with lease terms ranging from 2.6 to 3 years (six months ended 30 June 2022: 3.6 to 5 years). On the date of lease commencement, the Group recognised right-of-use assets of HK\$11,533,000 (six months ended 30 June 2022: HK\$37,996,000) and lease liabilities of HK\$11,533,000 (six months ended 30 June 2022: HK\$37,996,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

14. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Unlisted:		
– Equity investments	<u>24,928</u>	<u>27,970</u>

Equity instruments at FVTOCI represented the Group's 19.916% equity interests in 北京影瀾視界科技有限公司 (“**Yingyi Technology**”) and 10% equity interests in 海南全民聚星文化傳媒有限公司 (“**Hainan Juxing**”) which are both unlisted companies established in the PRC.

The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that the investments are not held for trading and not expected to be sold in the foreseeable future. Details of the fair value measurement are disclosed in note 24.

15. INVENTORIES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
E-commerce goods	<u>183,815</u>	<u>40,254</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

16. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Trade receivables	308,946	323,693
Less: Allowance for credit losses	(70,316)	(49,527)
	<u>238,630</u>	<u>274,166</u>
Deposits for expanding overseas E-commerce markets (<i>note</i>)	780,000	954,000
Receivables of income from investments in films and television dramas	16,508	17,039
Deposits paid to suppliers	2,299	2,351
Rental and other deposits	7,628	6,127
Other receivables	28,479	27,871
Less: Allowance for credit losses	(13,148)	(13,050)
	<u>821,766</u>	<u>994,338</u>
Total trade and other receivables and deposits	<u>1,060,396</u>	<u>1,268,504</u>
Analysis as		
Non-current	5,434	5,487
Current	1,054,962	1,263,017
	<u>1,060,396</u>	<u>1,268,504</u>

Note: In May and July 2022, the Group entered into several agreements with the largest overseas traffic supplier, for expanding overseas E-commerce markets amounting to HK\$980,000,000. These deposits consist of separate deposits for certain countries in Southeast Asia and other continents. During the term of 12 months of these agreements, the Group has the right to claim for a full refund if the Group decides not to operate business in the respective countries or continents. These agreements which were expired in May 2023 were renewed to May 2024.

Up to 30 June 2023, the Group decided not to operate business in certain countries, and deposits amounting to HK\$200,000,000 was refunded to the Group.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

16. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

The Group usually allows a credit period of 15 to 180 days to its customers which is interest free with no collateral. Aging of trade receivables net of allowance for credit losses, is prepared based on invoice date, which approximated the respective revenue recognition date, are as follows:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 3 months	69,856	141,117
3-6 months	70,907	42,255
7-12 months	56,893	46,016
Over 12 months	40,974	44,778
	<u>238,630</u>	<u>274,166</u>

17. LOAN RECEIVABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Fixed-rate loan receivables, matured within one year	30,369	34,704
Less: Allowance for credit losses	<u>(12,744)</u>	<u>(8,396)</u>
	<u>17,625</u>	<u>26,308</u>

As at 30 June 2023, loan receivables with gross carrying amount of HK\$9,219,000 (31 December 2022: HK\$16,792,000) are past due within 30 days. Impairment allowance of HK\$4,810,000 (six months ended 30 June 2022: nil) was recognised for the six months ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

17. LOAN RECEIVABLES (Continued)

The range of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables is as follows:

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Fixed-rate loan receivables	1%-14%	6%-14%

18. PREPAYMENTS

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Prepayments for purchases of traffic <i>(note a)</i>	568,721	684,893
Prepayments for consulting services	9,805	18,428
Other prepayments	11,463	3,428
	589,989	706,749
Analysis as		
Non-current	8,511	237,100
Current	581,478	469,649
	589,989	706,749

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

18. PREPAYMENTS (Continued)

The following table shows the movements in prepayments for purchases of traffic for the six months ended 30 June 2023:

	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
At 1 January (Audited)	684,893	1,182,368
Newly prepaid	189,010	549,349
Utilised	(132,390)	(294,240)
Transfer to deposits	–	(750,000)
Settlement (<i>note b</i>)	(150,000)	–
Exchange realignment	(22,792)	(59,425)
	<u>568,721</u>	<u>628,052</u>
At 30 June (Unaudited)	568,721	628,052

Notes:

- a. The Group purchased domestic and overseas traffic mainly from three independent suppliers which were founded by the same controlling shareholder and under common control according to the public information available, and the three independent suppliers together constitute the largest traffic supplier of the Group.

