



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



2024
INTERIM REPORT

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Hu Jiawei (胡家瑋)

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)

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)
Ms. Lin Sio Ngo (練少娥)

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AUDITOR

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JOINT COMPANY SECRETARIES

Ms. Qin Jiaxin (秦佳鑫)

Ms. Lin Sio Ngo (練少娥)

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STOCK CODE

6988

FINANCIAL HIGHLIGHTS

The unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2024 (the “Reporting Period”), together with the comparative figures for the six months ended June 30, 2023 as follows:

FINANCIAL RESULTS HIGHLIGHTS

	For the six months ended		Year-on-year changes Increase/ (decrease)
	June 30 2024 (Unaudited)	2023 (Unaudited)	
	<i>(HK\$ in millions, except for percentages)</i>		
Revenue	111.23	2,148.18	(94.82)%
Gross profit	0.44	211.79	(99.79)%
Loss for the period attributable to owners of the Company	(355.20)	(194.83)	82.31%
Net loss margin	(319.34)%	(9.07)%	(310.27) ⁽¹⁾
Loss per Share			
– Basic and diluted (HK cents)	(14.98)	(8.22)	82.24%

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 2023, are as follows:

OPERATIONAL RESULTS HIGHLIGHTS

	As of June 30 or for the six months ended June 30		Year-on- year changes
	2024	2023	Increase/ (decrease)
Overseas sales of E-commerce goods business			
Sales (HK\$ million)	32.80	1,944.14	(98.31)%
Algorithm-based marketing business			
GMV of domestic short video platform E-commerce marketing (HK\$ million)	23.18	255.01	(90.91)%
Number of paid actions of interactive entertainment products marketing ⁽¹⁾ ('000)	24,242	23,883	1.50%
Average revenue per paid action (HK\$)	2.47	2.46	0.41%

Note:

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

CORPORATE PROFILE

In the first half of 2024, the domestic economy showed a good recovery trend. Under the clear guidance of the national direction for the digital construction of cultural industry, the Group has completed its strategic transformation in 2023, realized the comprehensive business integration of its domestic business with a mixed-ownership reformed company established by a central state-owned culture enterprise, and successfully created a new culture and entertainment industry focusing on high-quality content, driven by technological innovation and combined with multiple scenarios in the first half of 2024. We will continue to develop new digital business combining film and television culture and entertainment with Internet technology, so as to achieve the deep integration of cultural value and technological innovation. For overseas E-commerce platform business, the Group decided in 2023 to curtail the original trade business model of purchasing goods for sale to give full play to the core competitive advantage of its algorithm-based technology, achieving initial results in the first half of 2024. The Group has focused on the interest-based algorithm to provide accurate performance-based marketing traffic promotion technology services for overseas short video E-commerce platforms, and further improved the operating cash flow performance of overseas E-commerce business. Relying on this decision, the Group has accumulated extensive industrial experience in overseas E-commerce business over the past two years and proactively adjusted its business model, so as to provide a long-term sustainable development approach for the Group in the future.

I. OUR BUSINESS

(I) Domestic culture and entertainment technology business

Under the clear guidance of the national direction for the digital construction of cultural industry and in response to the spirit of national policy, the Company, Poly Culture Group Corporation Limited (保利文化集團股份有限公司) (hereinafter referred to as “**Poly Culture Group**”, a central state-owned culture enterprise) and Poly Film Investment Co., Ltd. (保利影業投資有限公司) (hereinafter referred to as “**Poly Film**”) have established a mixed-ownership reformed company, namely 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 constantly develop new digital business combining film and television culture and entertainment with Internet technology. Our goal is to achieve the deep integration of cultural value and technological innovation through the digital asset service platform of film and television culture and entertainment, and to create a new culture and entertainment industry focusing on high-quality content, driven by technological innovation and combined with multiple scenarios. On the strength of Poly Digi-Entertainment, our culture and entertainment technology business primarily consists of technological innovation AI digital business, culture and entertainment content and derivatives business.

Technological Innovation AI Digital Business

By working together with central enterprises, we jointly explore the creation of digital assets platform and the development of high-quality 1P Traffic (first-party traffic). Poly Digi-Entertainment, the Company and JDT (京東科技集團) jointly created the “Poly Digi-Entertainment Chain” (保利文娛科技鏈), a central state-owned enterprise’s own blockchain with culture + industry as the main application scenario, which has been granted a recordation number as a blockchain-based information service provider by the Cyberspace Administration of China. Poly Digi-Entertainment Chain 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.



(1) *Co-Develop “Kong Jian (空兼)” blockchain with Poly and JDT*

Based on its own blockchain “Poly Digi-Entertainment Chain” technology, Poly Digi-Entertainment has launched “Kong Jian”, a digital asset service platform for film and television culture and entertainment contents. “Kong Jian” is a digital asset service platform for film and television culture and entertainment contents independently operated by Poly Digi-Entertainment with independent intellectual property. As a middle platform operator of the platform, the Company will be fully responsible for the actual operation of the platform, including IP (intellectual property) introduction, customer acquisition, platform promotion and other specific businesses. At present, the major function of “Kong Jian” is to provide digital asset services, including but not limited to customer value-added and consumption probing. 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.

In January 2024, Poly Digi-Entertainment and Khorgos Head Collect Digital Technology Co., Ltd (霍爾果斯首藏數字技術有限公司) (hereinafter referred to as “**Head Collect Digital**”) held a strategic signing ceremony to jointly create a new model in the field of digital copyright collections based on the common development direction and innovation pursuit. Poly Digi-Entertainment relies on the central state-owned enterprise’s own blockchain “Poly Digi-Entertainment Chain” to provide underlying technical support and innovative solutions for “sport star card”, the digital collection certificates of Head Collect Digital. Currently, “sport star card” digital collections have been launched in “Head Collect” APP. In the future, “Kong Jian” will serve as a multi-scenario and multi-level integrated digital service platform. In addition to digital asset services, it will also expand a series of digital businesses such as virtual human and meta-universe, allowing a wider range of digital asset application scenarios accessible to users.

(2) *Cultural Entertainment AI Vertical Model*

Based on the data algorithm capability of the Company and relying on the high-quality digital original contents and IP resources of Poly Culture Group, the presentation, distribution and production of cultural and entertainment products of the culture and entertainment technology business will take full advantage of open-source AI (artificial intelligence) platforms to strengthen the exploration and development of AIGC application and continue to promote the use of AIGC to develop innovative businesses, including but not limited to virtual human, virtual voice business, graphic output, short video AIGC, AIGC script generation, and the exploration and development of pre-production static and dynamic storyboards and post-production special effects.

The holographic display system of the Company and Poly Digi-Entertainment enables the integrated application of AIGC and holographic display, and, in combination with self-developed digital humans, realises the immediate interaction with users, thus having vast application and development potential in vertical fields such as digital window display, clothing industry, digitisation, performance live broadcasting, museum, and exhibition industry. From April 30 to May 14, 2024, Poly Digi-Entertainment’s holographic display system appeared in the postgraduate exhibition of the School of Art Management & Education, Central Academy of Fine Arts to provide whole-process digital human guide service for the exhibition.

(3) *Digital marketing business*

(a) Online marketing

Based on Poly Culture's rich experience in government and state-owned and central enterprise relations and the Company's leading new media digital marketing capabilities, our culture and entertainment technology business will leverage the strengths of both parties to provide online new media operation, E-commerce assistance, city image promotion and other marketing services for governments, state-owned and central enterprises and private enterprises, aiming to combine traditional publicity contents with digital marketing to improve publicity penetration and broaden social influence. Currently, we have expanded our customer portfolio to central enterprises such as China State Construction and Poly Group. For example, we undertook the planning and filming of the brand story of China Poly Group, interviewed and filmed the aiding-Ninglang project of Nokia Shanghai Bell of Poly Huaxin, and reached a long-term cooperation with South China Investment Company of China Construction Eighth Engineering Division for the planning of brand projects, shooting of brand films and introduction of cultural and artistic resources.

(b) Offline marketing

As an effort to fortify the connectivity and interactivity between culture and property and other inter-segment businesses of Poly Group, we hosted Poly Development's "Jade Seeing the Gentleman – Qing Court Jade Exhibition" (玉見君子 – 清代宫廷玉器展) in Chengdu, Sichuan Province, which combined the exquisite courts jades from Poly Art Museum with the brand promotion of property projects to promote the integration of property business with culture and art.

Cultural And Entertainment Content And Derivatives Business

With China's development goal of building a cultural powerhouse by 2035 and the joint establishment of a RMB50 billion cultural industry fund by the Ministry of Finance and the Publicity Department of China to increase policy support for the investment in the cultural industry, we believe that the film and television cultural industry is in a golden period of rapid development.

(1) *Short-drama business*

As one of the first companies to deploy short video platform business, the Company has been developing in the short video sector for many years. By virtue of its advantage in the forward-looking deployment in short play sector, the Company has completed the shooting work of a number of short plays involving a variety of types, and has accumulated a wealth of experience. As a professional cultural industry group among China's central enterprises, Poly Culture owns a strong reserve of IP resources, film, television and performing talent resources and diverse content production experience. Capitalising Poly Culture's resource advantages and the Company's many years of experience in short-video production, the Group plans to launch our own short-drama platform – "Red Fox", dedicated to providing users with exciting, high-quality short-video content and high-quality experience under the principle of equal focus on originality, story and emotion to strive to touch the hearts of audiences with each piece of work.

(2) *Film and television presentation*

Through 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 presentation, distribution and production of film and television works. Our culture and entertainment technology business will take advantage of the mechanism to participate in the presentation and distribution of film and television works, create and enrich the Company's own IP, and form 1P Traffic cluster of the Company by culture empowering the industry. In 2024, the culture and entertainment technology business segment has present and produced films such as "You are by my side" 《你在我身邊》, "Lion Dance Sisters" 《高樁獅妹》, "Operation Macau" 《澳門行動》, "Space Knight" 《太空騎士》, and "Another Day of Hope" 《又是充滿希望的一天》.

In April 2024, Poly Film and Poly Digi-Entertainment attended the opening ceremony of the 14th Beijing International Film Festival with four key films, namely "Lion Dance Sisters" 《高樁獅妹》, "Operation Macau" 《澳門行動》, "You are by my side" 《你在我身邊》, and "Another Day of Hope" 《又是充滿希望的一天》.

