



LEXIANGHUDONG

乐享互动

JOY SPREADER INTERACTIVE TECHNOLOGY. LTD

乐享互动有限公司

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

Stock Code : 6988

2020

INTERIM REPORT



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# Corporate Information

## Board of Directors

### Executive Directors

Mr. Zhu Zinan (朱子南)  
(*Chairman and Chief Executive Officer*)  
Mr. Zhang Zhidi (張之的)  
Mr. Cheng Lin (成林)

### Non-executive Directors

Mr. Guo Sijia (郭思嘉)  
Mr. Hu Qingping (胡慶平)  
Ms. Chen Yuanyuan (陳圓圓)

### Independent Non-executive Directors

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

## Audit Committee

Mr. Tang Wei (唐偉) (*Chairman*)  
Mr. Xu Chong (徐翀)  
Mr. Guo Sijia (郭思嘉)

## Remuneration Committee

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

## Nomination Committee

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

## Authorised Representatives

Mr. Zhu Zinan (朱子南)  
Mr. Lei Kin Keong (李健強)

## Registered Office

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

## Company's Headquarters

Building 54, Jialin Garden  
No. 1 Jialin Road  
Chaoyang District  
Beijing  
PRC

## Principal Place of Business in Hong Kong

40th Floor, Sunlight Tower  
No. 248 Queen's Road East  
Wanchai  
Hong Kong

## Principal Share Registrar and Transfer Office in Cayman Islands

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

## Auditor

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

## Hong Kong Legal Adviser

Sidley Austin  
39/F, Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

## Joint Company Secretaries

Ms. Qin Jiaxin (秦佳鑫)  
Mr. Lei Kin Keong (李健強) (ACIS, ACS & HKICPA)

## Compliance Adviser

Orient Capital (Hong Kong) Limited  
28th and 29th Floor  
100 Queen's Road Central  
Central  
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## Investor Relations

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## Stock Code

6988

## Hong Kong Share Registrar

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

# Financial Highlights

	Unaudited		
	For the six months ended June 30		
	2020	2019	Changes
	RMB'000	RMB'000	%
<b>Revenue</b>			
Online products	316,646	196,980	60.8%
Consumer goods	30,375	12,260	147.8%
Others <sup>(1)</sup>	1,209	247	389.5%
<b>Total</b>	<b>348,230</b>	<b>209,487</b>	<b>66.2%</b>
<b>Gross profit</b>	<b>94,507</b>	<b>50,450</b>	<b>87.3%</b>
<b>Profit before taxation</b>	<b>64,643</b>	<b>29,118</b>	<b>122.0%</b>
<b>Profit for the period</b>	<b>61,423</b>	<b>27,508</b>	<b>123.3%</b>
<b>Profit for the period attributable to the owner of the Company</b>	<b>61,423</b>	<b>27,508</b>	<b>123.3%</b>
<b>Net profit margin</b>	<b>17.6%</b>	<b>13.1%</b>	<b>34.4%</b>

	RMB	RMB	
<b>Earnings per share</b>			
– Basic and diluted	3.8 cents	1.8 cents	111.1%

(1) Others mainly refer to non-performance-based marketing campaigns we provided to customers.

## Overview

The Group is a performance-based we-media(自媒體) marketing service provider in China, leveraging independently-developed business intelligence system to provide information-based optimization services for the customer's products, project promotion and we-media. Through years of dedicated efforts and development, the Company is now being gradually developed into a leader in the performance-based we-media marketing sector. The Group has provided strong support for the development of precise information placement through the internet. The Group's dedicated efforts in information technology sector have enabled itself to create barriers for our business development, thus maintaining its leading position. Meanwhile, our improved reputation has brought steady stream of service orders to the Group, thereby laying a solid foundation for the Group's rapid growth in the future.

The Group connects marketers and we-media publishers using proprietary technologies and platforms, providing services that address their respective needs. The Group provides performance-based marketing services to our marketers by analyzing and distributing their products on a high-quality and diverse we-media network, which helps marketers acquire users. For our online products other than online literature and Html 5 games (i.e. apps, online promotion activities and mini-programs), the Group provides recommended distribution strategies on different we-media platforms for marketers to choose. The Group's marketers, i.e. the Group's customers, mainly consist of online product providers and merchants that promote their consumer goods through our performance-based marketing services. The Group's online product providers mainly include marketing agents, app developers, online literature providers, Html 5 game providers and mini-program developers. The Group also offers monetization services to we-media publishers to help match their user-follower network traffic with suitable products leveraging its algorithm-based product recommendation technologies. The Group has the ability to optimize its services and satisfy the needs of marketers and we-media publishers. As an algorithm-based and technology-driven company, the Group is able to offer a tailored product portfolio to target audiences through we-media publishers. The Group has accumulated substantial anonymized user behavioral data, which has enabled the Group to build a significant and valid data collection, strong data analysis capabilities and powerful technology platforms empowered by our proprietary business intelligence technologies.

The Group is committed to establishing a worldwide we-media marketing service system to extend its performance-based we-media marketing services to overseas platforms for both domestic marketers and foreign marketers that seek to market their products on overseas short-video platforms. The Group believes that there is large demand for marketing services on overseas platform, especially for marketers seeking to expand their business overseas. Meanwhile, the Group will also intensify its development in sectors with high added value such as short-form video and e-commerce, so as to enhance the overall profitability of the Group.

During the Reporting Period, the Group made the following progress with respect to its business:

- **Revenue generated from performance-based we-media marketing service of online products of RMB316.6 million**

During the Reporting Period, the Group recorded approximately RMB316.6 million revenue generated from performance-based we-media marketing service of online products, increased by 60.8% from RMB197.0 million as compared with that of the same period of last year. It was mainly comprised of revenue from apps (game, culture, finance, apps and education), accounting for 74.2% of the Group's performance-based we-media marketing revenue from online products.

The increase in revenue from apps (game, culture, finance, apps and education) mainly contributed to the sustained growing demand for game apps in the market during the first half of 2020 and was attributable to:(i) the phenomenal growth in demand witnessed in the entire game industry and online entertainment industry in the first quarter of 2020 because of the impact of COVID-19; (ii) the expansion of the overall market size with more resource being devoted to performance-based promotion since performance-based marketing services was receiving more and more recognition from game developers through a period of accumulation.

- **Revenue generated from performance-based we-media marketing of consumer goods of RMB30.4 million**

During the Reporting Period, the Group recorded approximately RMB30.4 million revenue generated from performance-based we-media marketing service of consumer goods, increased by 147.8% from RMB12.3 million as compared with that of the same period of last year. The performance-based we-media marketing service of consumer goods was mainly comprised of revenue from selling 3C digital accessories by live streamers.

Sales of consumer goods by live streamers has benefitted from the development of short-video we-media, as offline sales was significantly affected by the outbreak of COVID-19 at the beginning of 2020, which in turn boosted the online selling of consumer goods by live streamers.

- **Revenue generated from others of RMB1.2 million**

During the Reporting Period, the Group recorded approximately RMB1.2 million revenue generated from others (mainly refer to non-performance-based marketing campaigns we provided to customers), increased by 389.5% from RMB0.3 million as compared with that of the same period of last year. The others' revenue was mainly generated from the search engine promotion business of one of our non-performance-based marketing customers.

# Management Discussion and Analysis

## Business Review

We are a performance-based we-media marketing service provider in China, leveraging business intelligence technologies to serve marketers and we-media publishers.

We connect marketers and we-media publishers using proprietary technologies and platforms, providing services that address their respective needs. We provide performance-based marketing services to our marketers by analyzing and distributing their products on a high-quality and diverse we-media network, which helps marketers acquire users. For our online products other than online literature and Html 5 games (i.e. apps, online promotion activities and mini-programs), we provide recommended distribution strategies on different we-media platforms for marketers to choose. Our marketers, i.e. our customers, mainly consist of online product providers and merchants that promote their consumer goods through our performance-based marketing services. Our online product providers mainly include marketing agents, app developers, online literature providers, Html 5 game providers and mini-program developers. As of June 30, 2020, we cooperated with more than 161 marketers. We built an app portfolio covering more than ten categories such as game, video and utility apps; our online literature products included over 779 online books across 69 literary genres; and our Html 5 game products included more than 175 Html 5 games from game genres covering role-playing games, strategy, action and adventure.

We also offer monetization services to we-media publishers to monetize their user-follower network traffic, which we do not generate revenue from. For online literature and Html 5 games, we present a list of recommended products to we-media publishers that register on our platforms, from which they can choose the product to be marketed at their own discretion. We differentiate our monetization services from those of our competitors by offering a diverse, cross-media and cross-platform online product portfolio that mainly consists of apps, online literature, Html 5 games and mini-programs. During the Reporting Period, a majority of the we-media publishers we served and empowered have accounts on some of the largest we-media platforms in China, such as WeChat Official Accounts (微信公眾號).