The Group's total advance payments to its largest traffic supplier composed of the deposits for expanding overseas E-commerce markets (*note 16*) and prepayments for purchases of traffic. As at 30 June 2023, the Group's total advance payments to its largest supplier as a percentage of total assets was 55% (31 December 2022: 59%). Details of the percentage for the period are as follows:

	As at 30 June 2023 HK\$'000 (Unaudited)
Deposits for expanding overseas E-commerce markets (<i>note 16</i>)	780,000
Prepayments for purchases of traffic	568,721
Subtotal	<u>1,348,721</u>
Total assets	<u>2,443,661</u>
Advance to the largest supplier as a percentage of total assets	<u>55%</u>

- b. During the current interim period, two subsidiaries of the Company and the domestic and overseas traffic suppliers of the Company entered into a debt settlement agreement, pursuant to which the payables to the overseas traffic supplier of HK\$150,000,000 were offset against the prepayments to the domestic traffic supplier by the Group of the same amount. The above transactions are accounted for as a non-cash transaction.

Subsequent to the end of the current interim period, prepayments for purchases of traffic amounting to HK\$27,855,000 were utilised in July 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Non-current assets		
Financial assets at FVTPL:		
– Private fund (<i>note a</i>)	<u>5,423</u>	<u>5,597</u>
Current assets		
Listed securities held for trading:		
– Listed equity securities (<i>note b</i>)	<u>2,487</u>	<u>3,077</u>

Notes:

- a. Amount represented the Group's investment in a private fund focusing on angel investments for long term purpose.
- b. Amount represented the Group's investment in a private fund, through which the Group invested in JD Logistics, Inc., a company listed on the Stock Exchange.

Details of the fair value measurement are disclosed in note 24.

20. TRADE AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Trade payables	164,821	251,231
Employee compensation payable	11,156	11,927
Other tax payable	1,025	2,013
Accrued listing expense/share issue costs	4,338	4,478
Payables for intangible assets	1,952	2,015
Other payables and accruals	<u>15,889</u>	<u>22,668</u>
	<u>199,181</u>	<u>294,332</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

20. TRADE AND OTHER PAYABLES (Continued)

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

	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Within 3 months	162,682	249,023
1-2 years	2,139	2,208
	164,821	251,231

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

21. OBLIGATION ARISING FROM A FORWARD CONTRACT WITH NON-CONTROLLING INTERESTS

In May 2022, a subsidiary of the Group, Joy Spreader (Nanjing) Interactive Technology Co., Ltd (“**Joy Spreader Nanjing**”), and an associate of the Group, Yangzhou Pingheng Digital Internet Cultural Industry Development Fund (Limited Partnership) (“**Pingheng Fund**”), entered into a series of agreements (the “**Agreements**”), pursuant to which, Joy Spreader Nanjing and Pingheng Fund established Yangzhou Joy Spreader Huayue Culture Technology Ltd (“**Yangzhou Huayue**”) in May 2022. Joy Spreader Nanjing holds 70% equity interests and Pingheng Fund holds 30% equity interests in Yangzhou Huayue. During the year ended 31 December 2022, RMB84,000,000 (equivalent to HK\$94,037,000) and RMB36,000,000 (equivalent to HK\$40,294,000) were injected to Yangzhou Huayue as capital injection by Joy Spreader Nanjing and Pingheng Fund, respectively.

According to the Agreements, Joy Spreader Nanjing has agreed to buy, and Pingheng Fund has agreed to sell, 30% equity interests in Yangzhou Huayue, being the entire equity interest of Yangzhou Huayue held by Pingheng Fund, before the end of a term of 36 months since the signing date of the Agreements, and the final date of repurchase is at the main discretion of Joy Spreader Nanjing. The consideration of repurchase shall be determined at the higher of (i) the sum of the investment principal and interests at a fixed interest rate of 9% per annum, less any dividend received from Yangzhou Huayue; and (ii) the proportion of the net assets value of Yangzhou Huayue at the date of repurchase.

At initial recognition, the obligation arising from a forward contract with non-controlling interests represents the present value of the obligation to deliver the share redemption amount amounting to HK\$40,294,000. This amount has been recognised in the consolidated statement of financial position with a corresponding debit to the non-controlling interests at initial recognition.