In May 2024, Poly Culture was invited to participate in "Souffle D'orient" 2024 Exposition Thematique Sur La Culture Chinoise ("遇鑒中國"2024 中華文化主題展) at the Paris International Expo 2024 in France (2024 法國巴黎國際博覽會). The lion head, an intangible cultural heritage, and cultural and creative products of "Lion Dance Sisters" 《高樁獅妹》, a film first presented and mainly produced by Poly Digi-Entertainment, appeared on the exhibition site and was reported by CCTV's "Xinwen Lianbo" 《新聞聯播》, "LIVE NEWS" 《新聞直播間》 and other programs.

(3) *Film, television and game interactive entertainment*

In the first half of 2024, we completed the production of a key short drama jointly with a famous video platform in China. We also joined hands with a famous game IP in China and planned to develop its short drama works.

In May 2024, we entered into a strategic cooperation agreement with Hainan Publishing and Distribution Group to focus on the development of short drama business by leveraging the superior resources of both parties. In view of the rising tide of short dramas, we have continued to optimise and improve our business in terms of content, production and distribution in order to seize the new opportunities in the development of short dramas.

(4) *Film, television and culture and tourism derivatives development*

We make full advantage of Poly Culture's film and television strengths and film and tourism interconnections to develop film-empowered offline culture and tourism, which integrates high-quality IPs in films and television shows, and top-notch content productivity with the culture of cities all over China, and creates a variety of integrated businesses, such as film-themed interactive entertainment, culture and tourism performances and activities, theme restaurants, incubation of cultural IP derivatives, and celebrity inns, to support the publicity and development of the relevant cities. Meanwhile, the Company has reached preliminary cooperation with governments in many places in respect of scenic area upgrading and construction planning and consulting, including the entering into of a contract for the planning of Wuxi Yangxi Cultural City.

(5) *MCN business*

Taking advantage of the unique background of Poly Digi-Entertainment, we have established the first national leading central state-owned enterprise MCN's national team, and have successfully contracted with talents, such as Wu Dajing, the renowned ice and snow athlete and short track speed skating champion, who conform to the ideology prevailing in the country and make contributions to the society. Based on the in-depth research on the interest-based algorithm recommendation mechanism of short video platform, the Company creates novel content suitable for its talents to form exclusive character tags, and then forms content matrix through linkage among multiple accounts, thus gradually expanding its influence and building the core competitiveness of MCN organization. The interdependent model has been realized that the MCN organization provides a traffic pool for its talents and the talents help the MCN organization realize commercialization, thus attracting and recruiting more talents who conform to the general direction of the national ideology to promote the sustainable development of the MCN business of the Group.

(6) *Artist agency*

Leveraging the extensive experience of Poly Culture in the film and television industry for more than 20 years and the experience of the Company in film and television production for many years, as well as the diversified resources of both parties, we provide better development plans for our artists and engage in multi-dimensional and all-round project cooperation, thus accumulating a wealth of film, television, variety shows, media, platforms and a large number of brand customer resources, so as to provide our artists with more and better career planning and development platform. We have successfully contracted with Alice Ko, the famous Taiwanese female artist in January, 2024.

The Company will select suitable contracted artists for our clients based on their market positioning, image, interests and past and current endorsements and arrange commercial activities and entertainment content activities for the contracted artists and artist groups through our commercial agents and executive agents. At the same time, the Company also arranges for our contracted artists to participate in various promotion activities of corporate clients, including social media promotions, live E-commerce and offline business promotions, including but not limited to offline commercial events such as Hermès Spring-Summer 2024 runway show and LIFEIDEA's 20th anniversary show, film and television projects such as "SHADOW" 《天馬流星》, "The Entrusted" 《臨危受命》, "Crime Crackdown" 《打黑》 and "The Flunky" 《鷹犬》, variety shows such as "CCTV Spring Festival Gala" 《央視春晚》 and "Run for Time" 《全員加速中》, as well as live streaming events such as the "Asian Cup Trip to Qatar" (卡塔爾亞洲盃之行) and "Euro 2024 Commentary Line-up" (歐洲杯盃解說嘉賓).

(II) Domestic interest-based algorithm marketing business

Relying on the leading interest-based recommendation algorithmic technology, we carry out professional and efficient algorithm-based marketing business in China on mobile internet social platforms and short video platforms. We provide our customers with leading algorithm-based marketing solutions in China, which solves the problem of matching efficiency between products and media through technology and algorithm, precisely matching products and media resources, thereby helping our customers boost sales, downloads and activity. We conduct short video platform E-commerce marketing business on Douyin platform, and conduct digital distribution of online products business on WeChat official accounts platform and Douyin platform. After years of iterative development, the domestic algorithm-based marketing business is currently in a mature stage of development.

“Customized content and products” is a summary of the algorithm-based marketing business of the Company. In short, based on the new media platforms, we not only follow the principle of personalized content recommendation, but further deepen to the level of personalized product recommendation. By building our private data analysis system, the Company analyzes products, content and users and establishes modeling for them, forms data labels, and uses recommendation algorithms and middle platform technology to accurately recommend products to consumers on new media platforms and bills customers based on transformation effectiveness. In the first half of 2024, for the short video platform E-commerce marketing business, we helped customers sell goods in an aggregate amount of HK\$23.18 million on Douyin platform; and for the digital distribution of online products business, we helped customers achieve effective paid actions of 22.24 million in the first half of 2024, including top-up, download, installation, etc.

57% of our employees are technical, R&D and operation personnel. 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 genes of the Company, 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

- **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, marketing activity, etc.
- **Main service area:** Mainland China
- **Main marketing channels:** Well-known internet social networking platforms and short video platforms in mainland China

(III) Overseas consumer electronic products vertical E-commerce platform business

After three years of development since Joy Spreader International commenced its international business overseas in 2021, Joy Spreader International has made remarkable achievements in the consumer electronic products field in Southeast Asia by successful deployment and establishment of overseas distribution network, covering more than 400 distributors and over 1,000 terminal sales channels. As of the end of 2023, the cumulative sales exceeded US\$1 billion, reflecting its strong competitiveness in the regional market.

Relying on Joy Spreader Group's technical background, Joy Spreader International has seized the dual opportunities of consumption upgrading in the consumer electronic products market in Southeast Asia and commercialization of overseas short video platforms, innovatively integrated the advanced algorithm-based marketing model into the local market, and accurately grasped the huge traffic of short video platforms in Southeast Asia through our own E-commerce platform, MARTOP, so as to provide personalized marketing services for local distributors. Meanwhile, Joy Spreader International has established a sound overseas supply chain system and offline payment solutions to ensure the smooth process from order to delivery, and the successful practice of the standalone website model has further consolidated its market position.

In view of the stable trend of the consumer electronic products market in Southeast Asia, Joy Spreader International has decisively adjusted its overseas E-commerce business strategy at the end of 2023 based on the deep accumulation in the past three years, and adopted an asset-light transformation strategy. The Company suspended the purchase of new inventory and the sale of consumer electronic products under the traditional trade mode after completing the disposal of the existing inventory goods in the first half of 2024, and shifted the focus to its own E-commerce platform, MARTOP as the core transaction negotiation platform, and optimized and upgraded its transaction mode by providing transaction clues and continuing to use overseas short video platforms for accurate drainage. This transformation aims to reduce financial pressure, improve operating cash flow and lay a solid foundation for the long-term and sustainable development of Joy Spreader International.

At the same time, Joy Spreader International actively explored new supplier resources to significantly expand the platform SKU, with an aim to enrich the product supply chain and provide distributors with a more diversified selection of commodities, thereby consolidating and expanding its market share in Southeast Asia. With continuous optimization of the transaction process and improved accuracy of traffic acquisition, the participation of distributors has been significantly enhanced, and the positive feedback in the market has fully proved the effectiveness and market potential of the transformation strategy. These initiatives not only stabilized the volatile market environment, but also opened up new growth space for Joy Spreader International in Southeast Asia and the broader international market.

- **Main products for marketing:** 3C electronic consumer products
- **Main service targets:** Distributors (B-end small and medium customers) and customers of electronic consumer products
- **Main service area:** Member countries of the Association of Southeast Asian Nations (ASEAN)
- **Main marketing channels:** A famous overseas short video platform

II. THE INDUSTRY WHERE WE OPERATE

1. Concept of AIGC

In terms of the presentation and production of cultural and entertainment products of culture and entertainment technology business, we will comprehensively use open-source AI platform to conduct in-depth exploration and development of AIGC application layers. For the vertical scenario application market, we have heavily invested in AIGC business layout, continuously promoted the integration of AIGC and holographic display applications, independently developed virtual digital humans, and achieved innovative research and development in areas such as virtual voice services, graphic output, short video AIGC, AI video script for film and television works, and AIGC post production.

2. Concept of Web3.0

Relying on the Web3.0 business of Poly Digi-Entertainment, the Group actively launches the middle platform operation, IP incubation, distribution and other business of “Kong Jian (空兼)” 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, we distribute digital assets in the fields of film and television, culture and entertainment to users in an open, transparent and tamper-resistant form.

3. Film and television entertainment segment

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

Film and television cultural and entertainment contents 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 cultural and entertainment content.

4. Concept of short video

The main channels of E-commerce marketing business in algorithm-based marketing business and E-commerce marketing business in overseas sales of E-commerce goods business are focused on domestic and overseas famous short video platforms.

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 the commercialization of the Company's short video.

5. Short play concept segment

As the short play sector is facing unprecedented development opportunities, the Group has completed the shooting work for a number of short dramas involving a variety of types with the advantages of forward-looking layout in the field of short plays, and accumulated extensive experience, marking the solid first step in the field of short plays.

6. Internet marketing segment

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

We are one of the first enterprises in China to explore in internet interest-based algorithms marketing. Based on the interest-based content recommendation algorithm, internet marketing carries out online marketing by focusing on 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 of and online time spend on new media applications, which are widely recognized by users.

7. 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.

8. Overseas E-commerce of electronic products segment

Overseas E-commerce business adopted an asset-light business model to provide accurate marketing services on overseas short video platforms based on interest-based algorithm technology. The Group has established its own E-commerce platform, MARTOP, as the core transaction negotiation platform to accurately attract traffic by providing transaction leads and continuously utilizing overseas short video platforms, thus achieving the optimization and upgrading of trading mode.