## Management Discussion and Analysis

Our success is built on our ability to optimize the performance of our services and satisfy the needs of marketers and we-media publishers. As an algorithm-based and technology-driven company, we are able to offer a tailored product portfolio to target audiences through we-media publishers. As of June 30, 2020, we cumulatively provided services to a total of approximately 23,362 WeChat Official Accounts and approximately 233,620 user traffic entry points. We served a total of 4,127 WeChat Official Accounts, which enabled us to reach more than 737.0 million followers. We have accumulated substantial anonymized user behavioral data, which has enabled us to build a significant and valid data collection, strong data analysis capabilities and powerful technology platforms empowered by our proprietary business intelligence technologies, which include data collection, data tagging, machine-based product analysis and distribution strategy and product recommendation. We believe that by leveraging the proprietary business intelligence technologies applied in our data collection, data analysis and technology platforms, we are able to effectively and efficiently recommend products based on internal performance test results. We further believe that these technologies enable us to accurately simulate the actual performance of marketing campaigns, and, in turn, ensure our profitability.

We are a first mover in the short-form video we-media monetization market, which has demonstrated strong growth due to its effective monetization capabilities. As a result, it has been in high demand by we-media publishers in recent years and has been a high-growth segment in the overall we-media monetization services market. We have begun to lay our foundation in this segment. Our experience in text-based we-media gives us an advantage over competitors in developing algorithms and technology platforms for short-form video we-media publishers. Leveraging our rich experience in applying business intelligence technologies to text-based we-media monetization services, we are developing Beauty Connector (美接平台), a technology platform that aims to serve marketers and we-media publishers on short-form video platforms. The problem of multi-version browser adaptation has been solved for Beauty Connector with various versions updated upon multiple tests and continuous modification and optimization, with improved overall response speed and optimized interface visual interaction. Meanwhile, Beauty Connector is continuously optimizing its core matching recommendation algorithms.

## Financial Review

### Revenue

The revenue of the Group increased by 66.2% from approximately RMB209.5 million for the six months ended June 30, 2019 to approximately RMB348.2 million for the Reporting Period. The increase was mainly due to the increase in revenue from online products and revenue from 3C product e-commerce marketing and promotion business. The increase in revenue from the online product promotion activities and apps was due to the significant increase in the Company's number of customers in the first half of 2020 boosted by higher demand for we-media performance-based marketing business in the market, as compared with that of the same period of 2019. The increase in the number of customers has led the business to show a trend of rapid growth. The significant increase in overall revenue was due to the increase in the average unit price and newly established marketing points recorded as a result of the improved data algorithm and optimization efficiency, and that the demand for game and reading items experienced increase during the outbreak of COVID-19 with higher average unit price seen.

Commencing in October 2018, the 3C product e-commerce marketing and promotion business was in its initial business development in the first half of 2019, and then entered into the fast-growing period. With its capability of selling consumer goods by live streamers improved and affected by the outbreak of COVID-19 at the beginning of 2020, there was an increase in users' demand for online consumption, leading to an increase in revenue.

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

	Unaudited			
	For the six months ended June 30, 2020		2019	
	RMB'000	%	RMB'000	%
Online products				
– Apps (game, culture, finance, apps and education)	234,882	67.5%	166,329	79.4%
– Html 5 products	39,039	11.2%	14,997	7.2%
– Online literature	16,458	4.7%	7,453	3.6%
– Html 5 games	17,449	5.0%	3,892	1.9%
– Mini-programs	5,132	1.5%	3,652	1.7%
– Online promotion activities	42,725	12.3%	15,654	7.4%
Total revenue from online products	316,646	91.0%	196,980	94.0%
Consumer goods	30,375	8.7%	12,260	5.9%
Others <sup>(1)</sup>	1,209	0.3%	247	0.1%
<b>Total</b>	<b>348,230</b>	<b>100%</b>	<b>209,487</b>	<b>100%</b>

(1) Others mainly refer to non-performance-based marketing campaigns we provided to customers.

## Management Discussion and Analysis

### Cost of Sales

The cost of sales of the Group increased by 59.5% from approximately RMB159.0 million for the six months ended June 30, 2019 to approximately RMB253.7 million for the Reporting Period. The cost of sales of the Group represents traffic acquisition cost.

### Gross Profit and Gross Profit Margin

The gross profit of the Group increased by 87.3% from approximately RMB50.5 million for the six months ended June 30, 2019 to approximately RMB94.5 million for the Reporting Period. The increase in the gross profit was mainly due to (i) the overall gross profit was boosted by higher gross profit margin of revenue from e-commerce with increase in revenue from e-commerce as a percentage of total revenue in June 2020 as compared with that for the same period of last year; (ii) there was an increase in the number of game audience due to the outbreak of COVID-19, and the gross profit margin of game products was relatively higher than that of other products.

The gross profit margin of the Group increased by 12.4% from 24.1% for the six months ended June 30, 2019 to 27.1% for the Reporting Period.

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

	Unaudited			
	For the six months ended June 30, 2020		2019	
	RMB'000	%	RMB'000	%
Online products				
– Apps	47,268	50.0%	33,185	65.8%
– Html 5 products	13,936	14.8%	4,941	9.8%
– Online literature	5,913	6.3%	2,698	5.3%
– Html 5 games	6,980	7.4%	1,554	3.1%
– Mini-programs	1,043	1.1%	689	1.4%
– Online promotion activities	8,767	9.3%	2,448	4.9%
Total gross profit from online products	69,971	74.1%	40,575	80.4%
Consumer goods	24,300	25.7%	9,807	19.4%
Others <sup>(1)</sup>	236	0.2%	68	0.1%
<b>Total</b>	<b>94,507</b>	<b>100.0%</b>	<b>50,450</b>	<b>100.0%</b>

(1) Others mainly refer to non-performance-based marketing campaigns we provided to customers.

## Other Income

The other income of the Group increased by 193.2% from approximately RMB0.7 million for the six months ended June 30, 2019 to approximately RMB2.1 million for the six months ended June 30, 2020, primarily due to (i) the amount of government grants increased by RMB985,000 as compared with that of the same period of last year, representing an increase of 219.4%; and (ii) there was a slight increase in income on financial assets at FVTPL, interest income on loan receivables and interest income on bank deposits.

The following table sets forth a breakdown of our other income for the period indicated:

	For the six months ended June 30,	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	1,434	449
Income on financial assets at FVTPL	302	6
Interest income on loan receivables	222	156
Interest income on bank deposits	112	95
<b>Total other income</b>	<b>2,070</b>	<b>706</b>

## Other Gains and Losses

The other gains and losses of the Group decreased from gains of approximately RMB0.05 million for the six months ended June 30, 2019 to losses of approximately RMB0.2 million for the Reporting Period, primarily because a gain on disposal of asset of approximately RMB52,000 was recorded in 2019 during the disposal of IP copyright to Beijing Yingyi, while non-business expenditures generating from the disposal of real estate in Xinjiang, PRC, was record in Reporting Period.

## Distribution and Selling Expenses

The distribution and selling expenses of the Group decreased by 0.7% from approximately RMB1.34 million for the six months ended June 30, 2019 to approximately RMB1.33 million for the Reporting Period, primarily because both marketing expenses and travelling expenses decreased by more than 60.0% as compared with that of the same period of last year since our sales personnel were subject to travelling restrictions due to the outbreak of COVID-19. During the Reporting Period, the labor costs increased by 36.3% due to an increase of both the number of sales personnel and the average monthly salaries as compared with that of the same period of last year. Therefore, there was no significant increase in selling expenses in the Reporting Period, as compared with that of the same period of 2019.

The distribution and selling expenses of the Group consist of (i) marketing expenses; (ii) staff costs, which includes wages, bonuses and benefits for our personnel responsible for sales and marketing activities; (iii) travel expenses; and (iv) others.

## Management Discussion and Analysis

The following table sets forth a breakdown of our distribution and selling expenses for the period indicated:

	For the six months ended June 30,			
	2020		2019	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Marketing expenses	237	17.8	638	47.6
Staff costs	634	47.6	466	34.7
Travel expenses	68	5.1	170	12.7
Others	393	29.5	68	5.0
<b>Total distribution and selling expenses</b>	<b>1,332</b>	<b>100.0%</b>	<b>1,342</b>	<b>100.0%</b>

The distribution and selling expenses of the Group represented 0.4% of the overall revenue of the Group for the six months ended June 30, 2020, decreased from 0.6% for the same period of last year, primarily because the overall expenses were generally the same with that of the same period of last year as a comprehensive outcome from a growth in business, a decrease in marketing expenses and travelling fees during the Reporting Period as well as an increase in other expenses generated from business development and impact of the COVID-19.

### Administrative Expenses

The administrative expenses of the Group increased by 32.4% from approximately RMB6.8 million for the six months ended June 30, 2019 to approximately RMB9.0 million for the six months ended June 30, 2020, primarily because of (i) the increase in depreciation and amortisation of RMB1.8 million; (ii) the increase in consultation fee of RMB0.2 million; (iii) the increase in taxes of RMB0.6 million; (iv) the decrease in the cost of manpower of RMB0.4 million; and (v) the decrease in rent of RMB0.2 million.

The administrative expenses of the Group primarily consist of (i) amortization and depreciation; (ii) staff costs; (iii) travel and entertainment expenses; (iv) professional service fees; (v) taxes and surcharges; (vi) rent; and (vii) others, which mainly includes office-related expenses, transportation expenses, recruitment expenses and training expenses.

