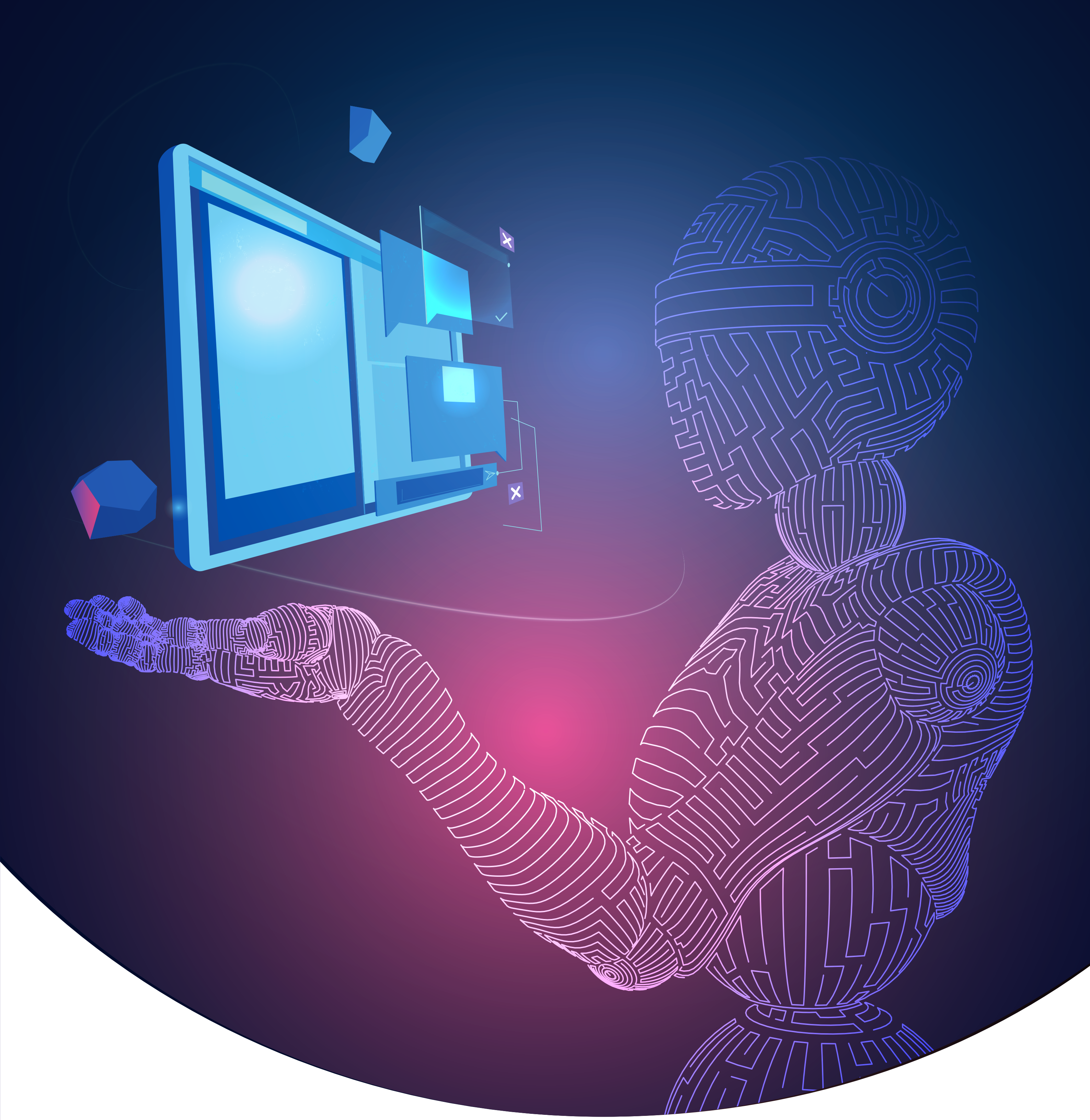


LEXIANGHUDONG

乐享互动

JOY SPREADER INTERACTIVE TECHNOLOGY. LTD

乐享互动有限公司

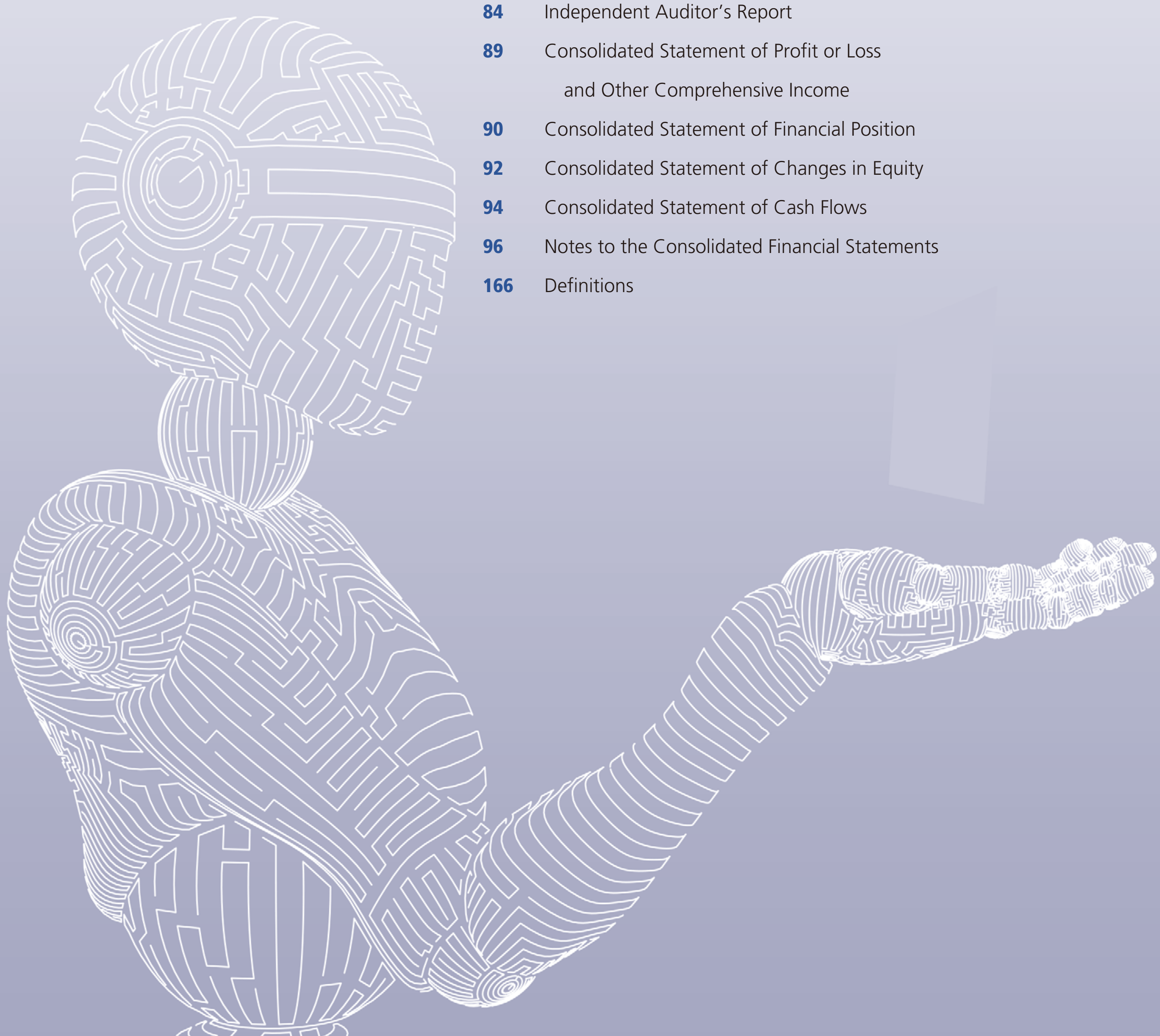
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6988

2020

ANNUAL REPORT

Content



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Zhu Zinan (朱子南) (Chairman of the Board)
Mr. Zhang Zhidi (張之的)
Mr. Cheng Lin (成林)
Ms. Qin Jiaxin (秦佳鑫)
Mr. Sheng Shiwei (盛世偉)

Non-executive Directors

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

Independent Non-executive Directors

Mr. Xu Chong (徐翀)
Mr. Tang Wei (唐偉)
Mr. Fang Hongwei (房宏偉)
Mr. Yap Jin Meng Bryan (葉仁明)