III. OUR STRENGTHS

(I) Clear industry prospects and vast market space

The digital economy-related industry the Group deeply involves in has shown clear industry prospects and vast market space. Against the backgrounds that the Chinese government unswervingly implements the digital economy strategy and that governments at various levels successively launch encouragement and support policies, the domestic and overseas E-commerce, interactive entertainment, digital assets and other industries begin to flourish in an increasingly regulated market environment and have demonstrated long-term and stable growth potential. In particular, Southeast Asia has become one of the fastest growing E-commerce regions in the world, and the favorable macro environment and various positive market factors have provided opportunities for technology companies with data algorithm capabilities to go abroad.

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

(a) Artificial intelligence technology is experiencing rapid development

The production method for automatic content generation using AI technology has been able to learn and understand human language and engage in dialogue with humans, providing new opportunities for film and television culture and entertainment and other business areas. Sun digital upgrading of culture industry is a new production method using AI technology to automatically generate content following UGC and PGC, from which we will have an opportunity to gain a competitive edge.

(b) **The culture and entertainment industry is undergoing digital transformation and upgrades**

Under the macro background that the government actively promoted to develop the digital economy, Poly Digi-Entertainment, the Company and JDT jointly created the “Poly Digi-Entertainment Chain”, a central state-owned enterprise’s own blockchain with culture + industry as the main application scenario, which has been granted a recordation number as blockchain-based information service providers by the Cyberspace Administration of China. As a central state-owned enterprise’s own blockchain, the “Poly Digi-Entertainment Chain” has broad prospects in such business segments as the issuance and evidence preservation of digital assets. Poly Digi-Entertainment has launched a digital asset service platform for film and television culture and entertainment contents, “Kong Jian”, which boasts its own intellectual property rights as well as complete and independent operation, marking that Poly, a central state-owned culture enterprise, has officially entered the Web3.0 meta-universe era. This is not only a major strategic layout of Poly Digi-Entertainment in the field of cutting-edge technologies such as digital assets, virtual human, meta-universe, but also a concrete embodiment that it has the courage to explore and practice in active response to the national digital economy strategy. This platform will enable Poly Digi-Entertainment to deeply explore the potential of digital technology, continue to enrich the expression forms of cultural and entertainment content, expand the digital dissemination channels of IP, and enhance its digital radiation ability. This will not only help promote the in-depth digital transformation and upgrades of the culture and entertainment industry, but also promote the in-depth integration and innovative development of the upstream and downstream of the industry chain, jointly creating a new chapter of the culture and entertainment industry.

(c) **China’s short video platform E-commerce market is just flourishing**

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.

(d) **Adopt a technology-orientated asset-light service model**

Southeast Asia has a significant population density and a large proportion of young people. Its GDP growth is higher than the average level of the world. The young consumers group greatly drives shopping demand. Meanwhile, the internet penetration there is also higher than the global average. In addition, various favorable conditions, such as the cultural characteristics of Southeast Asia similar to China and the formal implementation of the Regional Comprehensive Economic Partnership (RCEP) Agreement, give Chinese products a particularly obvious advantage in expanding to Southeast Asia. During the period when 4G and 5G are becoming more and more popular in Southeast Asia and consumption upgrades results from the GDP growth in Southeast Asia, the consumer electronics produced in China have very notable advantages in terms of production capacity and quality.

Leveraging the extensive experience accumulated in the past three years and considering the stabilizing situation of 3C mobile phone market in Southeast Asia, we decided to adjust our overseas E-commerce business strategy and adopt a technology-oriented asset-light service model as a new transformation approach. The asset-light business model focuses on interest-based algorithm technology service, leverages our professional technical team to give full play to our advantages in interest-based algorithm technology and experience advantages of our overseas cross-border E-commerce platforms, and provides customers with accurate traffic promotion services through overseas short video platforms.

The purpose of this transformation is to ease capital pressure, improve operating cash flow and lay a solid foundation for the long-term sustainable development of Joy Spreader International.

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

With the country's further regulation on macro economy, the tightened supervision over the culture and entertainment industry, and the acceleration of business digital upgrades by state-owned and central enterprises, private enterprises may not understand and implement national policies and regulations as effectively as state-owned and central enterprises, and they are also facing many restrictions to engage in some businesses that need to be carried out by central state-owned culture enterprises. The collaboration between the Company and mixed-ownership reformed central company enables the Company to enter the cutting-edge and high-potential business areas like Web3.0, blockchain, and culture and entertainment content production under the guidance and management of the central enterprise. This mode of collaboration not only greatly broadens the customer base and business scope of the Company, but also lays a solid foundation for the long-term development of the Company.

As a professional central state-owned enterprise engaged in the culture industry, our partner not only possesses professional PGC production capabilities, but also has unique advantages in terms of industrial resource integration, and risk control and compliance. In the future, we will leverage the PGC content and stars conform 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.

(III) First-mover advantages of data and model algorithm to facilitate a heavy blow in overseas market

Leveraging the long-term in-depth business practice in domestic and overseas E-commerce, interactive entertainment and other fields, the Group has accumulated substantial project data resources, which have 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 started to conduct the R&D of data and model algorithm on the WeChat official accounts platform early in 2013 and did the same on Douyin platform since 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. In the second half of 2023, the Group resolutely adjusted its overseas E-commerce business strategy and adopted an asset-light operation model. In the first half of 2024, the Group focused on MARTOP, a self-built E-commerce platform, as the core trading negotiation platform to optimize and upgrade the trading mode by providing trading leads and continuously and accurately obtaining traffic on overseas short video platforms. Our first-mover advantages are not only reflected in the industry-leading data scale and data time dimension spanning many years, but also in the decisive role of these data in the process of model construction and optimization. Richly-structured, large-scale, time-spanning and real-time interactive data resources not only provide us with a solid foundation for testing, building and improving algorithm models, but also provide accurate data support for us to continuously optimize our business model and build more flexible and efficient operating strategies. It is based on such data advantages that we can ensure continuous optimization of marketing performance and continuous improvement of service levels, thus building a strong competitive barrier in the highly competitive market.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW OF RESULTS

- **Culture and Entertainment Technology Business**

Under the clear guidance of the national direction for the digital construction of cultural industry, the Group successfully created a new culture and entertainment industry focusing on high-quality content, driven by technological innovation and combined with multiple scenarios in the first half of 2024. Based on the data algorithm capability of the Company and relying on the high-quality digital original contents and IP resources of Poly Culture Group, the presentation, distribution and production of cultural and entertainment products of the culture and entertainment technology business will take full advantage of open-source AI platforms to strengthen the exploration and development of AIGC application and continue to promote the use of AIGC to develop innovative businesses.

Poly Digi-Entertainment has launched a digital asset service platform for film and television culture and entertainment contents, “Kong Jian”, which boasts its own intellectual property rights as well as complete and independent operation, marking that Poly, a central state-owned culture enterprise, has officially entered the Web3.0 meta-universe era. This is not only a major strategic layout of Poly Digi-Entertainment in the field of cutting-edge technologies such as digital assets, virtual human, meta-universe, but also a concrete embodiment that it has the courage to explore and practice in active response to the national digital economy strategy. Poly Digi-Entertainment will continue to promote the in-depth digital transformation and upgrades of the culture and entertainment industry, facilitate the in-depth integration and innovative development of the upstream and downstream of the industry chain, and jointly create a new chapter of the culture and entertainment industry.

- **Overseas E-commerce Business**

In the first half of 2024, the Group recorded revenue of HK\$32.80 million from overseas sales of E-commerce goods business, representing a decrease of 98.31% as compared with HK\$1,944.14 million in the first half of 2023. The decrease in revenue from such business was mainly attributable to the strategy adjustment of the Group’s overseas E-commerce business at the end of 2023, which transformed the asset-heavy business model of purchasing inventory goods for overseas sales in the past to the asset-light business model of providing accurate marketing services on overseas short video platforms based on interest-based algorithm, and focused on MARTOP, a self-owned E-commerce platform, as the core transaction negotiation platform to accurately attract traffic by providing transaction lead and continuously utilizing overseas short video platforms. We are currently conducting continuous testing on our new matchmaking model and have not yet charged commissions and service fees to suppliers and distributors, resulting in a significant decrease in revenue during the period.

In the first half of 2024, the GMV of overseas E-commerce transactions completed under assistance of the Group on its own E-commerce platform, MARTOP, reached US\$455 million, representing a significant increase of 83% as compared to the GMV of overseas E-commerce transaction of US\$248 million realized in the same period last year. The Group will focus on asset-light business mode, provide customers with accurate traffic promotion through overseas short video platforms, and build a long-term and sustainable moat.

- **Algorithm-Based Marketing Business**

- **Interactive Entertainment and Digital Product Marketing**

In the first half of 2024, the Group recorded revenue of HK\$56.67 million from interactive entertainment and digital product performance-based marketing services, representing an increase of 2.33% as compared with HK\$55.38 million of the same period last year, which was due to the tightened regulatory approval of game licenses and paid literature in China and the effect that the domestic economy has not fully recovered, which led to restrictions on such business, therefore the Company adjusted its business layout in a timely manner, and the revenue from this business had no significant change as compared to the same period last year.

- **Short Video Platform E-Commerce Marketing**

In the first half of 2024, the Group achieved GMV of domestic short video platform E-commerce marketing of HK\$23.18 million, representing a decrease of 90.91% as compared with HK\$255.01 million in the first half of 2023; in particular, revenue from domestic E-commerce products marketing of HK\$20.88 million was recorded in the first half of 2024, representing a decrease of 85.95% as compared with HK\$148.59 million in the first half of 2023, which was mainly attributable to the continuous reduction in customer demand and budget due to current relatively sluggish marketing environment of the overall industry in China, resulting in a decrease in the revenue of the business as compared to the same period last year.

- **Progress on R&D**

With the contraction of the domestic business and the strategic restructuring of the overseas E-commerce business, the research and development results of MARTOP, an E-commerce platform established by the Group, have temporarily met the development needs of the overseas E-commerce business and the current research and development investment mainly focuses on team building and the accumulation and reserve of technology.

For the modelling of the overseas short video platform, the Group collates information such as product-related characteristics, promotion area, timing and budget based on its promotion requirements, and conducts in-depth analysis on target group in various aspects, including gender, age, geographic location and interests, before identifying the common characteristics and differences of the target group and, based on the tagging system generated according to the characteristics of such group and product, conducting hotspot analysis as to which tags are associated with hotspot, such as popular trends and seasonality, with reference to product characteristics tag and target group tag. Based on the results of the said analysis, secondary modelling is performed to optimize the positioning of target group and timing of promotion and generate a promotion plan as well.