## Management Discussion and Analysis

The following table sets forth a breakdown of our administrative expenses by nature for the period indicated.

	For the six months ended June 30,			
	2020		2019	
	RMB'000	%	RMB'000	%
	(Unaudited)		(Unaudited)	
Amortization and depreciation	4,181	46.4	2,354	34.6
Staff costs	1,943	21.6	2,388	35.1
Travel and entertainment expenses	556	6.2	405	6.0
Professional service fees	697	7.7	440	6.5
Taxes and surcharges	822	9.1	266	3.9
Rent	44	0.5	255	3.7
Others	766	8.5	698	10.2
<b>Total administrative expenses</b>	<b>9,009</b>	<b>100.0%</b>	<b>6,806</b>	<b>100.0%</b>

The administrative expenses of the Group represented 2.6% of the overall revenue of the Group for the six months ended June 30, 2020. One of the reasons resulting in higher administrative expenses of the Group as compared with that of the same period of last year was the increase in the depreciation of right-of-use assets. Another reason resulting in higher administrative expenses of the Group was the increase in taxes caused by the increase in the Group's income.

Though there was an increase in the administrative expenses of the Group of 32.4% during the Reporting Period as compared with that of the same period of last year, the Group recorded a relatively higher revenue in the Reporting Period, as a result, the administrative expenses of the Group as a percentage of the Group's revenue decreased instead.

### Research and Development Expenses

The Group's research and development expenses primarily consist of wages, bonuses and benefits for our technical personnel, primarily in relation to the development of our technology platforms.

The research and development expenses of the Group increased by 11.8% from approximately RMB3.0 million for the six months ended June 30, 2019 to approximately RMB3.3 million for the Reporting Period, primarily because there was an increase in other expenses such as test fee, agency fee, etc., in 2020 (test fee of RMB73,000 and agency fee of RMB39,000) as compared with that of the same period of 2019 and wages increased by 8%, which was mainly attributable to higher staff cost resulting from increases in remuneration and number of employees.

## Management Discussion and Analysis

### Finance costs

During the Reporting Period, finance costs of the Group were generated from lease liabilities caused by leasing houses. The Group had no bank loans during the Reporting Period.

### Income Tax Expenses

The income tax expenses of the Group increased significantly by 100.0% from approximately RMB1.6 million for the six months ended June 30, 2019 to approximately RMB3.2 million for the Reporting Period, primarily because there was an increase in net profit due to the increase in revenue of 66.2% in the Reporting Period, and accordingly the income tax expenses increased by 100% as compared with that of the same period of last year.

The effective income tax rate of the Group decreased by 0.5% from approximately 5.5% for the six months ended June 30, 2019 to 5.0% for the six months ended June 30, 2020, primarily because there was a significant increase in the Group's profit before taxation of 122.0% in the Reporting Period as compared with that of the same period of last year, though the increase in income tax expenses of 100% as compared with that of the same period of last year. As a result, effective income tax rate recorded a decrease instead.

### Profit for the Reporting Period

As a result of the foregoing, the Group's profit for the year increased by 123.3% from RMB27.5 million for the six months ended June 30, 2019 to RMB61.4 million for the Reporting Period. Our net profit margin increased from 13.1% for the six months ended June 30, 2019 to 17.6% for the Reporting Period.

### Trade and Other Receivables and Deposits

The Group had RMB84.9 million trade and other receivables and deposits as of December 31, 2019 and RMB204.0 million as of June 30, 2020, respectively.

As of June 30, 2020, the balance of trade receivables of the Group amounted to RMB188.1 million, representing an increase of 171.4% as compared with RMB69.3 million at the end of 2019, which was mainly attributable to the significant increase in the Group's trade receivables as compared with that at the end of last year caused by slower pace in recovery of trade receivables from January 2020 to June 2020 as a result of the outbreak of COVID-19. We have taken or will take active actions for collection of such trade receivables.

### Loan Receivables

The Group had RMB30.0 million and RMB1.7 million loan receivables as of December 31, 2019 and June 30, 2020, respectively, which represent the loan receivable from Beijing Imagination Keli Culture Media Co. Ltd.(北京想象颗粒文化传媒有限公司) as at December 31, 2019 and the loan receivable from Beijing Yingyi as at June 30, 2020.

Other receivables and prepaid expenses are miscellaneous expenses including rental and other administrative related expenses.

### Prepayments

The Group had RMB177.3 million and RMB190.6 million prepayments as of December 31, 2019 and June 30, 2020, respectively, which consist of the prepayments purchases of advertising traffic, prepayments for prepaid share issue cost and other prepayments. The increase in the prepayments of the Group was due to the following reasons: first, the prepayments for purchases of traffic increased as compared to the end of 2019 as a result of the business growth in the first half of 2020. It was respected that such traffic could be consumed in three to five months; second, the prepaid share issue cost increased. Such amounts were prepaid to listing intermediates; third, other prepayments increased. The prepayments for consulting services amounted to RMB4.0 million, representing a significant increase as the confirmation of all the fees was not completed.

As of December 31, 2019 and June 30, 2020, the prepaid share issue cost of the Group was RMB0.5 million and RMB2.5 million, respectively, representing an increase of approximately 429.1%. The prepaid share issue cost or listing expense was the listing expense occurred but not capitalised by the Company, 25 % of which was included in deferred share issue cost as a result of significant increase in the listing costs during the Reporting Period.

### Equity Instruments at Fair Value Through Other Comprehensive Income

The Group had RMB9.9 million and RMB9.9 million equity instruments at fair value through other comprehensive income as of December 31, 2019 and June 30, 2020, respectively, which was because the slightly changes in the fair value of Beijing Yingyi was included in other comprehensive income for the period.

### Bank Balances and Cash

The Group had RMB131.5 million and RMB92.5 million bank balances and cash as of December 31, 2019 and June 30, 2020, respectively, which was because the capital decreased as compared to the end of last year, which was due to increased trade receivables, steady trade payables and increased prepayments as compared to 30 June 2020 resulting from business growth. The bank balances and cash as of June 30, 2020 amounted to RMB71.5 million, US\$2.9 million (equivalent to RMB20.4 million) and HK\$0.7 million (equivalent to RMB0.6 million), respectively. The aggregate bank balances and cash amounted to RMB92.5 million.



## Management Discussion and Analysis

### Trade and Other Payables

Trade and other payables of the Group primarily consist of (i) trade payables due to our suppliers, primarily agents of we-media platforms and we-media publishers that provide us with traffic inventories; and (ii) other payables, primarily representing accrued listing expenses, taxes payables, payables to game developers and employee compensation payable.

Trade payables of the Group decreased by 4.0% from RMB13.4 million as of December 31, 2019 to RMB12.8 million as of June 30, 2020. Although the business volume increased during the Reporting Period, the payables for purchases of traffic changed slightly, as the Group generally applied prepayments for purchases of traffic to ensure the consumption for a particular period for traffic providers with which it cooperated frequently.

The other payables of the Group increased by 12.8% from RMB28.6 million as of December 31, 2019 to RMB32.2 million as of June 30, 2020, primarily due to an increase in tax payable resulting from the increase in net profit as a result of increased business volume during the Reporting Period. As such, other tax payables increased by RMB6.6 million as compared to the end of last year, representing an increase of 309.5%.

### Lease Liabilities

Lease liabilities of the Group decreased by 8.7% from RMB11.2 million as of December 31, 2019 to RMB10.3 million as of June 30, 2020, primarily because there is no new lease liability during the Reporting Period, which resulted in the decrease as compared to December 31, 2019.

### Income Tax Payable

The Group recorded income tax payable of RMB1.7 million and RMB4.9 million as at December 31, 2019 and as at June 30, 2020, respectively. The tax payable increased as the revenue as of June 30, 2020 increased significantly.

## Liquidity and Capital Resources

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

	For the six months ended June 30, 2020 RMB'000 (Unaudited)	For the six months ended June 30, 2019 RMB'000 (Unaudited)
Net cash used in operating activities	(62,101)	(78,595)
Net cash from investing activities	27,909	17,643
Net cash (used in)/from financing activities	(4,768)	116,063
Net (decrease)/increase in cash and cash equivalents	(38,960)	55,111
Cash and cash equivalents at the beginning of the period	131,489	98,396
Effect of foreign exchange rate changes	(38)	–
Cash and cash equivalents at the end of the period	<u>92,491</u>	<u>153,507</u>

As at June 30, 2020, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

## Operating Activities

Our cash inflows from operating activities mainly consist of trade receivables. Our cash outflow from operating activities mainly consist of traffic acquisition costs, distribution and selling expenses, research and development costs, and administrative expenses.

For the six months ended June 30, 2020, we had net cash used in operating activities of RMB62.1 million, primarily as a result of negative changes in working capital, which is mainly due to an increase in trade and other receivables and an increase in prepayments.

For the six months ended June 30, 2019, we had net cash used in operating activities of RMB78.6 million, primarily as a result of net profit before changes in working capital of RMB29.1 million. The negative changes in working capital are mainly due to the increase in trade receivables and increase in prepayment during the Reporting Period.