AUDIT COMMITTEE

Mr. Tang Wei (唐偉) (Chairman)
Mr. Xu Chong (徐翀)
Mr. Yap Jin Meng Bryan (葉仁明)

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

COMPANY'S HEADQUARTERS IN THE PRC

27/F, Wangjing Jinhui Building
Chaoyang District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE 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 and Registered PIE Auditor
35/F, One Pacific Place
88 Queensway
Hong Kong

HONG KONG LEGAL ADVISOR

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

AUTHORISED REPRESENTATIVES

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

JOINT COMPANY SECRETARIES

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

COMPLIANCE ADVISOR

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

INVESTOR RELATIONS

Tel: 010-87726988
Email: investment@adjoy.com.cn

WEBSITE

www.adjoy.com.cn

STOCK CODE

6988

HONG KONG SHARE REGISTRAR

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

CHAIRMAN'S STATEMENT

Dear shareholders,

The extraordinary year of 2020 will definitely be imprinted on human history and people's memory. During the year, China, other countries and their people fought against the epidemic side by side and have made initial achievements. In this year, a complete victory in the country's fight against poverty was claimed and decisive achievements have been made in building a moderately prosperous society in all respects. In this year, we were frustrated by social distancing restrictions, and many people had to change their life and work habits developed over the years. During the year, we also witnessed the world's joint exploration of new ways of online life and work, the in-depth reform of mobile internet and reinforcement of user application habits.

The trend of content presented in video, the concentration of traffic to the recommended content based on the algorithm, the strengthening of platform supervision by the state, and the traffic giants paying more attention to ecological construction were all the characteristics of China's mobile internet development in 2020. Short-form videos, e-commerce, games, live broadcasting, social networking and other fields, either achieved record highs, or radiated new vitality. This has not only promoted the development of China's internet industry environment, but also provided rare unprecedented opportunities for marketing technology companies including Joy Spreader.

We have observed and experienced first-hand that on new media platforms of mobile internet, tens of millions content publishers were in urgent need for monetizing the value of traffic. Internet platforms with ecological construction vision are actively promoting infrastructure construction and the opening of the middle platforms, sparing no effort to improve customer retention and user experience. The vast number of enterprises and merchants seeking online transformation are competing to actively invest in mobile new media marketing channels. As one of the leaders in the field of mobile new media performance-based marketing, Joy Spreader should follow the trend of the times, maintain a keen sense of the market, and provide valuable services for our marketers, content publishers, internet platforms and their internet users.

Thanks to the continuous development of interest recommendation technology based on data algorithm in recent years, massive internet content can be automatically linked with massive internet users. This also creates a good foundation for the combination of three elements of new consumption of mobile internet, namely "people", "goods" and "market" (particularly, "goods" and "market"). Joy Spreader, with the help of data and algorithm models and recommendation technology, matches "goods" with "market" on this basis to solve the problem of delivery effect of "goods" selected from "market" for marketers, and solve the problem of selection efficiency of "goods" selected from "market" for content publishers.

The business value we provide for marketers and content publishers is realized through the sales growth, new user acquisition, new product launch and other monitored and verifiable transaction data. Based on these transaction data, we conduct effect sharing or billing with marketers, which greatly reduces the input threshold of marketing activities and improves the input-output ratio.

The year of 2020 was also a milestone year for Joy Spreader. In terms of business, our interactive entertainment, applications and other digital product distribution and promotion businesses within the WeChat official account system have been operated in a prudent manner and maintained rapid growth momentum. The non-live e-commerce marketing business in Douyin system has made great progress, and GMV is equivalent to 4.54 times of 2019. The number of marketers and the category of marketing products served by our performance-based marketing business increased significantly, and the number of customers of marketing SaaS services also exceeded 70,000. In terms of research and development, we increased our investment in research and development for data collection, analysis and application in the video field in 2020, and made every effort to stay in the spearhead of data accumulation, number of models and effect.

On September 23, 2020, Joy Spreader was successfully listed on the Main Board of the Hong Kong Stock Exchange, opening a new chapter in the Group's development. After that, industry development will face increasingly rapid changes, while iteration of technology will become more and more frequent. The opportunities and challenges drive us to stay vigilant and hold on to the spirit of innovation. In 2021, we have set targets in the fields of SaaS services, video e-commerce, overseas expansion, Private Domain Traffic, algorithm research and development, and will leverage on our hard work, industry experience, insight and projections to seize opportunities so as to realize further growth in the era of in-depth development of mobile internet and new media. We will make use of our marketing technology services to enhance customer and user values, and share the long-term growth of the Company with large number of shareholders supporting us.