Depending on the common characteristics and differences of the target group, the Group identifies the core advantages and selling points of a product and analyses the matching degree between the product characteristics and the needs of the target group. A placement strategy will be generated according to the analysis results and further optimization will be conducted regarding the positioning of the target group and the timing of placement, along with the use of the hotspot tags, to improve the overall promotion effect in an effective manner.

The investment in research and development mainly focuses on regional expansion, product diversification and optimizing traffic promotion for the overseas short video platform.

- **Strategic Layout in the Second Half of 2024 and in the Future**

- a. **Explore New Business Fields and Market Share with Deepening Cooperation with Central Enterprise in China**

As an important direction of the Group's strategic development, we will keep the deep and comprehensive cooperation with strategic partners, Poly Culture Group and Poly Film which both are central state-owned culture enterprises. Under the guidance of national "14th Five-Year Plan" and "Digital Economy Development Strategy", we jointly expand new business cooperation and empower industrial development.

- (1) *Expand high-quality 1P Traffic*

We will carry forward steadily the implementation of business with central enterprises as strategic partners, and committed to building high-quality self-owned content and traffic system through multiple channels to enhance the Group's customer service capabilities and profitability. In addition to deepening cooperation with central enterprises in the new media field on film and television contents, we also cultivate new media accounts, 1P content and traffic resources that have in-close cooperation with the Group by means of actively use strategic alliance, investment and incubation. By providing tailor-made new media content for customers, we will effectively improve consumption conversion and continue to reduce the costs of acquisition of traffic. At present, we have launched a number of cooperative projects in the incubation of film and television entertainment contents, online publicity, digital asset business, digitalization of E-commerce product of state-owned and central enterprise, clarified the investment and production of national key film and television projects, creating the first MCN of central enterprises and other cooperative direction.

(2) *Increase the investment in AIGC and Web3.0 application end research*

Poly Digi-Entertainment, a company co-founded by us with Poly Culture Group, a central state-owned culture enterprise, has jointly developed the digital asset business with JD.com, completed the launch of “Kong Jian”, a digital asset service platform for film and television culture and entertainment contents and realized commercial operation. We also will continue to enhance the construction of Web3.0 infrastructure and develop customers as state-owned and central enterprises by digital capabilities.

We will also increase the investment in AIGC application end research and be committed to applying AIGC technology in practical production. Through constant testing and optimization, we strive to reduce the production cost of digital content, while enhancing the quality and variety of content, which will not only bring us remarkable economic benefits, but also boost innovation and development across the industry.

b. **Focus on interest-based algorithm technology services to optimize business model**

The E-commerce business based on the interest-attracted traffic of an overseas famous short video platform is one of the strategic priorities of the Group. In 2024 and beyond, we will continue to pay attention to the characteristics of overseas sales of E-commerce goods and the market environment, while taking our own E-commerce platform, MARTOP, as the core trading and consultation platform, so as to achieve optimization and improvement of our trading model by providing trade leads as well as constantly and accurately attracting traffic through overseas famous short video platform. The overseas sales of E-commerce goods business of the Group has been launched in many countries in Southeast Asia. We are now focusing on the vertical sectors of E-consumer, intensifying our development in Southeast Asia market and building a complete overseas supply chain and online and offline payment system, striving to proactively explore further source of suppliers, expand the SKU of the platform and help outstanding domestic products to be sold overseas. With constantly improved transaction process and higher accuracy of traffic acquisition, the suppliers show significantly boosted participation enthusiasm. Such positive feedback from the market amply demonstrates the effectiveness of our transformation strategy and the market potential. Through these efforts, we have not only stabilized the ever-changing market environment, but also exploited further growth potential in Southeast Asia and the broader international market for Joy Spreader International.

• **FINANCIAL REVIEW**

Revenue

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

	For the six months ended June 30,			
	2024 (Unaudited)	Percentage	2023 (Unaudited)	Percentage
	<i>(HK\$ million, except for percentages)</i>			
Marketing revenue from interactive entertainment and digital products	56.67	50.95%	55.38	2.58%
Marketing revenue from domestic E-commerce products	20.88	18.77%	148.59	6.92%
Sales revenue from overseas E-commerce goods	32.80	29.49%	1,944.14	90.50%
Revenue from other businesses	0.88	0.79%	0.07	0.00%
Total revenue	111.23	100%	2,148.18	100%

The revenue of the Group decreased by 94.82% from approximately HK\$2,148.18 million for the six months ended June 30, 2023 to approximately HK\$111.23 million for the six months ended June 30, 2024. The decrease in the revenue of the Group was mainly attributable to the strategy adjustment of the Group’s overseas E-commerce business at the end of 2023, which transformed the asset-heavy business model of purchasing inventory goods for overseas sales in the past to the asset-light business model of providing accurate marketing services on overseas short video platforms based on interest-based algorithm, and focused on MARTOP, being its own E-commerce platform, as the core transaction negotiation platform to accurately attract traffic by providing transaction lead and continuously utilizing overseas short video platforms. We are currently conducting continuous testing on our new matchmaking model and have not yet charged commissions and service fees to suppliers and distributors, resulting in a significant decrease in revenue during the period.

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 decreased by 94.28% from approximately HK\$1,936.39 million for the six months ended June 30, 2023 to approximately HK\$110.79 million for the six months ended June 30, 2024, which was primarily attributable to the suspension of purchase of goods due to the strategy adjustment of the Group’s overseas E-commerce business in the first half of 2024, resulting in a significant decrease in the cost of revenue.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Profit and Gross Profit Margin

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,	
	2024 (Unaudited)	2023 (Unaudited)
	<i>(HK\$ million)</i>	
Marketing gross profit from interactive entertainment and digital products	12.65	12.37
Marketing gross profit from domestic E-commerce products	3.76	64.42
Gross profit from overseas sales of E-commerce goods	(16.66)	134.93
Gross profit from other businesses	0.69	0.07
Total gross profit	0.44	211.79

For the six months ended June 30, 2024, the gross profit of the Group amounted to approximately HK\$0.44 million, representing a decrease of 99.79% as compared with approximately HK\$211.79 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, the gross profit margin of the Group was 0.40%, representing a decrease of 9.46 percentage points as compared with 9.86% for the six months ended June 30, 2023. The significant decrease in the Group's gross profit and gross profit margin was mainly due to (i) the initial stage of transformation of the overseas E-commerce business when the new business model has not yet recorded revenue and gross profit; and (ii) loss on decline in value of inventories of the overseas E-commerce business being included in cost, which adversely affected the gross profit margin.

Other Gains and Losses

For the six months ended June 30, 2024, the other gains and losses of the Group were gains of approximately HK\$13.09 million (for the six months ended June 30, 2023: gains of HK\$42.64 million), which was mainly due to the foreign exchange gains, net of HK\$10.28 million recorded in the first half of 2024.

Distribution and Selling Expenses

The distribution and selling expenses of the Group decreased by 11.77% from approximately HK\$318.91 million for the six months ended June 30, 2023 to approximately HK\$281.39 million for the six months ended June 30, 2024, the amount incurred in the current period mainly represents the continuous provision of subsidies for traffic promotion to distributors for the overseas sales of E-commerce goods business in the first half of 2024.

Administrative Expenses

The administrative expenses of the Group decreased by 32.90% from approximately HK\$63.14 million for the six months ended June 30, 2023 to approximately HK\$42.37 million for the six months ended June 30, 2024, primarily due to the Group's improved personnel costs and decreased professional service fees, office rental and other related expenses in the first half of 2024.

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 E-commerce 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 95.69% from approximately HK\$43.39 million for the six months ended June 30, 2023 to approximately HK\$1.87 million for the six months ended June 30, 2024, which was mainly due to the fact that the Group's own E-commerce platform have temporarily met the development needs of the overseas E-commerce business, and the research and development investment was reduced accordingly.

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, 2024, the Group had no inventories as compared with the balance of the inventories of the Group amounted to HK\$108.68 million as at December 31, 2023, the decrease was mainly due to the strategy adjustment of the overseas E-commerce business, which completed the disposal of existing inventory goods in the first half of 2024 and suspended the purchase of inventory goods.

Trade and Other Receivables and Deposits

The Group had trade and other receivables and deposits of HK\$729.02 million and HK\$443.73 million as at December 31, 2023 and June 30, 2024, respectively.

As at June 30, 2024, the balance of trade receivables of the Group amounted to HK\$156.42 million, representing a decrease of 29.85% as compared with HK\$222.99 million as at December 31, 2023, 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 2024.

Other receivables and deposits are deposits to suppliers for operating overseas sales of E-commerce goods business, employee petty cash expenses, rental deposits, etc. As at June 30, 2024, the balance of other receivables and deposits of the Group amounted to HK\$287.31 million, representing a decrease of 43.22% as compared with HK\$506.03 million as at December 31, 2023, which was mainly attributable to refunding partial deposits for the overseas sales of E-commerce goods business in the first half of 2024.

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, 2024, prepayments of the Group amounted to HK\$534.41 million, representing an increase of 7.03% as compared with HK\$499.32 million as at December 31, 2023, which was mainly attributable to the increase in prepayments for traffic purchase of the Group in the first half of 2024.

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.

As of June 30, 2024, the Group’s total advanced payments (including the above-mentioned prepayments and deposits) to the Largest Traffic Supplier was HK\$747.92 million, representing 52% of the Company’s total assets of HK\$1,434.27 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.

Equity Instruments at Fair Value through Other Comprehensive Income

The Group had equity instruments at fair value through other comprehensive income of HK\$12.99 million and HK\$12.90 million as at December 31, 2023 and June 30, 2024, respectively, which had no material change.

Bank Balances and Cash/Restricted Bank Balances

The Group had bank balances and cash/restricted bank balances of HK\$367.92 million and HK\$314.76 million as at December 31, 2023 and June 30, 2024, respectively. The decrease was primarily due to the Group’s platform traffic purchase and daily operating expenses.

Trade and Other Payables

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

The trade payables of the Group decreased by 16.29% from HK\$173.03 million as at December 31, 2023 to HK\$144.85 million as at June 30, 2024, which was mainly attributable to the decrease in trade payables as a result of the shrinking scale of the Group’s operations in the first half of 2024.