## Management Discussion and Analysis

### Investing Activities

Our cash used in investing activities mainly consist of purchase of property, plant and equipment, purchase of intangible assets, purchase of right-of-use assets, purchase of financial assets at FVTPL, redemption of financial assets at FVTPL, recovery of loan receivables, interest received, increase in loan receivables, and amount received from disposal of intangible assets.

For the six months ended June 30, 2020, our net cash generated from investing activities was RMB27.9 million, primarily attributable to the recovery of borrowings to Beijing Imagination Keli Culture Media Co. Ltd. (北京想象顆粒文化傳媒有限公司) of RMB30 million.

For the six months ended June 30, 2019, our net cash generated from investing activities was RMB17.6 million, primarily attributable to the recovery of borrowings of RMB20.2 million.

The increase of net cash generated from investing activities representing a year-on-year increase of RMB10.3 million, which was mainly due to (i) additional repayment of loan receivables of RMB9.8 million and (ii) proceeds from disposal of intangible asset of RMB2.0 million.

### Financing Activities

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

For the six months ended June 30, 2020, our net cash used in financing activities was RMB4.8 million, primarily attributable to the payment of share issued costs of RMB3.5 million and the repayment of the lease liabilities of RMB1.0 million.

For the six months ended June 30, 2019, our net cash generated from financing activities was RMB116.1 million, primarily attributable to proceeds from issue of Shares RMB125 million and the relevant expenses on issue of Shares RMB 5.7 million.

### Capital Expenditures

The principal capital expenditures of the Group primarily consist of property, plant and equipment, right-of-use assets and intangible assets. The following table sets forth our net capital expenditures as at the dates indicated:

	As of June 30, 2020 RMB'000 (Unaudited)	As of December 31, 2019 RMB'000 (Audited)
Property, plant and equipment	3,886	5,290
Right-of-use assets	—	7,141
Intangible assets	2,000	5,187
<b>Total</b>	<b>5,886</b>	<b>17,618</b>

### Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associated Company

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

### Future Plans For Material Investments or Capital Assets

Save as disclosed under the section headed "Future Plans and Use of Proceeds" to the Prospectus of the Company dated September 10, 2020, the Group does not have any other plans for material investments or capital assets.

### Segmental Information

Details of segmental information are set out in Note 4 to the condensed consolidated financial statements.

# Management Discussion and Analysis

## Indebtedness

### Bank Borrowings

As at June 30, 2020, the Group did not have any bank borrowings. As of the date of this interim report, the Group had nil bank facilities.

## Contingent Liabilities, Charges of Assets and Guarantees

### Contingent Liabilities

As at June 30, 2020, the Group were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

### Charge of Assets and Guarantees

As at June 30, 2020, 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, 2020, the gearing ratio of the Group was 11.6% (as at December 31, 2019: 12.1%).

## Current Ratio

The current ratio represents current assets divided by current liabilities. Current ratio increased from 8.7 as of December 31, 2019 to 8.9 as of June 30, 2020, primarily due to an increase of 14.2% and 16.7% in current liabilities and current assets, respectively, with growth rate of current assets being higher than that of the current liabilities, resulting in a higher current ratio.

## Foreign Exchange Risk and Hedging

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. The Group mainly operates in the PRC with most of the transactions denominated and settled in RMB. For the six months ended June 30, 2020, the Group had a little bank balances dominated in Hong Kong dollars and U.S. dollars, and the fluctuations in exchange rates did not result in material financial loss of the Group. The Group will closely monitor the situation and take particular measures when necessary to ensure that foreign currency risk is under control.

## Employees and Remuneration Policies

As of June 30, 2020, the Group had a total of 70 employees, all of them were located in the PRC. Over 41.4% of our employees obtained a bachelor's degree or higher. The table below sets forth the Group's employees by function as disclosed:

	Numbers of Employees	%
Research and development and technical	30	42.86
Operation	21	30
Administration	14	20
Management	5	7.14
<b>Total</b>	<b>70</b>	<b>100</b>

The Group's total staff costs (including directors emoluments) for the six months ended June 30, 2020 was RMB5.8 million, compared with RMB5.8 million for the six months ended June 30, 2019.

The Group recruits our personnel through professional search firms and recruiting websites. The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance, and has established a merit-based remuneration awards system. Employees are promoted not only in terms of position and seniority.

The Group enters into employment contracts with employees to cover matters such as wages, benefits and grounds for termination. The remuneration package of our employees includes salary and bonus, which are generally determined by the qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

## Events after the Reporting Period

On August 26, 2020, a written resolution was passed by the shareholders of the Company to approve the subdivision of each share in the Company's issued and unissued share capital with par value of HK\$0.001 each into 100 Shares of the corresponding class with par value of HK\$0.00001 each before the Listing. According to the Share Subdivision, 1,614,950,568 Shares were issued to existing shareholders of the Company in proportion to their shareholding in the Company on September 20, 2020.

On September 23, 2020, pursuant to the initial public offering of the Shares, the Company issued a total 543,700,000 Shares at a price of HK\$2.88 per share.

## Management Discussion and Analysis

### Future Plans and Prospects

In the second half of 2020, we will continue to develop the information optimization system and technology platform and seek to establish an industry-leading we-media marketing service system.

We will enhance its core competitive edges, improve marketing service capabilities in a systematic manner and realize intelligent information optimization based on our technical competence in order to expand our business scale, improve market shares and consolidate its position as an industry-leading enterprise. In the meantime, we will endeavour to get access to and cover more market segments and sectors and expand into the real-economy and retail industry, while expanding more diversified traffic market resources to improve our business level and seize the opportunities amid current market conditions.

We will further develop the business with high added-value, such as short-form video and e-commerce. In recent years, the rapid development of short-form video has made it become the potential largest internet traffic entry points. The Group is among the first batch of companies investing in such sector and has seen the first round of benefits. In the second half of the year, we will improve our information service capability for the short-form video business and provide comprehensive consolidation services to short-form video owners and advertisers in all aspects. We will also identify more consumer goods for marketing via short-form videos by increasing cooperation with retail products and daily chemical products in addition to 3C digital accessories brand, thus broadening the portfolio of consumer goods marketing and improving the overall profitability of the Company.

Meanwhile, we begin to focus on the establishment of a global we-media marketing services system to expand the performance-based we-media marketing service into the overseas platforms of both international and domestic marketers who seek to promote products on overseas short-form video platforms. We believe that the vast demand of overseas platforms for marketing services, especially for marketers who seek to expand overseas business, can lay a solid foundation for the sustainable and rapid development of the Company.

## Our Subsidiaries and Consolidated Affiliated Entities

As of the date of this interim report, the Group has the following 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 Interactive Group (HK) Limited	Hong Kong	October 25, 2019
WFOE	Beijing, PRC	May 22, 2019
Beijing Hongcheng Xinglong Commerce & Trading Co., Ltd.	Beijing, PRC	March 1, 2004
Horgos Joyspreader Interactive Technology Co., Ltd.	Horgos, PRC	March 24, 2020

  

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

## Properties

Our headquarters are located in Beijing. As of the date of this interim report, we did not have any owned properties and we leased 12 properties with an aggregate gross floor area of approximately 1,504.5 square meters from independent third parties. Our leased properties are primarily used as premises for our offices.

## Contractual Arrangements

Please refer to the section headed “Contractual Arrangements” in the Prospectus for details. For the six months ended June 30, 2020, the Board has reviewed the overall performance of the contractual arrangements and believed that the Group has complied with the contractual arrangements in all material respects.

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

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

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

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in internet culture businesses and other related businesses. In particular, under the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》), which was revised in 2017 and the Negative List, certain of the Group’s performance-based marketing services fall into the internet culture businesses which is considered prohibited. To comply with PRC laws and regulations, the Group conducts our performance-based marketing in China through Beijing Joyspreader and its subsidiaries, based on a series of Contractual Arrangements by and among WFOE, Beijing Joyspreader and the Registered Shareholders. As a result of these Contractual Arrangements, the Group exerts control over Beijing Joyspreader and its subsidiaries and consolidate 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.



## Other Information

Since the Listing Date, 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 code provisions of the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The CG Code has been applicable to the Company with effect from the Listing Date and was not applicable to the Company during the period from January 1, 2020 to September 22, 2020.

The Board is of the view that the Company has complied with all applicable code provisions of the CG Code since the Listing Date up till the date of this interim report, except for a deviation from the code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer of the Company are not separate and are both performed by Mr. Zhu Zinan. 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.