As at 30 June 2023, fair value of the obligation arising from a forward contract with non-controlling interests was HK\$43,080,000 (31 December 2022: HK\$42,676,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

22. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.00001 each		
Authorised		
At 1 January 2022, 1 January 2023 and 30 June 2023	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 January 2022	2,185,268,200	21,853
Issue of shares (<i>note</i>)	192,000,000	1,920
Cancellation of shares	<u>(5,341,000)</u>	<u>(53)</u>
At 31 December 2022 and 30 June 2023	<u>2,371,927,200</u>	<u>23,720</u>
	As at 30 June 2023 HK\$'000 (Unaudited)	As at 31 December 2022 HK\$'000 (Audited)
Presented as	<u>24</u>	<u>24</u>

Note:

Upon the completion of all conditions as stated in a placing and subscription agreement entered into by the Company, ZZN, the Company's ultimate holding company, and a placing agent dated 6 June 2022, (1) a total of 192,000,000 shares of the Company held by ZZN were placed at HK\$3.14 per share to not less than six places on 6 June 2022; and (2) a total of 192,000,000 new shares of the Company were subscribed by ZZN at HK\$3.14 per share on 16 June 2022. Net proceeds of approximately HK\$593,005,000, after deducting the underwriting fee of HK\$9,875,000, were received by the Company. Total issuance cost, including the underwriting fee, amounting to HK\$21,833,000 was deducted from share premium.

23. SHARE BASED PAYMENT TRANSACTIONS

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

Pursuant to the Share Award Scheme, the Company had contracted with a trustee (the “**Trustee**”) to establish a trust (the “**Trust**”) on 21 June 2021. The board of the Company (the “**Board**”) may from time to time during the effective period of the Share Award Scheme (a term of 10 years commencing on the adoption of this scheme or early terminated) contribute funds to the Trust and instruct the Trustee to purchase shares of the Company on the Stock Exchange. Shares purchased and held by the Trust are transferrable and have voting rights, however, the Trustee shall not exercise the voting rights. Shares will be granted to the selected directors, employees, consultants and advisers of the Group (the “**Selected Participants**”) pursuant to the terms and trust deed of the Share Award Scheme. Vesting of the shares granted to the Selected Participants is conditional upon the fulfilment of vesting conditions as specified by the Board.

During the six months ended 30 June 2023, the Trustee did not purchase any shares (six months ended 30 June 2022: 2,752,000 shares, HK\$7,280,000) of the Company. During the six months ended 30 June 2023 and 2022, no participant was selected as the Selected Participants, thus no share had been granted.

During the period from 21 October 2022 to 31 December 2022, 4 participants were selected as the Selected Participants, and 52,240,000 shares were granted and 49,740,000 shares were vested immediately at the date of grant with an exercise price of zero. The remaining 2,500,000 shares should be vested on 31 December 2023 with an exercise price of zero without any other vesting conditions. As at 30 June 2023, 2,500,000 shares of the Company (31 December 2022: 2,500,000 shares) were held by the Trustee.

During the six months ended 30 June 2023, the Group recognised share-based payment expenses of HK\$1,646,000 in respect of these awarded shares (six months ended 30 June 2022: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(i) Financial instruments carried at fair value

The Group measures its following financial instruments at fair value as at 30 June 2023 on a recurring basis:

	Fair value as at 30 June 2023 HK\$000 (Unaudited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs as at 30 June 2023	Relationship of unobservable inputs to fair value
Financial assets						
Unlisted equity securities – Yingyi Technology	21,674	Level 3	Income approach the discounted cash flow method was used to capture the present value of the expected future economic benefits, to be derived from the ownership of this investee, based on an appropriate discount rate	Long-term revenue growth rate Discount rate	2.2% 16.0%	The higher the long-term revenue growth rate, the higher the fair value, vice versa (<i>note a</i>) The higher the discount rate, the lower the fair value, vice versa (<i>note b</i>)
Unlisted equity securities – Hainan Juxing	3,254	Level 2	Market approach	Recent transaction price	N/A	N/A
Investment in private fund – for angel investments	5,423	Level 2	Market approach	Recent transaction price	N/A	N/A
Investment in private fund – for JD Logistics, Inc.	2,487	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Financial liability						
Obligation arising from a forward contract with non-controlling interests	43,080	Level 2	Reference to the higher of the sum of the investment principal and interests at a fixed rate of 9% per annum and the unaudited net asset value of Yangzhou Huayue	N/A	N/A	N/A

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(i) Financial instruments carried at fair value (Continued)

The Group measures its following financial instruments at fair value as at 31 December 2022 on a recurring basis:

	Fair value as at 31 December 2022 HK\$000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs as at 31 December 2022	Relationship of unobservable inputs to fair value
Financial assets						
Unlisted equity Securities – Yingyi Technology	24,612	Level 3	Income approach the discounted cash flow method was used to capture the present value of the expected future economic benefits, to be derived from the ownership of this investee, based on an appropriate discount rate	Long-term revenue growth rate Discount rate	2.5% 18.0%	The higher the long-term revenue growth rate, the higher the fair value vice versa (<i>note a</i>) The higher the discount rate, the lower the fair value, vice versa (<i>note b</i>)
Unlisted equity securities – Hainan Juxing	3,358	Level 2	Market approach	Recent transaction price	N/A	N/A
Investment in private fund – for angel investments	5,597	Level 2	Market approach	Recent transaction price	N/A	N/A
Investment in private fund – for JD Logistics, Inc.	3,077	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Financial liability						
Obligation arising from a forward contract with non-controlling interests	42,676	Level 2	Reference to the higher of the sum of the investment principal and interests at a fixed rate of 9% per annum and the unaudited net asset value of Yangzhou Huayue	N/A	N/A	N/A

Notes:

- A 1% increase/decrease in the long-term growth rate holding all other variables constant would increase/decrease the carrying amount of unlisted equity securities by HK\$971,000 as at 30 June 2023 (31 December 2022: HK\$1,017,000).
- A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of unlisted equity securities by HK\$1,599,000 as at 30 June 2023 (31 December 2022: HK\$1,666,000).

There were no transfers between level 1, level 2 and level 3 during the six months ended 30 June 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

24. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

(ii) Reconciliation of level 3 measurements

The following table represents the reconciliation of level 3 measurements throughout the interim period.

	Unlisted equity securities HK\$'000
At 1 January 2023 (Audited)	24,612
Net loss in other comprehensive income	(2,266)
Exchange realignment	(672)
	<hr/>
At 30 June 2023 (Unaudited)	21,674
	<hr/>
At 1 January 2022 (Audited)	39,143
Exchange realignment	(1,722)
	<hr/>
At 30 June 2022 (Unaudited)	37,421
	<hr/>

(iii) Fair values of financial instruments carried at other than fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these condensed consolidated financial statements approximate their fair values.

25. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Fee	169	176
Salaries and other benefits-in-kind	2,284	2,802
Contributions to retirement benefits scheme	120	121
Discretionary bonus	816	1,785
Equity-settled share-based expense	1,646	–
	<hr/>	<hr/>
	5,035	4,884
	<hr/>	<hr/>

DEFINITIONS

“own 1P Traffic”	first-party traffic
“AIGC”	artificial intelligence generated content
“AGM”	the annual general meeting of the Company held on June 30, 2023
“app”	mobile application
“Audit Committee”	the audit committee of the Board
“Beijing Daoyoudao”	Daoyoudao Technology Group Co., Ltd. (道有道科技集團股份有限公司, formerly known as 道有道(北京)科技股份有限公司), a company listed on the NEEQ with stock code 832896, established under the laws of the PRC on June 12, 2007
“Beijing Joyspreader”	Beijing Joy Spreader Interactive Network Technology Group Co., Ltd (北京樂享互動網絡科技股份集團有限公司), a company established under the laws of the PRC with limited liability on October 9, 2008, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Beijing Zinan and Friends”	Beijing Zinan and his Friends Cultural Centre (Limited Partnership) (北京子南和他的小夥伴們文化中心(有限合夥)), a limited partnership set up under the laws of the PRC on July 6, 2016 which is directly owned as to 90% by Mr. Zhu and 10% by Mr. Zhang Zhidi(張之的)
“Board”	the board of Directors
“Corporate Governance Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this report, Hong Kong, Macau Special Administrative Region and Taiwan
“Companies Act”	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as amended, supplemented or otherwise modified from time to time
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Beijing Joyspreader and its subsidiaries
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, WFOE, Beijing Joyspreader and the Registered Shareholders