The other payables of the Group decreased by 36.59% from HK\$31.54 million as at December 31, 2023 to HK\$20.00 million as at June 30, 2024, which was mainly attributable to the decrease in amount due to third parties.

Lease Liabilities

The lease liabilities of the Group decreased by 34.14% from HK\$41.36 million as at December 31, 2023 to HK\$27.24 million as at June 30, 2024, which was primarily due to less property leases.

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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$ million	
Net cash used in operating activities	(36.48)	(131.39)
Net cash from investing activities	1.24	5.34
Net cash used in financing activities	(5.79)	(8.96)
Net decrease in cash and cash equivalents	(41.03)	(135.01)
Cash and cash equivalents at beginning of the period	325.97	533.95
Effect of foreign exchange rate changes	(11.84)	(20.02)
Cash and cash equivalents at end of the period, represented by bank balances and cash	273.10	378.92

As at June 30, 2024, 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 consists of purchase cost of traffic, distribution and selling expenses, research and development cost, and administrative expenses.

For the six months ended June 30, 2024, our net cash used in operating activities was HK\$36.48 million (for the six months ended June 30, 2023: HK\$131.39 million), which is mainly due to the decrease in net operating cash outflow as a result of the shrinking scale of the Group's operations.

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, 2024, our net cash generated from investing activities was HK\$1.24 million (for the six months ended June 30, 2023: HK\$5.34 million), which was mainly due to interest income.

MANAGEMENT DISCUSSION AND ANALYSIS

Cash Flow from Financing Activities

For the six months ended June 30, 2024, our net cash used in financing activities was HK\$5.79 million (for the six months ended June 30, 2023: HK\$8.96 million), mainly due to the lease payments for leased assets.

Capital Expenditures

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

	For the six months ended	
	June 30 2024 (Unaudited)	2023 (Unaudited)
	<i>HK\$ million</i>	
Fixed assets	0.73	7.31
Right-of-use assets	–	11.53
Total	0.73	18.84

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 and in the part headed “Use of Proceeds from Listing” and “Use of Proceeds from the Placing” in this announcement, 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, 2024, the Group did not have any bank borrowings.

Contingent Liabilities

As at June 30, 2024, 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, 2024, 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, 2024, the gearing ratio of the Group was 16.76% (as at December 31, 2023: 15.66%).

Current Ratio

Current ratio represents current assets divided by current liabilities. Current ratio decreased from 7.75 times as at December 31, 2023 to 5.82 times as at June 30, 2024.

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, 2024, the Group had about 72 employees in the PRC and overseas (as at December 31, 2023: 91 employees). The majority of the Group's employees were based in the PRC. As of June 30, 2024, over 57% of our employees were research and development, technical and operation personnel.

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 performance-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 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.

As of January 1, 2024 and June 30, 2024, the number of awards available for grant under the Share Award Scheme limit under the Share Award Scheme were 0 and 0 respectively.

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 awards under the Share Award Scheme

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

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

For the six months ended June 30, 2024, there were no purchases of the Shares of the Company by the trustee in the market. No Shares were granted to eligible employees under the Share Award Scheme during the Reporting Period. As of June 30, 2024, there were no awards that have not yet vested under the Share Award Scheme. At the end of the Reporting Period, the trustee held 0 Shares.

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

In addition, the Company has adopted the Joy Spreader International Share Award Scheme (the "**Joy Spreader International Share Award Scheme**") on September 28, 2023. Pursuant to Rule 17.13, Rules 17.02 to 17.04 and Rules 17.06 to 17.09 of the Listing Rules, the Joy Spreader International Share Award Scheme is a subsidiary scheme applicable to a principal subsidiary of the Company, as if it were a share scheme of the Company as described in Rule 17.01(1) of the Listing Rules. A summary of the Joy Spreader International Share Award Scheme is set out below. For details, please refer to the announcement of the Company dated September 13, 2023.

(I) Purpose of the Joy Spreader International Share Award Scheme

To motivate the contribution of certain directors and employees of the Group so as to provide additional incentives to eligible incentive participants to retain them for the ongoing business operations and development of the Group and to recruit suitable talents for the further development of the Group.

(II) Participants of the Joy Spreader International Share Award Scheme

Under the Joy Spreader International Share Award Scheme, persons eligible to participate in the Joy Spreader International Share Award Scheme (the "**Joy Spreader International Share Award Scheme Eligible Participants**") include directors and employees of the Company and its subsidiaries (whether full-time or part-time, including persons who are granted awards under the Joy Spreader International Share Award Scheme for the purpose of attracting them to enter into employment contracts with the Group).

(III) **Total Number of Shares Available for Grant and Percentage of Issued Shares of Joy Spreader International they Represented as at the Date of the Interim Report**

Subject to the Listing Rules, no further awards may be granted by the Company if, without the approval of the Shareholders, the grant of such awards would result in the total number of award shares of Joy Spreader International in respect of all grants under the Scheme together with any other options and awards which may be granted under the Scheme and any other share schemes of Joy Spreader International for the time being exceeding the number of shares representing 10% of the entire issued share capital of Joy Spreader International as at the adoption date. Award shares which have been canceled in accordance with the terms of the Scheme will be taken into account for the purpose of calculating the scheme limit. Apart from the Joy Spreader International Share Award Scheme, Joy Spreader International has not adopted any other employee incentive schemes for the time being.

As at the date of this interim report, the total number of issued shares of Joy Spreader International was 10,000 shares. Mr. Zhu has been conditionally granted 1,000 awards under the Joy Spreader International Share Award Scheme on September 28, 2023, involving in aggregate 1,000 shares of Joy Spreader International, representing 100% of the shares available for grant under the Joy Spreader International Share Award Scheme. Of the award shares, 200 shares were vested immediately to him, and in accordance with a stepwise vesting schedule, 200 shares were vested on March 1, 2024, and the remaining 600 shares were conditionally vested in accordance with a stepwise vesting schedule (300 shares vesting on September 1, 2024 and 300 shares vesting on March 1, 2025). As at January 1, 2024, June 30, 2024 and the date of this interim report, there were no other awards available for grant under the Joy Spreader International Share Award Scheme.

(IV) **Maximum Entitlement per Participant under the Joy Spreader International Share Award Scheme**

If the grant of any award to an eligible participant would result in the number of award shares transferred or to be transferred or allotted and issued or to be allotted and issued in respect of all options and awards granted to such eligible participant (excluding any options and awards which have lapsed in accordance with the terms of the Scheme) in the period of twelve (12) months from and including the date of such grant, being more than 1% of the total issued shares of Joy Spreader International, such grant shall be subject to Shareholders' approval at a general meeting and such eligible participant and his/her close associates (or, where the eligible participant is a connected person or close associate of a connected person) shall abstain from voting.

In the event that a grant of shares or any option of Joy Spreader International to a Director (other than an independent non-executive Director) or a chief executive or any of their respective associates would result in all the shares of Joy Spreader International transferred or to be transferred, or allotted and issued or to be allotted and issued, in respect of all shares of Joy Spreader International granted to that person during the period of twelve (12) months up to and including the date of such grant (excluding any shares of Joy Spreader International which have lapsed in accordance with the terms of the relevant scheme) in aggregate exceeding 0.1% of the issued shares of Joy Spreader International, such further grant of award shall be subject to Shareholders' approval at a general meeting of the Company.

The 1,000 awards conditionally granted to Mr. Zhu under the Joy Spreader International Share Award Scheme on September 28, 2023 involving an aggregate of 1,000 shares of Joy Spreader International (representing 10% of the total issued share capital of Joy Spreader International as at the adoption date of the Joy Spreader International Share Award Scheme) were approved by the Shareholders at a general meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

(V) Period within which Grantees may Exercise Options under the Joy Spreader International Share Award Scheme

The Company may issue to each eligible participant an award letter in such form as the Board or a person authorized by the Board may determine from time to time, stating the date of grant, the number of award shares in respect of which the award is made, the criteria and conditions for vesting, the date of vesting and such other details as may be considered necessary.

(VI) Vesting Period

Subject to certain special circumstances, the grantee shall hold the award for at least 12 months before the award shares vest.

(VII) Application for or Acceptance of Award and Basis of Determination

The grant price of the 1,000 shares of Joy Spreader International granted to Mr. Zhu is nil. The nil consideration was also determined in recognition of Mr. Zhu's past contribution to the Group's overseas E-commerce business and to motivate him to continue to contribute to the Group.

(VIII) Remaining Validity Period of the Joy Spreader International Share Award Scheme

Subject to compliance with the rules of the Joy Spreader International Share Award Scheme, the Joy Spreader International Share Award Scheme shall be effective and valid for a period of ten years commencing from the adoption date and ending on the business day immediately before the expiry of the 10th anniversary of the adoption date (after which no further awards shall be granted).

MANAGEMENT DISCUSSION AND ANALYSIS

Details of the awards granted under the Joy Spreader International Share Award Scheme during the six months ended June 30, 2024 are set out below:

Name/category of grantees	Awards unvested as at January 1, 2024 ^{Note 1}	Awards granted during the Reporting Period	Date of grant	Awards vested during the Reporting Period	Awards cancelled during the Reporting Period	Awards lapsed during the Reporting Period	Awards unvested as at June 30, 2024	Purchase price (HK\$)	Weighted average closing price of the Shares immediately before the date of vesting of awards (HK\$) ^{Note 2}	Vesting period
Director										
Mr. Zhu	800	-	September 28, 2023	200	-	-	600	0	N/A	See Note 2
Total	<u>800</u>	<u>-</u>		<u>200</u>	<u>-</u>	<u>-</u>	<u>600</u>			

Notes:

- Represents the awards granted corresponding to the number of the relevant shares.
- Pursuant to the terms of the Joy Spreader International Share Award Scheme and subject to the achievement of the performance targets, the vesting period of the award shares under the conditional grant is as follows: 200 shares to be vested on September 1, 2023 and March 1, 2024 respectively and 300 Shares to be vested on September 1, 2024 and March 1, 2025 respectively. As the shares of Joy Spreader International are not listed shares, the weighted average closing price of such shares immediately before the date of vesting of awards is not applicable.
- As Mr. Zhu was conditionally granted 1,000 awards under the Joy Spreader International Share Award Scheme on September 28, 2023, involving in aggregate 1,000 shares of Joy Spreader International, representing 100% of the shares available for grant under the Joy Spreader International Share Award Scheme, there are no other awards available for grant under the Joy Spreader International Share Award Scheme as at January 1, 2024 and the date of this interim report. Accordingly, save as disclosed above, no award has been granted under the Joy Spreader International Share Award Scheme since its adoption date and up to June 30, 2024.