## Changes In Directors' Information

As at the date of this interim report, there were no changes in the Directors' information which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## Compliance with the Model Code for Securities Transactions

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines during the period from the Listing Date to the date of this interim report. No incident of non-compliance of the Written Guidelines by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

## Directors' and Chief Executive's Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company or Its Associated Corporations

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

### (I) Interests in Shares or underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares/ underlying Shares <sup>(1)</sup>	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporation <sup>(2)</sup>	858,409,000 (L)	39.468%
	Interest of a party to an agreement <sup>(3)</sup>	66,750,000 (L)	3.069%
Mr. Zhang	Interest of controlled corporation	66,750,000 (L)	3.069%
	Interest of a party to an agreement <sup>(3)</sup>	858,409,000 (L)	39.468%

#### Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying shares of the Company.
- (2) As at the Listing Date, Mr. Zhu held 100% interests of ZZN. Ltd. and 90% interests of Laurence mate. Ltd., which in turn held 111,111,100 Shares, and therefore Mr. Zhu is deemed to be interested in the Shares held by ZZN. Ltd. and Laurence mate. Ltd. under the SFO.
- (3) Pursuant to the Concert Party Agreement between Mr. Zhu and Mr. Zhang, they have agreed to act in concert by aligning their votes at Shareholders' meetings of the Company. Therefore, they are deemed to be jointly interested in the aggregate number of Shares held by ZZN. Ltd., ZZD. Ltd. and Laurence mate. Ltd.

## Other Information

### (II) Interests in Beijing Joysreader

Name of Director	Nature of interest	Number of shares/ underlying shares <sup>(1)</sup>	Approximate percentage of shareholding interest
Mr. Zhu	Beneficial owner	7,472,983 (L)	45.811%
	Interest in controlled corporation <sup>(2)</sup>	1,111,111 (L)	6.811%
	Interest of a party to an agreement <sup>(3)</sup>	667,500 (L)	4.092%
Mr. Zhang	Beneficial owner	667,500 (L)	4.092%
	Interest of a party to an agreement <sup>(3)</sup>	8,584,094 (L)	52.622%

Notes:

- (1) The letter "L" denotes the person's long position in the shares and the underlying shares of the Company.
- (2) As at the Listing Date, Mr. Zhu held 90% equity interests of Beijing Zinan and Friends, which in turn held 1,111,111 shares of Beijing Joysreader, and therefore Mr. Zhu is deemed to be interested in the shares held by Beijing Zinan and Friends in Beijing Joysreader under the SFO.
- (3) Pursuant to the Concert Party Agreement between Mr. Zhu and Mr. Zhang, they have agreed to act in concert by aligning their votes at shareholders' meetings of Beijing Joysreader. Therefore, they are deemed to be interested in the shares of Beijing Joysreader held by each other under the SFO.

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

### Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company

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

## Interests in Shares or underlying Shares of the Company

Name of Shareholder	Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporations <sup>(2)</sup>	858,409,400 (L)	39.468%
	Interest of a party to an agreement <sup>(3)</sup>	66,750,000 (L)	3.069%
ZZN.Ltd.	Beneficial owner <sup>(4)</sup>	747,298,300 (L)	34.359%
Mr. Zhang	Interest in controlled corporation <sup>(5)</sup>	66,750,000 (L)	3.069%
	Interest of a party to an agreement <sup>(3)</sup>	858,409,400 (L)	39.468%
ZZD.Ltd.	Beneficial owner <sup>(5)</sup>	66,750,000 (L)	3.069%
Laurence mate. Ltd.	Beneficial owner <sup>(6)</sup>	111,111,100 (L)	5.109%
Shenzhen Nanhai Growth	Beneficial owner <sup>(7)</sup>	124,610,400 (L)	5.729%
NT Balance Capital Ltd.	Beneficial owner <sup>(8)</sup>	118,795,300 (L)	5.462%
Balance Capital Group Ltd.	Beneficial owner <sup>(9)</sup>	72,727,100 (L)	3.344%
Jiaxing Baozheng	Beneficial owner <sup>(10)</sup>	108,750,900 (L)	5.000%

## Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.
- (2) As of the Listing Date, Mr. Zhu held 100% interests of ZZN. Ltd. and 90% interests of Laurence mate. Ltd.
- (3) Pursuant to the Concert Party Agreement entered between Mr. Zhu and Mr. Zhang, they agreed to act in concert by aligning their votes at Shareholders' meetings of the Company. Therefore, they are deemed to be jointly interested in the aggregate number of Shares held by ZZN. Ltd., ZZD. Ltd. and Laurence mate. Ltd.
- (4) ZZN. Ltd. is a limited liability company incorporated in the BVI and wholly owned by Mr. Zhu.

## Other Information

- (5) ZZD. Ltd. is a limited liability company incorporated in the BVI and wholly owned by Mr. Zhang.
- (6) Laurence mate. Ltd. is owned as to 90% by Mr. Zhu and 10% by Mr. Zhang.
- (7) Each of Shenzhen Nanhai Chengzhangtongying (sole shareholder of Shenzhen Nanhai Growth), Cowin Jinxiu Capital Firm (深圳同創錦繡資產管理有限公司) (general partner of Shenzhen Nanhai Chengzhangtongying), Shenzhen Cowin Asset Management Co., Ltd (深圳同創偉業資產管理股份有限公司) (sole shareholder of Cowin Jinxiu Capital Firm), Shenzhen Cowin Venture Capital Co., Ltd. (深圳市同創偉業創業投資有限公司) (holding approximately 35.01% equity interests of Shenzhen Cowin Asset Management Co., Ltd.), Mr. Zheng Weihe (鄭偉鶴) (holding 45% equity interests of Shenzhen Cowin Venture Capital Co., Ltd.) and Ms. Huang Li (黃荔) (holding 55% equity interests of Shenzhen Cowin Venture Capital Co., Ltd.) is deemed to be interested in the Shares held by Shenzhen Nanhai Growth under the SFO.
- (8) 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.
- (9) 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.
- (10) Each of Shenzhen Zhongmin Capital Management Co., Ltd. (深圳中民資本管理有限公司) (general partner of Jiaxing Baozheng), Beijing Huashan Capital, LP (北京華山投資管理中心(有限合夥)) (holding approximately 99.9% equity interest of Shenzhen Zhongmin Capital Management Co., Ltd.) and Mr. Yu Taixiang (于太祥) (general partner of Beijing Huashan Capital, LP) is deemed to be interested in the Shares held by Jiaxing Baozheng under the SFO.

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

### **Use of Net Proceeds from Listing**

In connection with the Company's initial public offering, 543,700,000 ordinary Shares (subject to the Over-allotment Option) with a nominal value of HK\$0.00001 each were issued at a price of HK\$2.88 per Share for the net proceeds (before any exercise of the Over-allotment Option) amounted to, after deducting underwriting commissions and estimated fees and expenses payable by the Company in the Listing, approximately HK\$1,460.7 million. Dealings in these Shares on the Stock Exchange commenced on September 23, 2020.

## Other Information

Since the Listing Date and up to the date of this interim report, the net proceeds have not been applied for any use. We intend to apply these net proceeds in accordance with the section headed “Future Plans and Use of Proceeds” in the Prospectus. Details of the specific use are as follows:

Use of proceeds	Planned applications of net proceeds (HK\$ million)	Percentage of total net proceeds (%)	Actual usage up to the date of this interim report (HK\$ million)	Unutilized amount up to the date of this interim report (HK\$ million)	Expected timeframe for unutilized net proceeds
<b>To develop our short-form video we-media monetization business, the net proceeds:</b>					
(i) Will be used to invest in developing our self-owned user traffic;	HK\$498.1 million	34.1%	Nil	HK\$498.1 million	over the next five years
(ii) Will be used to expand our team;	HK\$59.9 million	4.1%	Nil	HK\$59.9 million	over the next five years
(iii) Will be used to further develop our short-form video technology infrastructure;	HK\$36.5 million	2.5%	Nil	HK\$36.5 million	over the next five years
(iv) Will be used to procure high quality copyrights or ownership of high quality online products or license-in high quality online products; and	HK\$258.5 million	17.7%	Nil	HK\$258.5 million	over the next five years
(v) 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.	HK\$23.4 million	1.6%	Nil	HK\$23.4 million	over the next five years
<b>To continue to strengthen our capabilities in performance-based we-media marketing services, the net proceeds:</b>					
(i) Will be used for potential investments in, or acquisitions of suitable licensed or large agents of top we-media platforms;	HK\$103.7 million	7.1%	Nil	HK\$103.7 million	over the next five years
(ii) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	HK\$45.3 million	3.1%	Nil	HK\$45.3 million	over the next five years

Use of proceeds	Planned applications of net proceeds (HK\$ million)	Percentage of total net proceeds (%)	Actual usage up to the date of this interim report (HK\$ million)	Unutilized amount up to the date of this interim report (HK\$ million)	Expected timeframe for unutilized net proceeds
(iii) Will be used to expand our online product offerings; and	HK\$118.3 million	8.1%	Nil	HK\$118.3 million	over the next five years
(iv) Will be used to increase and diversify our collaboration with licensed or large agents of popular we-media platforms in order to capture high-quality we-media resources.	HK\$21.9 million	1.5%	Nil	HK\$21.9 million	over the next five years
<b>To finance our international expansion, the net proceeds:</b>					
(i) 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;	HK\$59.9 million	4.1%	Nil	HK\$59.9 million	over the next five years
(ii) Will be used for exploring potential investments and acquisitions, including talent trainee agency companies with strong talent resources in South Korea and Southeast Asia;	HK\$38.0 million	2.6%	Nil	HK\$38.0 million	over the next five years
(iii) Will be used for procuring user traffic from overseas we-media platforms or their agents that provide traffic resources to extend our performance-based we-media marketing services to overseas platforms for both domestic marketers and foreign marketers that seek to market their products on overseas short-video platforms; and	HK\$29.2 million	2.0%	Nil	HK\$29.2 million	over the next five years
(iv) Will be used to develop overseas versions of our technology platforms.	HK\$21.9 million	1.5%	Nil	HK\$21.9 million	over the next five years
<b>For our working capital and general corporate purposes</b>	<u>HK\$146.1 million</u>	<u>10.0%</u>	<u>Nil</u>	<u>HK\$146.1 million</u>	over the next five years
<b>TOTAL</b>	<b><u>HK\$1,460.7 million</u></b>	<b><u>100%</u></b>	<b><u>Nil</u></b>	<b><u>HK\$1,460.7 million</u></b>	



## Other Information

### Purchase, Sale or Redemption of the Listed Securities of the Company

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to the date of this interim report.