Mr. Zhu Zinan
Chairman and Chief Executive Officer

FINANCIAL HIGHLIGHTS

The audited consolidated annual results of the Group for the year ended December 31, 2020 together with comparative figures for the corresponding period in 2019 are as follows:

FINANCIAL RESULTS HIGHLIGHTS

	For the year ended December 31,		Year-on-year changes Increase/ (decrease)
	2020	2019	(%)
	(HK$ in millions, except for percentages)		
		(Restated) (Note 1 to the consolidated financial statements)	
Revenue	**923.92**	538.00	71.73%
Interactive entertainment and other digital products marketing	**803.53**	509.72	57.64%
E-commerce products marketing	**118.73**	26.16	353.86%
Other products[1]	**1.66**	2.12	(21.70%)
Gross profit	**301.56**	132.86	126.98%
Interactive entertainment and other digital products marketing	**206.25**	111.11	85.63%
E-commerce products marketing	**94.98**	20.92	354.02%
Other products[1]	**0.33**	0.83	(60.24%)
Profit for the year (excluding non-recurring profit or loss)	**220.69**	99.67	121.42%
Non-recurring profit or loss			
Foreign exchange profits and losses[2]	**57.74**	–	–
Listing expense[3]	**24.27**	23.14	4.88%
Profit for the year	**138.68**	76.53	81.21%
Profit for the year attributable to owners of the Company	**138.68**	76.53	81.21%
Net profit margin excluding non-recurring profit or loss	**23.89%**	18.53%	5.36%
Net profit margin	**15.01%**	14.22%	0.79%
Earnings per share			
– Basic (HK cents)	**7.78**	4.84	60.74%
– Diluted (HK cents)	**7.78**	–	–

Notes:

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

(2) Loss on the translation of listing proceeds was due to the decline in Hong Kong dollar exchange rate.

(3) Listing expenses related to the initial public offering.

Highlights of the Group's operating information for the year ended December 31, 2020, together with comparative figures for the corresponding period in 2019, are as follows:

INFORMATION HIGHLIGHTS ON OPERATIONS

	As at December 31, or for the year ended December 31, 2020	2019	Year-on-year changes Increase (%)
Number of customers and marketing products (quantities/types)			
Number of marketers	**276**	203	35.96%
Number of interactive entertainment and other digital products	**1,320**	726	81.82%
Number of e-commerce products	**183**	92	98.91%
Number of marketing SaaS services customers (quantities)			
Customers on WeChat official accounts	**40,890**	22,392	82.61%
Retention rate of active WeChat official accounts	**85%**	82%	3%
Customers of Douyin	**21,771**	2,074	949.71%
Customers of WeChat video channels	**8,763**	–	–
Number of realizable access points	**469,968**	228,068	106.06%
R&D expenditure			
R&D expenditure (HK$ million)	**27.37**	7.73	254.08%
Number of data models (sets)	**148**	109	35.78%
Transaction data			
ARPU of interactive entertainment and other digital products (HK$)	**1.61**	0.73	120.55%
E-commerce products GMV (HK$ million)	**593.64**	130.78	353.92%

FOUR YEAR FINANCIAL SUMMARY

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

HK$'000		**Year ended December 31,**		
	2020	2019 *(Restated)* *(Note 1 to the consolidated financial statements)*	2018 *(Restated)* *(Note)*	2017 *(Restated)* *(Note)*
Revenue	**923,916**	538,001	310,876	156,024
Gross profit	**301,557**	132,858	78,313	52,383
Profit before taxation	**133,357**	79,744	54,456	38,731
Profit for the year attributable to owners of the Company	**138,679**	76,526	53,877	36,986
Total comprehensive income for the year attributable to owners of the Company	**254,104**	71,105	43,076	39,876

HK$'000		**As at December 31,**		
	2020	2019 *(Restated)* *(Note 1 to the consolidated financial statements)*	2018 *(Restated)* *(Note 1 to the consolidated financial statements)*	2017 *(Restated)* *(Note)*
Non-current assets	**89,580**	44,887	30,844	15,398
Current assets	**2,191,073**	466,415	247,832	150,153
Current liabilities	**106,228**	53,317	29,929	42,422
Non-current liabilities	**15,463**	8,511	6,132	–
Total equity	**2,158,962**	449,474	242,615	123,129

* The Company's shares were listed on the Main Board of the Stock Exchange on September 23, 2020.