As no awards were granted during the Reporting Period under all schemes of the Company (i.e. the Share Award Scheme and the Joy Spreader International Share Award Scheme), during the Reporting Period, the number of Shares that may be issued corresponding to the awards granted under all schemes of the Company divided by the weighted average number of Shares of the relevant class in issue (excluding treasury Shares) during the Reporting Period is nil.

CHANGES IN DIRECTORS' INFORMATION

During the six months ended June 30, 2024, there was no change in information of the Directors required to be disclosed according to Rule 13.51B(1) of the Listing Rules.

The term of office of Mr. Zhu Zinan, Ms. Qin Jiabin and Mr. Tang Wei, all being Directors, is for a period of three years commencing on the day of the conclusion of the AGM.

CORPORATE GOVERNANCE AND OTHER INFORMATION

OUR MAJOR SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

As at 30 June, 2024, 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, 2024, 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, 2024, 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 reviewed and passed at the second meeting of the Standing Committee of 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, pursuant to the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2021 Version) 《外商投資准入特別管理措施(負面清單)(2021年版)》 effected on January 1, 2021 and the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2024 Version) 《外商投資准入特別管理措施(負面清單)(2024年版)》 to be implemented on November 1, 2024, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code for the six months ended June 30, 2024, 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.

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 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, 2024. 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 of June 30, 2024, any interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they have taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange 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%
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 and the class of Shares is ordinary.
- (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 and the class of shares of Beijing Joyspreader is ordinary.
- (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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Interests in Shares or Underlying Shares of Joy Spreader International

Name of Director	Nature of interest	Number of shares of Joy Spreader International ⁽¹⁾	Approximate percentage of shareholding interest in Joy Spreader International
Mr. Zhu	Beneficial owner	1,000 (L) ⁽²⁾	10.00%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company and the class of shares of Joy Spreader International is ordinary.
- (2) Pursuant to Joy Spreader International Share Award Scheme adopted on September 28, 2023, on the same date, Mr. Zhu was conditionally granted 1,000 awards involving 1,000 shares of Joy Spreader International in total, among which 200 shares was immediately vested to him, 200 shares were vested on March 1, 2024 pursuant to step-wise vesting schedule, with the remaining 600 shares following a step-wise vesting schedule: 300 shares by September 1, 2024 and 300 shares by March 1, 2025.

Save as disclosed above, as at June 30, 2024, 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 of June 30, 2024, so far as it was known to the Directors, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the Shares or underlying Shares which were required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered 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%
NT Balance Capital Ltd.	Beneficial owner ⁽⁵⁾	114,135,300 (L)	4.81%
Balance Capital Group Ltd.	Beneficial owner ⁽⁶⁾	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 and the class of Shares is ordinary.
- (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 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.
- (6) 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, 2024, the Directors and chief executive of the Company were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which was required to be notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or which was 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 offer price and allotment results dated September 22, 2020, 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 were reallocated for the first time as follows:

The intended use of the net proceeds from the listing as described in the Prospectus	Original Net 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 proceeds from the Listing upon first reallocation as of January 1, 2024 (HK\$ million)	Utilized proceeds from the Listing upon first reallocation from January 1, 2024 to March 28, 2024 (HK\$ million)	Unutilized proceeds from the Listing upon first reallocation as of March 28, 2024 (HK\$ million)
(1) Will be used to invest in developing our self-owned user traffic;	511.11	34.10%	–	–	–
(2) Will be used to expand our team;	61.45	4.10%	26.09	–	26.09
(3) Will be used to further develop our short-form video technology infrastructure;	37.47	2.50%	7.07	–	7.07
(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
(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

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%	–	–	–
(2) Will be used to expand our team;	61.45	4.10%	26.09	–	26.09
(3) Will be used to further develop our short-form video technology infrastructure;	37.47	2.50%	7.07	–	7.07
(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
(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

USE OF PROCEEDS FROM LISTING (CONTINUED)

The intended use of the net proceeds from the listing as described in the Prospectus	Original Net 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 proceeds from the Listing upon first reallocation as of January 1, 2024 (HK\$ million)	Utilized proceeds from the Listing upon first reallocation from January 1, 2024 to March 28, 2024 (HK\$ million)	Unutilized proceeds from the Listing upon first reallocation as of March 28, 2024 (HK\$ million)
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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%	67.21	–	67.21
(2) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	46.46	3.10%	–	–	–
(3) Will be used to expand our interactive entertainment product offerings; and	121.41	8.10%	45.77	–	45.77
(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

CORPORATE GOVERNANCE AND OTHER INFORMATION

The intended use of the net proceeds from the listing as described in the Prospectus	Original Net 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 proceeds from the Listing upon first reallocation as of January 1, 2024 (HK\$ million)	Utilized proceeds from the Listing upon first reallocation from January 1, 2024 to March 28, 2024 (HK\$ million)	Unutilized proceeds from the Listing upon first reallocation as of March 28, 2024 (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%	61.27	–	61.27
(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%	–	–	–
(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%	–	–	–
(4) Will be used to develop overseas versions of our technology platforms; and	22.48	1.50%	–	–	–
(5) Will be used to expand overseas sales of E-commerce goods business.	–	–	–	–	–
The net proceeds to develop our culture business:	–	–	60.00	–	60.00
For our working capital and general corporate purposes:	149.88	10.00%	1.80	1.61	0.19
Total	1,498.83	100.00%	325.31	1.61	323.70

USE OF PROCEEDS FROM LISTING (CONTINUED)

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 March 28, 2024 to determine that the unutilized net proceeds from the Listing upon first reallocation were reallocated for the second time as follows:

The intended use of the net proceeds as described in the Prospectus	Net proceeds from the Listing upon first reallocation (including net proceeds from the exercise of the Over-allotment Option)	Approximate percentage of updated net proceeds upon first reallocation	Unutilized proceeds from the Listing upon first reallocation as of January 1, 2024	Unutilized proceeds from the Listing upon first reallocation as of March 28, 2024	Reallocation of proceeds from the Listing upon first reallocation	Proceeds upon second reallocation	Unutilized proceeds from the Listing upon second reallocation	Utilized proceeds from the Listing upon second reallocation from March 29, 2024 to June 30, 2024	Unutilized proceeds from the Listing upon second reallocation as of June 30, 2024	Expected timetable for unutilized proceeds from the Listing upon second reallocation
	(HK\$ million)	(%)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
(1) Will be used to invest in developing our self-owned user traffic;	511.11	33.61%	-	-	+30.00	541.11	30.00	20.91	9.09	over the next year
(2) Will be used to expand our team;	61.45	4.04%	26.09	26.09	-10.00	51.45	16.09	-	16.09	over the next year
(3) Will be used to further develop our short-form video technology infrastructure;	37.47	2.46%	7.07	7.07	-	37.47	7.07	-	7.07	over the next year
(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	17.45%	32.16	32.16	-20.00	245.29	12.16	-	12.16	over the next year
(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	1.58%	1.46	1.46	-	23.98	1.46	-	1.46	over the next year

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	33.61%	-	-	+30.00	541.11	30.00	20.91	9.09	over the next year
(2) Will be used to expand our team;	61.45	4.04%	26.09	26.09	-10.00	51.45	16.09	-	16.09	over the next year
(3) Will be used to further develop our short-form video technology infrastructure;	37.47	2.46%	7.07	7.07	-	37.47	7.07	-	7.07	over the next year
(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	17.45%	32.16	32.16	-20.00	245.29	12.16	-	12.16	over the next year
(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	1.58%	1.46	1.46	-	23.98	1.46	-	1.46	over the next year

USE OF PROCEEDS FROM LISTING (CONTINUED)

The intended use of the net proceeds as described in the Prospectus	Net proceeds from the Listing upon first reallocation (including net proceeds from the exercise of the Over-allotment Option)	Approximate percentage of updated net proceeds upon first reallocation	Unutilized proceeds from the Listing upon first reallocation as of January 1, 2024	Unutilized proceeds from the Listing upon first reallocation as of March 28, 2024	Reallocation of proceeds from the Listing upon first reallocation	Proceeds upon second reallocation	Unutilized proceeds from the Listing upon second reallocation	Utilized proceeds from the Listing upon second reallocation from March 29, 2024 to June 30, 2024	Unutilized proceeds from the Listing upon second reallocation as of June 30, 2024	Expected timetable for unutilized proceeds from the Listing upon second reallocation
	(HK\$ million)	(%)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(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	7.00%	67.21	67.21	-60.00	46.42	7.21	-	7.21	over the next year
(2) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	46.46	3.06%	-	-	+60.00	106.46	60.00	-	60.00	over the next year
(3) Will be used to expand our interactive entertainment product offerings; and	81.41	5.35%	45.77	45.77	-40.00	41.41	5.77	-	5.77	over the next year
(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	1.48%	22.48	22.48	-15.00	7.48	7.48	-	7.48	over the next year

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	7.00%	67.21	67.21	-60.00	46.42	7.21	-	7.21	over the next year
(2) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	46.46	3.06%	-	-	+60.00	106.46	60.00	-	60.00	over the next year
(3) Will be used to expand our interactive entertainment product offerings; and	81.41	5.35%	45.77	45.77	-40.00	41.41	5.77	-	5.77	over the next year
(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	1.48%	22.48	22.48	-15.00	7.48	7.48	-	7.48	over the next year

USE OF PROCEEDS FROM LISTING (CONTINUED)

The intended use of the net proceeds as described in the Prospectus	Net proceeds from the Listing upon first reallocation (including net proceeds from the exercise of the Over-allotment Option)	Approximate percentage of updated net proceeds upon first reallocation	Unutilized proceeds from the Listing upon first reallocation as of January 1, 2024	Unutilized proceeds from the Listing upon first reallocation as of March 28, 2024	Reallocation of proceeds from the Listing upon first reallocation	Proceeds upon second reallocation	Unutilized proceeds from the Listing upon second reallocation	Utilized proceeds from the Listing upon second reallocation from March 29, 2024 to June 30, 2024	Unutilized proceeds from the Listing upon second reallocation as of June 30, 2024	Expected timetable for unutilized proceeds from the Listing upon second reallocation
	(HK\$ million)	(%)	(HK\$ million)	(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	4.04%	61.27	61.27	-55.00	6.45	6.27	0.13	6.14	over the next year
2) 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;	40.90	2.69%	-	-	+60.00	100.90	60.00	-	60.00	over the next year
(3) Will be used to develop overseas versions of our technology platforms; and	33.40	2.20%	-	-	+30.00	63.40	30.00	-	30.00	over the next year
(4) Will be used to expand overseas sales of E-commerce goods business.	18.97	1.25%	-	-	+20.00	38.97	20.00	5.76	14.24	over the next year
The net proceeds to develop our culture business	60.00	3.94%	60.00	60.00	-	60.00	60.00	-	60.00	over the next year
For our working capital and general corporate purposes	149.88	9.85%	1.80	0.19	-	149.88	0.19	-	0.19	over the next year
Total	1,520.67	100.00%	325.31	323.70	-	1,520.67	323.70	26.80	296.90	

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 interest-based algorithm technology service based on overseas mobile new media. The Board believes that the change in the use of gross 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. For details, please refer to the Company's announcement dated March 28, 2024.