### Review of Interim Report

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

The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely, Mr. Tang Wei, Mr. Xu Chong, and Mr. Guo Sijia. The chairman of the Audit Committee is Mr. Tang Wei. The Audit Committee has jointly reviewed with the management and the independent auditors of the Company the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the unaudited interim results for the six months ended June 30, 2020) 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 has resolved not to declare payment of any interim dividend for the six months ended June 30, 2020 (six months ended June 30, 2019: 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.

For and on behalf of the Board  
**Joy Spreader Interactive Technology. Ltd**  
**Zhu Zinan**  
*Chairman*

Beijing, the PRC September 25, 2020

# Report on review of condensed consolidated financial statements

## TO THE BOARD OF DIRECTORS OF JOY SPREADER INTERACTIVE TECHNOLOGY. LTD

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

### Introduction

We have reviewed the condensed consolidated financial statements of Joy Spreader Interactive Technology. Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 35-54, which comprise the condensed consolidated statement of financial position as of 30 June 2020 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provision thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation on these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### Scope of Review

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

### Conclusion

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

### Other Matter

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended 30 June 2019 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

### Deloitte Touche Tohmatsu

*Certified Public Accountants*

Hong Kong

25 September 2020

# Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 30 June 2020

	Notes	Six months ended 30 June	
		2020 RMB'000 (Unaudited)	2019 RMB'000 (Unaudited)
Revenue	4	348,230	209,487
Cost of revenue		(253,723)	(159,037)
Gross profit		94,507	50,450
Other income		2,070	706
Other gains and losses		(201)	53
Impairment losses, net of reversal	5	(11,329)	(1,057)
Distribution and selling expenses		(1,332)	(1,342)
Administrative expenses		(9,009)	(6,806)
Research and development expenses		(3,328)	(2,978)
Listing expenses	6	(6,445)	(9,739)
Finance costs		(290)	(169)
Profit before taxation	7	64,643	29,118
Income tax expense	8	(3,220)	(1,610)
Profit for the period attributable to owners of the Company		61,423	27,508
Other comprehensive income			
<i>Item that will not be reclassified to profit or loss</i>			
Fair value gain on equity instruments at fair value through other comprehensive income		10	23
Income tax relating to item that will not be reclassified		(2)	(3)
Other comprehensive income for the period, net of income tax		8	20
Total comprehensive income for the period attributable to owners of the Company		61,431	27,528
Basic earnings per share (RMB cents)	10	3.8	1.8

# Condensed consolidated statement of financial position

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	8,410	5,354
Right-of-use assets		9,224	11,395
Intangible assets	11	8,460	7,639
Deferred tax assets		53	–
Other deposits		1,078	2,242
Prepayments	15	–	3,642
Equity instruments at fair value through other comprehensive income	12	9,946	9,936
		37,171	40,208
<b>CURRENT ASSETS</b>			
Trade and other receivables and deposits	13	202,895	82,650
Loan receivables	14	1,671	30,030
Prepayments	15	190,621	173,638
Bank balances and cash		92,491	131,489
		487,678	417,807
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	45,043	41,913
Lease liabilities		4,611	4,181
Income tax payable		4,888	1,667
		54,542	47,761
<b>NET CURRENT ASSETS</b>		433,136	370,046
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		470,307	410,254

## Condensed consolidated statement of financial position

As at 30 June 2020

	<i>Notes</i>	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>NON-CURRENT LIABILITIES</b>			
Lease liabilities		5,661	7,064
Deferred tax liabilities		585	560
		<u>6,246</u>	<u>7,624</u>
<b>NET ASSETS</b>		<u>464,061</u>	<u>402,630</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	14	14
Reserves		464,047	402,616
<b>TOTAL EQUITY</b>		<u>464,061</u>	<u>402,630</u>

# Condensed consolidated statement of changes in equity

For the six months ended 30 June 2020

	Share capital RMB'000	Capital reserve RMB'000	Fair value through other comprehensive income reserve RMB'000	Statutory reserve funds RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2020 (Audited)	14	247,083	3,346	17,124	135,063	402,630
Profit for the period	–	–	–	–	61,423	61,423
Other comprehensive income for the period	–	–	8	–	–	8
Profit and total comprehensive income for the period	–	–	8	–	61,423	61,431
At 30 June 2020 (Unaudited)	14	247,083	3,354	17,124	196,486	464,061
At 1 January 2019 (Audited)	14,953	112,799	–	9,161	75,665	212,578
Profit for the period	–	–	–	–	27,508	27,508
Other comprehensive income for the period	–	–	20	–	–	20
Profit and total comprehensive income for the period	–	–	20	–	27,508	27,528
Issue of shares (note a)	1,360	123,640	–	–	–	125,000
Share issuance expenses (note a)	–	(5,669)	–	–	–	(5,669)
At 30 June 2019 (Unaudited)	16,313	230,770	20	9,161	103,173	359,437

Notes:

- a. During the six months ended 30 June 2019, Beijing Joy Spreader Interactive Network Technology Co., Ltd (“Joy Spreader”), which was the holding company of the Group (see definition in note 1) before the Company (see definition in note 1) became the holding company of the Group on 11 December 2019, issued shares to a few new shareholders. Transaction costs of the issuance of these new shares were incurred and charged against equity.
- b. On 11 December 2019, the Group completed the group reorganisation (the “Group Reorganisation”) of which details are set out in the section headed “History, Reorganisation and Corporate Structure” of the prospectus of the Company dated 10 September 2020 in connection with the initial public offering and listing of the Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Prospectus”). As a result, the Company became the holding company of the Group since then.

# Condensed consolidated statement of cash flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>OPERATING ACTIVITIES</b>		
Cash used in operations	(62,072)	(77,689)
Income tax paid	(29)	(906)
Net cash used in operating activities	<u>(62,101)</u>	<u>(78,595)</u>
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(3,886)	(3,312)
Prepayments for right-of-use assets	–	(534)
Proceeds from disposal of prepayments for acquisition of buildings	800	–
Purchase of financial assets at fair value through profit or loss	(120,010)	(80,000)
Redemption of financial assets at fair value through profit or loss	120,312	81,008
Repayment of loan receivables	30,030	20,230
Increase in loan receivables	(1,671)	–
Proceeds from disposal of intangible assets	2,000	–
Interest income received	334	251
Net cash from investing activities	<u>27,909</u>	<u>17,643</u>
<b>FINANCING ACTIVITIES</b>		
Repayment of lease liabilities	(973)	(569)
Interest paid	(290)	(169)
Proceeds from issue of shares	–	125,000
Expenses on issue of shares	–	(5,669)
Payment of share issue costs	(3,505)	(2,530)
Net cash (used in)/from financing activities	<u>(4,768)</u>	<u>116,063</u>
Net (decrease)/increase in cash and cash equivalents	(38,960)	55,111
Cash and cash equivalents at beginning of the period	131,489	98,396
Effect of foreign exchange rate changes	(38)	–
Cash and cash equivalents at end of the period, represented by bank balances and cash	<u>92,491</u>	<u>153,507</u>



# Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

## 1. General Information

Joy Spreader Interactive Technology, Ltd (the “Company”) was incorporated and registered in the Cayman Islands on 19 February 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the Company’s registered office is located at the office of Sertus Incorporations (Cayman) Limited, Sertus Chambers Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue P.O. Box 2547, Grand Cayman KY1-1104, Cayman Islands. The Company’s principal place of business is located at the People’s Republic of China (“PRC”). The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are provision of digital marketing business and the relevant services.

The ultimate holding company and immediate holding company of the Company are ZZN, Ltd. and Laurence mate. Ltd., which were incorporated in the British Virgin Islands, and are ultimately controlled by Mr. Zhu Zinan.

The condensed consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (“000”) unless otherwise indicated.

### 1A. Significant Event and Transaction in the Current Interim Period

The outbreak of the pneumonia caused by the novel coronavirus (the “COVID-19”) was still occurring around the world and causing severe disruptions to global economic and travel activities. The prevention and control measures to contain the COVID-19 are continuously taken worldwide. Despite both nationwide and regional economic activities have gradually resumed, the COVID-19 would still have some negative impact on the overall economic and business operation, and some industries. COVID-19 has not resulted in material impact to the Group during the current interim period. The Group will continue to pay close attention to the development of pneumonia, evaluate the related impact on the Group’s consolidated results of operations, cash flows and financial condition, and adjust its business plans when necessary.