DEFINITIONS

“Director(s)”	the director(s) of the Company
“Frost & Sullivan”	Frost & Sullivan International Limited
“Foreign Investment Law”	the PRC Foreign Investment Law 《中華人民共和國外商投資法》
“FVTPL”	fair value through profit or loss
“FVTOCI”	fair value through other comprehensive income
“GDP”	gross domestic product
“GMV”	gross merchandise volume
“Group”, “the Group”, “Joy Spreader Group”, “we” or “us”	our Company, its subsidiaries and the consolidated affiliated entities at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the subsidiaries of our Company or the businesses operated by its present subsidiaries (as the case may be)
“Joy Spreader International”	Joy Spreader International (HK) Limited (樂享國際有限公司), formerly known as Joy Spreader Interactive Group (HK) Limited, a company incorporated in Hong Kong on October 25, 2019 as a limited liability company and a wholly-owned subsidiary of us
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“interactive entertainment product(s)”	interactive entertainment product(s), primarily comprising games and internet literature, etc.
“Joy Spreader”, “Company”, or “We”	Joy Spreader Group Inc. (樂享集團有限公司) (formerly known as Joy Spreader Interactive Technology. Ltd (乐享互动有限公司)), a company incorporated in the Cayman Islands on February 19, 2019 as an exempted company with limited liability
“Listing”	the listing of the Shares on the Main Board on September 23, 2020
“Listing Date”	September 23, 2020, being the date on which the Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time

“Main Board”	the Main Board of the Stock Exchange
“MCN”	multi-channel network, a product form of multi-channel network, is a new operation mode of internet celebrity economy
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Nanjing Pingheng Capital”	Nanjing Balance Capital Management Centre (General Partnership) (南京平衡資本管理中心(普通合夥)), a general partnership set up under the laws of the PRC on March 6, 2013
“Nantong Pinghengchuangye”	Nantong Pinghengchuangye Venture Capital Investment Centre (Limited Partnership) (南通平衡創業投資基金中心(有限合夥)), a limited partnership set up under the laws of the PRC on June 11, 2015
“Nomination Committee”	the nomination committee of the Board
“Mr. Zhu”	Mr. Zhu Zinan (朱子南), our Chairman, executive Director, chief executive officer and one of our Controlling Shareholders
“Over-allotment Option”	has the meaning ascribed thereto in the Prospectus
“Prospectus”	the prospectus issued by the Company dated September 10, 2020
“PGC”	professional generated content
“R&D”	research and development
“Registered Shareholder(s)”	being Mr. Zhu Zinan, Shenzhen Nanhai Chengzhangtongying, Nantong Pinghengchuangye, Beijing Zinan and Friends, Jiaxing Baozheng Investment Partnership (Limited Partnership) (嘉興寶正投資合夥企業(有限合夥)), Beijing Daoyoudao, Nanjing Pingheng Capital, Mr. Zhang Zhidi, Mr. Chen Liang, Shanghai Jinjia, Mr. Guo Zhiwei, Ms. Zhang Yue, Ms. Zhang Wenyan, Ms. Xue Xiaoli, Ms. Zhu Xifen, Mr. Xiong Chi and Ms. Huang Huijuan, who are shareholders of Beijing Joyspreader
“Remuneration Committee”	the remuneration committee of the Board
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Reporting Period”	the six-month period from January 1, 2023 to June 30, 2023

DEFINITIONS

“SFO”	the Securities and Futures Ordinance
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary shares in the share capital of our Company with the nominal value of HK\$0.00001 each
“Joy Spreader Singapore”	JOY SPREADER INTERACTIVE GROUP PTE. LTD., a company incorporated in Singapore on February 23, 2023 as an exempted company with limited liability and a wholly-owned subsidiary of the Company
“Joy Spreader International E-commerce”	Joy Spreader International E-commerce (hk) Limited, a company incorporated in Hong Kong on May 31, 2023 as an exempted company with limited liability
“Shanghai Jinjia”	Shanghai Jinjia Asset Management Co., Ltd. (上海今嘉資產管理有限公司), a company established under the laws of the PRC with limited liability on February 6, 2016
“Shenzhen Nanhai Chengzhangtongying”	Shenzhen Nanhai Growth Win-win Private Equity Investment Fund (Limited Partnership) (深圳南海成長同贏股權投資基金(有限合夥)), a limited partnership set up under the laws of the PRC on July 20, 2017
“Shenzhen Nanhai Growth”	Shenzhen Nanhai Growth Win-win Limited, a limited liability company incorporated in the BVI on March 26, 2019
“Share Award Scheme”	the share award scheme adopted by the Board on June 21, 2021
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UGC”	user generated content
“WFOE”	Beijing Joy Spreader Interactive Technology Co., Ltd (北京樂享互動科技有限公司), a limited liability company established in the PRC on May 22, 2019 and a wholly-owned subsidiary of us
“Yingyi Technology”	Shenzhen Yingyi Vision Technology Co., Ltd. (深圳影濤視界科技有限公司), a non-listed company established under the laws of the PRC with limited liability on September 14, 2020

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