As of June 30, 2024, the remaining unutilized proceeds from the Listing upon second reallocation amounted to approximately HK\$296.90 million and the proceeds utilized during the Reporting Period were in line with the intended uses as disclosed by the Company.

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 December 31, 2023, the Company has utilized the proceeds from the placing in full to support the rapid development of the Group's overseas sales of E-commerce goods business. Such use of the proceeds from the placing is in line with the intention as previously disclosed by the Company.

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

During the six months ended June 30, 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including the sale of treasury shares). At the end of the Reporting Period, the Company did not hold any treasury shares.

EVENT AFTER THE REPORTING PERIOD

The Group did not have any significant events after the Reporting Period.

REVIEW OF INTERIM RESULTS

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 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, 2024) 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, 2024 (for the six months ended June 30, 2023: 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 30, 2024

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	4	111,226	2,148,176
Cost of revenue		(110,786)	(1,936,387)
Gross profit		440	211,789
Other income	6	1,460	6,148
Other gains and losses	7	13,085	42,642
Impairment losses under expected credit loss model, net of reversal	8	(55,576)	(28,640)
Distribution and selling expenses		(281,389)	(318,908)
Administrative expenses		(42,369)	(63,136)
Research and development expenses		(1,872)	(43,392)
Share of results of associates		36	(128)
Finance costs		(744)	(1,222)
Loss before tax	9	(366,929)	(194,847)
Income tax expense	10	(65)	(91)
Loss for the period		(366,994)	(194,938)
Loss for the period attributable to:			
Owners of the Company		(355,202)	(194,833)
Non-controlling interests		(11,792)	(105)
		(366,994)	(194,938)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	NOTES	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 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		(9,551)	(65,546)
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
		(9,551)	(67,473)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		(7,476)	(22,536)
Other comprehensive expense for the period, net of income tax		(17,027)	(90,009)
Total comprehensive expense for the period		(384,021)	(284,947)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(372,229)	(284,842)
Non-controlling interests		(11,792)	(105)
		(384,021)	(284,947)
Basic loss per share (HK cents)	12	(14.98)	(8.22)
Diluted loss per share (HK cents)	12	(14.98)	(8.22)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
	<i>NOTES</i>		
NON-CURRENT ASSETS			
Property, plant and equipment		49,029	58,226
Right-of-use assets		25,569	36,875
Intangible assets		1,434	2,222
Interests in associates		36,316	36,538
Rental deposits	13	4,175	5,192
Financial assets at fair value through profit or loss		9,978	7,414
Equity instruments at fair value through other comprehensive income		12,900	12,993
Finance lease receivables		–	1,396
		139,401	160,856
CURRENT ASSETS			
Inventories		–	108,681
Trade and other receivables and deposits	13	439,555	723,832
Loan receivables		4,437	4,524
Finance lease receivables		–	1,649
Prepayments	14	534,411	499,320
Financial assets at fair value through profit or loss		1,706	1,991
Restricted bank balances		41,654	41,951
Bank balances and cash		273,102	325,973
		1,294,865	1,707,921
CURRENT LIABILITIES			
Trade and other payables	15	164,846	204,567
Lease liabilities		9,414	14,665
Obligation arising from a forward contract with non-controlling interests		47,079	–
Income tax payable		1,033	1,004
		222,372	220,236
NET CURRENT ASSETS		1,072,493	1,487,685
TOTAL ASSETS LESS CURRENT LIABILITIES		1,211,894	1,648,541

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
	<i>NOTES</i>		
NON-CURRENT LIABILITIES			
Lease liabilities		17,827	26,694
Obligation arising from a forward contract with non-controlling interests		–	45,632
Deferred tax liabilities		127	128
		17,954	72,454
NET ASSETS			
		1,193,940	1,576,087
CAPITAL AND RESERVES			
Share capital	16	24	24
Reserves		1,249,444	1,599,318
Equity attributable to owners of the Company		1,249,468	1,599,342
Non-controlling interests		(55,528)	(23,255)
TOTAL EQUITY		1,193,940	1,576,087

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	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 through other		Statutory reserve HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000		Subtotal HK\$'000	Non- controlling interests HK\$'000
				reserve HK\$'000	income reserve HK\$'000	comprehensive income reserve HK\$'000	comprehensive income reserve HK\$'000						
At 1 January 2024 (Audited)	24	-	2,282,429	-	-	(1,689)	183,106	(117,066)	(747,462)	1,599,342	(23,255)	1,576,087	
Loss for the period	-	-	-	-	-	-	-	-	(355,202)	(355,202)	(11,792)	(366,994)	
Exchange differences on translation from functional currency to presentation currency	-	-	-	-	-	-	-	(9,551)	-	(9,551)	-	(9,551)	
Exchange differences on translation of foreign operations	-	-	-	-	-	-	-	(7,476)	-	(7,476)	-	(7,476)	
Other comprehensive expense for the period	-	-	-	-	-	-	-	(17,027)	-	(17,027)	-	(17,027)	
Loss and total comprehensive expense for the period	-	-	-	-	-	-	-	(17,027)	(355,202)	(372,229)	(11,792)	(384,021)	
Recognition of equity-settled share-based payment expenses (note 17(b))	-	-	-	-	-	-	-	-	-	-	1,874	1,874	
Vesting of shares of a subsidiary (note 17(b))	-	-	22,355	-	-	-	-	-	-	22,355	(22,355)	-	
At 30 June 2024 (Unaudited)	24	-	2,304,784	-	-	(1,689)	183,106	(134,093)	(1,102,664)	1,249,468	(55,528)	1,193,940	

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company												
	Share capital HK\$'000	Treasury stocks HK\$'000	Share premium HK\$'000	Share-based payments		Fair value through other		Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained earnings (accumulated losses) HK\$'000	Subtotal HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
				reserve HK\$'000	income reserve HK\$'000	comprehensive income reserve HK\$'000	reserve HK\$'000						
At 1 January 2023 (Audited)	24	(6,955)	2,267,975	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 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 17(a))	-	-	-	1,646	-	-	-	-	1,646	-	1,646		
At 30 June 2023 (Unaudited)	24	(6,955)	2,267,975	2,058	9,366	177,727	(166,640)	(152,750)	2,130,755	225	2,130,980		

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Cash used in operations	(36,451)	(131,367)
Income tax paid	(29)	(19)
Net cash used in operating activities	(36,480)	(131,386)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(732)	(7,310)
Net cash outflow on acquisition of a subsidiary	–	(113)
Repayment of loan receivables	55	6,791
Increase in loan receivables	–	(3,395)
Interest received	1,139	5,691
Proceeds from disposal of property, plant and equipment	779	3,678
Net cash from investing activities	1,241	5,342
FINANCING ACTIVITIES		
Repayment of lease liabilities	(5,051)	(7,742)
Interest paid	(744)	(1,222)
Net cash used in financing activities	(5,795)	(8,964)
Net decrease in cash and cash equivalents	(41,034)	(135,008)
Cash and cash equivalents at beginning of the period	325,973	533,944
Effect of foreign exchange rate changes	(11,837)	(20,020)
Cash and cash equivalents at end of the period, represented by bank balances and cash	273,102	378,916

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 D2 to the Rules Governing the Listing of Securities on the Stock Exchange.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

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

In the current interim period, the Group has applied the following 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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the 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 2024

4. REVENUE

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Types of goods or services		
Provision of performance-based we-media marketing services		
Interactive entertainment and digital products marketing	56,663	55,380
E-commerce products marketing	20,882	148,586
	77,545	203,966
Sales of E-commerce goods	32,798	1,944,141
Others	883	69
	111,226	2,148,176
Timing of revenue recognition		
A point in time	111,226	2,148,176

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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.

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 2024

	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>77,545</u>	<u>32,798</u>	<u>883</u>	<u>111,226</u>
Segment loss	<u>(61,755)</u>	<u>(299,855)</u>	<u>(3,958)</u>	<u>(365,568)</u>
Share of results of associates				36
Unallocated corporate expenses and other gains and losses				<u>(1,462)</u>
Loss for the period				<u>(366,994)</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

5. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

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	203,966	1,944,141	69	2,148,176
Segment profit (loss)	20,816	(222,574)	(14,258)	(216,016)
Share of results of associates				(128)
Unallocated corporate expenses and other gains and losses				21,206
Loss for the period				(194,938)

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/(losses) and gains/(losses) 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 2024

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	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Mainland China	78,428	204,035
Hong Kong	32,798	1,944,141
	111,226	2,148,176

6. OTHER INCOME

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest income on bank deposits	1,139	5,035
Interest income on loan receivables	321	656
Government grants	–	457
	1,460	6,148

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
(Loss) gain on disposal of property, plant and equipment, net	(6)	1,572
Foreign exchange gains, net	10,280	43,733
Gain (loss) on fair value changes of financial assets at FVTPL	2,355	(516)
Loss on fair value changes of obligation arising from a forward contract with non-controlling interests	(1,778)	(1,809)
Others	2,234	(338)
	13,085	42,642

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net impairment losses recognised in respect of:		
– trade receivables	53,114	23,303
– other receivables	2,462	527
– loan receivables	–	4,810
	55,576	28,640

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 2024 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended 31 December 2023.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

9. LOSS BEFORE TAX

Loss before tax has been arrived at after charging the following items:

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	9,516	9,891
Depreciation of right-of-use assets	5,111	7,447
Amortisation of intangible assets (included in administrative expenses)	776	798
Total depreciation and amortisation	15,403	18,136
Write-down on inventories	16,662	–

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current tax	65	91

11. DIVIDENDS

No dividend was paid, declared or proposed during the six months ended 30 June 2024 (six months ended 30 June 2023: nil). The Directors have determined that no dividend will be paid in respect of the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

12. LOSS PER SHARE

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

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss for the period attributable to owners of the Company	<u>(355,202)</u>	<u>(194,833)</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share ('000)	<u>2,371,927</u>	<u>2,369,427</u>

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the six months ended 30 June 2023 has been arrived at after deducting shares held by share award scheme trust as set out in note 17.