## 2. Basis of Preparation

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

# Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

## 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's historical financial information for the three years ended 31 December 2019 and the three months ended 31 March 2020 set out in the accountants' report which has been incorporated in the Prospectus.

## 4. Revenue and Segmental Information

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

### Disaggregation of revenue by the type of products promoted

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Performance-based we-media marketing service		
– online products	316,646	196,980
– consumer goods	30,375	12,260
– others	1,209	247
	<u>348,230</u>	<u>209,487</u>

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 4. Revenue and Segmental Information (continued)

#### Timing of revenue recognition

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Point in time	348,230	209,487

#### Segment information

The Group has been operating in one reporting segment, being the performance-based we-media marketing service.

For the purpose of resources allocation and performance assessment, the Group's chief executive officer, being the chief operating decision maker, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and no further analysis of this single segment is presented. In this regard, no segment information is presented.

#### Geographical information

The Group is located in the PRC and all of the Group's revenue is generated from contracts with customers in the PRC based on where services are rendered, and all of the Group's non-current assets are located in the PRC. Thus, no geographical information is presented.

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 5. Impairment Losses, Net of Reversal

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment loss recognised/(reversed) in respect of:		
trade receivables	11,548	766
other receivables	(219)	291
	<u>11,329</u>	<u>1,057</u>

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 2020 are the same as those followed in the preparation of the Group's consolidated financial information for the year ended 31 December 2019 set out in the accountants' report which has been incorporated in the Prospectus.

As at 31 December 2019, the Group's trade receivables from one of its customers amounting to RMB14.4 million was impaired by RMB4.1 million and the repayment date has been revised and scheduled to be fully repaid by the end of May 2020 in February 2020. Up to the date of this condensed consolidated financial statements, none of such receivables were settled. The Group is closely communicating with this customer regarding the recovery of its trade receivables from this customer. The Group issued a formal attorney letter to the customer on 22 May 2020 and has not received feedbacks since then. The Group is also preparing for further legal actions including bringing an action in a PRC court. The Group has fully impaired the net carrying amount of such receivables amounting to RMB10.3 million for the current interim period.

### 6. Listing Expenses

The listing expenses represented the expenses that related to the initial public offering and listing of the Shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), and were accrued according to the progress of the Listing.

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 7. Profit Before Taxation

Profit before taxation has been arrived at after charging:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	830	247
Depreciation of right-of-use assets	2,171	1,235
Amortisation of intangible assets (included in administrative expenses)	1,179	873
Total depreciation and amortisation	<u>4,180</u>	<u>2,355</u>

### 8. Income Tax Expense

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current enterprise income tax	3,250	1,442
Underprovision in prior years	–	48
Deferred tax	(30)	120
	<u>3,220</u>	<u>1,610</u>

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 8. Income Tax Expense (Continued)

Tax charge can be reconciled to the profit before taxation per the condensed consolidated statements of profit or loss and other comprehensive income as follows:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit before taxation	64,643	29,118
Tax at the applicable tax rate of 25%	16,161	7,280
Tax effect of expenses not deductible for tax purpose	77	101
Effect of tax exemptions granted	(6,554)	(2,859)
Effect on different tax rate resulting from subsidiaries entitling as High-New Technology Enterprises ("HNTE")	(6,464)	(2,912)
Tax charge	3,220	1,610

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% for the current interim period (six months ended 30 June 2019: 25%).

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 8. Income Tax Expense (Continued)

Joy Spreader, one of the Group's subsidiaries, was qualified as a HNTE and subject to a preferential income tax rate of 15% for three years starting from 1 January 2018.

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

According to “關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知” (Caishui [2011] 112) issued by the State Administration of Taxation and the Ministry of Finance of the PRC, two of the Group's subsidiaries, Horgos Yaoxi Internet Technology Co., Ltd and Horgos Wuyou Internet Technology Co., Ltd, which were founded in 2017 and located in Horgos city in the PRC, were exempted from income tax for the six-month periods ended 30 June 2019 and 30 June 2020. Two of the Group's subsidiaries, Horgos Zhipu Shulian Internet Technology Co., Ltd and Horgos Joy Spreader Interactive Network Technology Co., Ltd, which were founded in 2020 and located in Horgos city in the PRC, were exempted from income tax for the current interim period.

### 9. Dividends

No dividend were paid, declared or proposed during the interim period. The directors of the Company (the “Directors”) have determined that no dividend will be paid in respect of the current interim period.

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 10. Earnings Per Share

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

Earnings figures are calculated as follow:

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period attributable to owners of the Company	61,423	27,508
Earnings for the purpose of basic earnings per share (RMB cents)	<u>3.8</u>	<u>1.8</u>

#### Number of shares

	Six months ended 30 June	
	2020	2019
	'000	'000
	(Unaudited)	(Unaudited)
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,631,263</u>	<u>1,528,252</u>

The number of ordinary shares for the purposes of calculating basic earnings per share for the current interim period and last interim period have been adjusted for the effect of the issuance of ordinary shares by Joy Spreader, the holding company of the Group before the Company became the holding company of the Group on 11 December 2019, during the period from 1 January 2019 to 11 December 2019, and the issuance of ordinary shares by the Company on 19 February 2019 and 11 December 2019, details of which are set out in note 17, and the Share Subdivision as explained in note 20 had been effective on 1 January 2019.

No diluted earnings per share for the current interim period and last interim period was presented as there were no potential ordinary shares in issue during the current interim period and the last interim period.



## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 11. Movements in Property, Plant and Equipment and Intangible Assets

#### Property, plant and equipment

The total additions to property, plant and equipment were approximately RMB3,886,000 during the current interim period, among which the total additions of vehicles were approximately RMB3,630,000.

#### Intangible assets

The total additions to intangible assets were approximately RMB2,000,000 during the current interim period, which was a profit sharing right for the publishing of short-form video making.

### 12. Equity Instruments at Fair Value Through Other Comprehensive Income

Equity instruments at fair value through other comprehensive income ("FVTOCI") at 30 June 2020 and 31 December 2019 represented the Group's 19.9% equity interests in 北京影漪视界科技有限公司, an unlisted company established in the PRC. The Directors have elected to designate the investment in equity instruments as at FVTOCI as they believe that the investment is not held for trading and not expected to be sold in the foreseeable future. Details of the fair value measurement are disclosed in note 18.

### 13. Trade and Other Receivables and Deposits

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 90 days	150,372	54,026
91-180 days	37,776	4,329
181-360 days	–	9,746
1-2 years	–	1,195
	<u>188,148</u>	<u>69,296</u>

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 14. Loan Receivables

Loan receivable as at 31 December 2019 represented an unsecured advance to a supplier originated on 16 December 2019 for the supplier's liquidity purpose. The advance carried fixed interest rate at 12% per annum and was repaid together with the interests on 21 January 2020.

Loan receivable as at 30 June 2020 represented an unsecured advance to a third party originated on 11 February 2020 for one year for the third party's liquidity purpose. The advance carried fixed interest rate at 12% per annum.

### 15. Prepayments

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>Current</b>		
Prepayments for purchases of traffic	181,166	172,158
Prepaid share issue cost or listing expense	2,492	467
Other prepayments	6,963	1,013
	<u>190,621</u>	<u>173,638</u>

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
<b>Non-current</b>		
Prepayments for acquisition of buildings (note)	–	1,642
Prepayment for short-form video making	–	2,000
	<u>–</u>	<u>3,642</u>

Note: On 28 June 2020, the Group disposed of these buildings under prepayments to an independent third party with a total cash consideration of RMB1,500,000, RMB800,000 of which was settled in the current interim period.

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 16. Trade and Other Payables

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Trade payables	12,824	13,357
Employee compensation payable	6,012	5,872
Other tax payable	8,678	2,119
Accrued listing expense/share issue costs	14,881	16,499
Deposits received from customers	2,000	2,000
Amounts due to shareholders	354	1,496
Other payables and accruals	294	570
	<u>45,043</u>	<u>41,913</u>

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

	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Within 90 days	7,960	8,937
91-180 days	2,123	2,362
181-360 days	841	2,058
1-2 years	1,900	–
	<u>12,824</u>	<u>13,357</u>

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 2020

### 17. Share Capital

#### Share capital of the Company

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.001 each		
Authorised		
At 19 February 2019 (the date of incorporation)	50,000,000	50,000
At 31 December 2019 and 30 June 2020	50,000,000	50,000
Issued and fully paid		
At 19 February 2019 (the date of incorporation)	9,883,333	9,883
Issued of shares on 11 December 2019	6,429,299	6,430
At 31 December 2019 and 30 June 2020	16,312,632	16,313
	As at 30 June 2020 RMB'000 (Unaudited)	As at 31 December 2019 RMB'000 (Audited)
Presented as	14	14

The Company was incorporated on 19 February 2019 with an initial authorised share capital of HK\$50,000 divided into 50,000,000 shares of a par value of HK\$0.001 each. On 19 February 2019 and 11 December 2019, 9,833,333 and 6,429,299 ordinary shares of HK\$16,313 were issued by the Company and allotted to the offshore holding companies wholly-owned by the legal shareholders of Joy Spreader, the holding company of the Group before the completion of the group reorganisation.