During the six months ended 30 June 2024, there was no potential ordinary share outstanding. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Trade receivables	353,557	368,272
Less: Allowance for credit losses	(197,137)	(145,280)
	156,420	222,992
Deposits for expanding overseas E-commerce markets (<i>note</i>)	215,000	440,000
Receivables on behalf of third parties as an agent	56,176	49,991
Receivables of income from investments in films and television dramas	16,676	16,795
Deposits paid to suppliers	2,323	2,339
Rental and other deposits	6,161	6,268
Other receivables	19,539	16,842
Less: Allowance for credit losses	(28,565)	(26,203)
	287,310	506,032
Total trade and other receivables and deposits	443,730	729,024
Analysis as		
Non-current	4,175	5,192
Current	439,555	723,832
	443,730	729,024

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

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 expired in May 2023 and several agreements were renewed to extend 12 months with the maturity date ending in May 2024. In May 2024, one agreement amounting to HK\$330,000,000 was renewed to extend 12 months with the maturity date ending in May 2025.

During the six months ended 30 June 2024, the Group decided not to operate business in certain countries, and deposits amounting to HK\$225,000,000 (six months ended 30 June 2023: HK\$174,000,000), including the refundable deposits amounting to HK\$220,000,000 (six months ended 30 June 2023: nil) as stated below, was refunded to the Group or offset by trade payables.

During the six months ended 30 June 2024, the Group and the traffic supplier of the Group entered into a debt settlement agreement, pursuant to which the payables to the traffic supplier of HK\$220,000,000 (six months ended 30 June 2023: nil), was offset against the Group's refundable deposits for expanding overseas E-commerce markets of the same amount. The above transactions are accounted for as a non-cash transaction.

The Group usually allows a credit period of 30 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 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Within 3 months	10,046	108,023
3-6 months	37,258	52,600
7-12 months	64,637	62,369
Over 12 months	44,479	–
	156,420	222,992

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. PREPAYMENTS

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Prepayments for purchases of traffic (<i>note a</i>)	532,924	492,911
Prepayments for consulting services	–	5,064
Other prepayments	1,487	1,345
	534,411	499,320

The following table shows the movements in prepayments for purchases of traffic:

	Six months ended 30 June	
	2024 HK\$'000	2023 HK\$'000
At 1 January (Audited)	492,911	684,893
Newly prepaid	128,750	189,010
Utilised	(85,060)	(132,390)
Settlement (<i>note b</i>)	–	(150,000)
Exchange realignment	(3,677)	(22,792)
At 30 June (Unaudited)	532,924	568,721

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

14. PREPAYMENTS (Continued)

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 (see note 13) and prepayments for purchases of traffic. As at 30 June 2024, the Group's total advance payments to its largest supplier as a percentage of total assets was 52% (31 December 2023: 50%). Details of the percentage are as follows:

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Advance to the largest supplier:		
– Deposits for expanding overseas E-commerce markets (<i>note 13</i>)	215,000	440,000
– Prepayments for purchases of traffic	532,924	492,911
	747,924	932,911
Total assets	1,434,266	1,868,777
Advance to the largest supplier as a percentage of total assets	52%	50%

- b. During the six months ended 30 June 2023, the Group and the traffic supplier of the Group entered into a debt settlement agreement, pursuant to which the payables to the traffic supplier of HK\$150,000,000 was offset against the Group's prepayments to the traffic supplier 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, in an aggregate amount of HK\$89,311,000, were utilised or offset against the Group's payables to the traffic supplier in July 2024.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

15. TRADE AND OTHER PAYABLES

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Trade payables	144,848	173,026
Employee compensation payable	11,047	11,345
Other tax payable	1,201	1,703
Accrued listing expense/share issue costs	4,383	4,414
Payables for intangible assets	1,972	1,986
Other payables and accruals	1,395	12,093
	164,846	204,567

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Within 3 months	132,980	122,587
4-6 months	1,251	48,263
7-12 months	10,617	–
1-2 years	–	2,176
	144,848	173,026

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

16. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.00001 each		
Authorised		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>5,000,000,000</u>	<u>50,000</u>
Issued and fully paid		
At 1 January 2023, 30 June 2023, 1 January 2024 and 30 June 2024	<u>2,371,927,200</u>	<u>23,720</u>
	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Presented as	<u>24</u>	<u>24</u>

17. SHARE BASED PAYMENT TRANSACTIONS

(a) Equity-settled share award scheme of the Company

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 2024 and 2023, the Trustee did not purchase any shares of the Company, and no participant was selected as the Selected Participants, thus no share had been granted.

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

17. SHARE BASED PAYMENT TRANSACTIONS (Continued)

(b) Equity-settled share award scheme of a subsidiary

On 1 September 2023, Joy Spreader International (HK) Limited (“Joy Spreader International”), a then wholly owned subsidiary of the Company, adopted a share award scheme (the “Joy Spreader International Share Award Scheme”) to recognise the contribution and provide incentives to eligible directors and employees of the Company and its subsidiaries.

During the year ended 31 December 2023, 1,000 shares of Joy Spreader International held by the Company have been granted to Mr. Zhu Zinan, representing 10% of the issued shares of Joy Spreader International, which is also the upper limit of the total shares available for grant under Joy Spreader International Share Award Scheme. The exercise price is zero and the granted shares are vested in four tranches with the vesting dates on 1 September 2023, 1 March 2024, 1 September 2024 and 1 March 2025.

The following table discloses details of the awarded shares held by the grantee and movements in such holdings under the Joy Spreader International Share Award Scheme:

	Outstanding at 1 January 2024	Granted during the period	Vested during the period	Forfeited during the period	Outstanding at 30 June 2024
Shares granted to: Mr. Zhu Zinan	800	–	(200)	–	600

	Outstanding at 1 January 2023	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2023
Shares granted to: Mr. Zhu Zinan	–	1,000	(200)	–	800

The awarded shares were priced using the value of shares of Joy Spreader International, which was determined using Binomial model on the date of grant. The fair value of the awarded shares is HK\$5.92 at the date of grant. The key inputs into the model are as follows:

Risk free rate	3.26%
Expected volatility	57.05%
Weighted average expected life	0.8 year

During the six months ended 30 June 2024, share-based payment expenses of HK\$1,874,000 (six months ended 30 June 2023: nil) was recognised in the Group’s consolidated statement of profit or loss in respect of the Joy Spreader International Share Award Scheme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. 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 2024 on a recurring basis:

	Fair value as at 30 June 2024 HK\$000 (Unaudited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs as at 30 June 2024	Relationship of unobservable inputs to fair value
Financial assets						
Unlisted equity securities - Yingyi Technology	12,900	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	-	Level 3	Reference to the net assets value of the investee	Net assets value of the investee	N/A	N/A
Investment in private fund – for angel investments	9,978	Level 3	Reference to the net assets value of underlying investments held by the investee	Net assets value of underlying investments	N/A	N/A
Investment in private fund – for JD Logistics, Inc.	1,706	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	47,079	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 2024

18. 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 2023 on a recurring basis:

	Fair value as at 31 December 2023 HK\$000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs as at 31 December 2023	Relationship of unobservable inputs to fair value
Financial assets						
Unlisted equity securities - Yingyi Technology	12,993	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	–	Level 3	Reference to the net assets value of the investee	Net assets value of the investee	N/A	N/A
Investment in private fund – for angel investments	7,414	Level 3	Reference to the net assets value of underlying investments held by the investee	Net assets value of underlying investments	N/A	N/A
Investment in private fund – for JD Logistics, Inc.	1,991	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Financial liabilities						
Obligation arising from a forward contract with non-controlling interests	45,632	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 2024

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Notes:

- a. A 1% increase/decrease in the long-term growth rate holding all other variables constant would increase/decrease the carrying amount of unlisted equity securities by HK\$749,000 as at 30 June 2024 (31 December 2023: HK\$754,000).
- b. A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of unlisted equity securities by HK\$959,000 as at 30 June 2024 (31 December 2023: HK\$965,000).

There were no transfers between level 1, level 2 and level 3 during the six months ended 30 June 2024.

(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	Investment in private fund HK\$'000	Total HK\$'000
At 1 January 2024 (Audited)	12,993	7,414	20,407
Total gain in profit or loss	–	2,653	2,653
Exchange realignment	(93)	(89)	(182)
At 30 June 2024 (Unaudited)	12,900	9,978	22,878
At 1 January 2023 (Audited)	24,612	–	24,612
Net loss in other comprehensive income	(2,266)	–	(2,266)
Exchange realignment	(672)	–	(672)
At 30 June 2023 (Unaudited)	21,674	–	21,674

(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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Fee	83	169
Salaries and other benefits-in-kind	1,478	2,284
Contributions to retirement benefits scheme	109	120
Discretionary bonus	311	816
Equity-settled share-based expense	1,874	1,646
	3,855	5,035

DEFINITIONS

“own 1P Traffic”	first-party traffic
“AIGC”	artificial intelligence generated content
“AGM”	the annual general meeting of the Company held on June 28, 2024
“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 of the Company
“Corporate Governance Code”	the Corporate Governance Code as set out in Part 2 of Appendix C1 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
“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 of Hong Kong Limited, 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 C3 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, 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, 2024 to June 30, 2024
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)

DEFINITIONS

“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
“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”	Joy Spreader Interactive Group Limited (樂享互動集團有限公司), formerly known as 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. (深圳影漪視界科技有限公司), 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.