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 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 2020 on a recurring basis:

Financial assets	Fair value as at 30 June 2020 (Unaudited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs as at 30 June 2020	Relationship of unobservable inputs to fair value
Unlisted equity securities	RMB9,946,000	Level 3	Income approach the discounted cash flow method was used to capture the present value of the expected future economic benefits, to be derived from the ownership of this investee, based on an appropriate discount rate	Long-term revenue growth rate  Discount rate	3%  21%	The higher the long-term revenue growth rate, the higher the fair value vice versa (Note a)  The higher the discount rate, the lower the fair value, vice versa (Note b)

Financial assets	Fair value as at 31 December 2019 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Range of inputs as at 31 December 2019	Relationship of unobservable inputs to fair value
Unlisted equity securities	RMB9,936,000	Level 3	Income approach the discounted cash flow method was used to capture the present value of the expected future economic benefits, to be derived from the ownership of this investee, based on an appropriate discount rate	Long-term revenue growth rate  Discount rate	3%  21%	The higher the long-term revenue growth rate, the higher the fair value vice versa (Note a)  The higher the discount rate, the lower the fair value, vice versa (Note b)

Notes:

- A 1% increase/decrease in the long-term growth rate holding all other variables constant would increase/decrease the carrying amount of unlisted equity securities by RMB318,000 and RMB314,000 as at 30 June 2020 and 31 December 2019.
- A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of unlisted equity securities by RMB433,000 and RMB445,000 as at 30 June 2020 and 31 December 2019.

The fair value of the unlisted equity securities as at 30 June 2020 and 31 December 2019 has been arrived based on a valuation carried out by an independent valuer, AVISTA Group.

As there is no recent transaction price available in the market as at 30 June 2019, the unlisted equity securities were transferred from level 2 to level 3 during the period ended 30 June 2019.

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 18. Fair Value Measurements of Financial Instruments (continued)

#### (ii) Reconciliation of level 3 measurements

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

	Investment in financial products at fair value RMB'000	Unlisted equity securities RMB'000	Total RMB'000
At 1 January 2020 (Audited)	–	9,936	9,936
Purchase	120,010	–	120,010
Redemption	(120,312)	–	(120,312)
Interest income on financial assets as FVTPL	302	–	302
Net gain in other comprehensive income	–	10	10
At 30 June 2020 (Unaudited)	–	9,946	9,946
At 1 January 2019 (Audited)	1,002	–	1,002
Purchase	80,000	–	80,000
Transfer into level 3	–	6,000	6,000
Redemption	(81,008)	–	(81,008)
Interest income on financial assets as FVTPL	6	–	6
Net gain in other comprehensive income	–	23	23
At 30 June 2019 (Unaudited)	–	6,023	6,023

#### (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 the condensed consolidated financial statements approximate their fair values.

## Notes to the condensed consolidated financial statements

For the six months ended 30 June 2020

### 19. Related Party Transactions

#### (a) Compensation of key management personnel

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fee	31	31
Salaries and other benefits-in-kind	457	477
Contributions to retirement benefits scheme	19	133
Discretionary bonus	501	612
	<u>1,008</u>	<u>1,253</u>

#### (b) Balance with a related party

As at 31 December 2019, the Group has outstanding payable to Mr. Zhu Zinan, director and ultimate controlling shareholder of the Company, for the purchase of a car amounting to RMB798,000 by the Group from Mr. Zhu Zinan in November 2019. Such payable was fully settled in April 2020.

### 20. Events After the end of The Reporting Period

- a. On 26 August 2020, a written resolution was passed by the shareholders of the Company to approve the subdivision of each share in the Company's issued and unissued share capital with par value of HK\$0.001 each into 100 shares of the corresponding class with par value of HK\$0.00001 each before the Listing, details of which are set out in the section headed "History, Reorganization and Corporate Structure" of the Prospectus (the "Share Subdivision"). According to the Share Subdivision, 1,614,950,568 Shares were issued to existing shareholders of the Company in proportion to their shareholding in the Company before the Listing.
- b. On 23 September 2020, 543,700,000 shares of the Company of HK\$0.00001 each were issued at a price of HK\$2.88 per share in connection with the Listing, raising a total gross proceed of HK\$1,565,856,000.

# Definitions

“3C”	computer, communication and consumer electronics
“app”	mobile application
“Audit Committee”	the audit committee of the Board
“Balance Capital Group Ltd”	Balance Capital Group Ltd., a limited liability company incorporated in the BVI on May 29, 2019 and wholly owned by Nanjing Pingheng Capital as of the date of this interim report
“Beijing Daoyoudao”	Daoyoudao Technology Group Co., Ltd. (道有道科技集團股份公司, formerly known as 道有道(北京)科技股份有限公司), a company listed on the NEEQ with stock code 832896, established under the laws of the PRC on June 12, 2007
“Beijing Joyspreader”	Beijing Joy Spreader Interactive Network Technology Co., Ltd (北京樂享互動網絡科技股份有限公司), a company established under the laws of the PRC with limited liability on October 9, 2008, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Beijing Yingyi”	Beijing Yingyi Vision Technology Co., Ltd (北京影漪視界科技有限公司), a company established under the laws of the PRC with limited liability on December 21, 2018
“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
“Board” or “Board of Directors”	the board of directors of the Company
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the Chairman of the Board
“China”, “Mainland China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this interim report, Hong Kong, Macau Special Administrative Region and Taiwan



## Definitions

“Concert Party Agreement”	the acting-in-concert agreement entered into between Mr. Zhu and Mr. Zhang on April 1, 2016 and renewed on December 11, 2019
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, WFOE, Beijing Joyspreader and the Registered Shareholders
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Zhu, Mr. Zhang, ZZN. Ltd., ZZD. Ltd. and Laurence mate. Ltd.
“COVID-19”	an infectious disease caused by a newly discovered coronavirus (severe acute respiratory syndrome coronavirus 2)
“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》, adopted by the NPC on March 15, 2019, and took effect on January 1, 2020
“FVTPL”	fair value through profit or loss
“Group” or “the Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Html”	hyper text markup language
“Html 5”	a markup language used for structuring and presenting content on the internet, with detailed processing models to encourage more interoperable implementations, which can be used to develop interactive marketing
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Jiaxing Baozheng”	Jiaxing Baozheng Investment Partnership Enterprise (Limited Partnership) (嘉興寶正投資合夥企業(有限合夥)), a limited partnership set up under the laws of the PRC on May 9, 2017
“Joyspreader”, “Company”, “the Company” or “We”	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 of the Stock Exchange on September 23, 2020
“Listing Date”	September 23, 2020, being the date on which the Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
“Mr. Zhang”	Mr. Zhang Zhidi (張之的), our executive Director, chief operating officer and one of our Controlling Shareholders
“Mr. Zhu”	Mr. Zhu Zinan (朱子南), our chairman, executive Director, chief executive officer and one of our Controlling Shareholders
“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
“Negative List”	The List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單)》), which was last amended on June 23, 2020 and subsequently enforced on July 23, 2020 by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and the Ministry of Commerce of PRC (中華人民共和國商務部) and replace the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄》)

## Definitions

“Over-allotment Option”	has the meaning ascribed thereto in the Prospectus
“Prospectus”	the prospectus issued by the Company dated September 10, 2020
“Reporting Period”	the six-month period from January 1, 2020 to June 30, 2020
“Registered Shareholder(s)”	being Mr. Zhu, Shenzhen Nanhai Chengzhangtongying, Nantong Pinghengchuangye, Beijing Zinan and Friends, Jiaying Baozheng, Beijing Daoyoudao, Nanjing Pingheng Capital, Mr. Zhang, Mr. Chen Liang, Shanghai Jinjia, Mr. Guo Zhiwei, Ms. Zhang Yue, Ms. Zhang Wenyan, Ms. Xue Xiaoli, Ms. Zhu Xifen, Mr. Xiong Chi and Ms. Huang Huijuan, who are shareholders of Beijing Joyspreader
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“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
“Shenzhen Nanhai Chengzhangtongying”	Shenzhen Nanhai Growth Win-win Private Equity Investment Fund (Limited Partnership) (深圳南海成長同贏股權投資基金(有限合夥)), a limited partnership set up under the laws of the PRC on July 20, 2017
“Shenzhen Nanhai Growth”	Shenzhen Nanhai Growth Win-win Limited, a limited liability company incorporated in the BVI on March 26, 2019
“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
“U.S. dollar(s)”, “USD” or “US\$”	United States dollars, the lawful currency of the United States of America
“WFOE”	Beijing Joy Spreader Interactive Technology Co., Ltd (北京樂享互動科技有限公司), a limited liability company established in the PRC on May 22, 2019 and a wholly-owned subsidiary of us
“Written Guidelines”	the Guidelines for Securities Transactions by Directors adopted by the Company

*In this Interim 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.*