Note: The selected items of assets and liabilities of the Group as at 31 December 2017 are translated into the current presentation currency of the Group of HK$ using exchange rate prevailing at the end of 2017. The selected items of income and expenses for the years ended 31 December 2018 and 2017 are translated at the average exchange rates for the respective years, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

CORPORATE PROFILE

• OVERVIEW

The Group is a leading marketing technology company, engaged in mobile new media performance-based marketing and marketing SaaS services in China. The Group uses data and algorithms as the core competencies, and uses aggregation and matching technologies based on interest-based recommendations to help marketers' products and mobile new media content to achieve coupled transactions, so as to realize marketers' marketing goals such as product sales and promotions. We also help content publishers to realize the commercial value of their traffic.

Through years of accumulation and development, the Group has gradually become a leader in the field of mobile new media marketing technology. Thanks to its pioneering advantages and long-term efforts in the field of mobile new media marketing technology, the Group has built up a solid barrier in its business development, established a leading edge and won a good reputation. The rapid accumulation of resources in our customers, products and mobile new media content has contributed to the continuous optimization of our data and algorithm models, laying a solid foundation for the Group to further enhance its technology service capabilities and achieve leapfrog development in the future.

• OUR BUSINESS

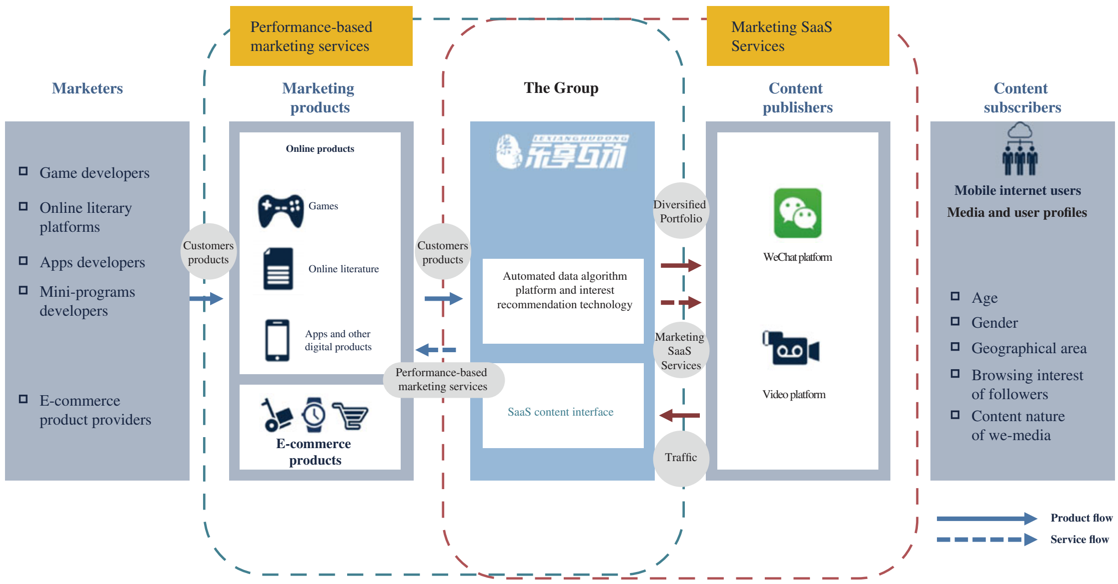
The Group connects marketers and mobile new media content publishers using proprietary technologies and platforms, providing services that address their respective needs.

Performance-based marketing services

From the perspective of serving marketers, the Group provides performance-based marketing services. Through data and algorithm-based interest recommendation technologies, we distribute or publish our marketers' products to high-quality and diversified mobile new media content for subscribers to purchase, download, install or top up for the content while helping marketers secure sales orders or promote their products. Marketers for our performance-based marketing business include interactive entertainment and other digital products providers (including game developers, online literature providers, app and other digital product developers, etc.) and those who promote their consumer goods through our video e-commerce marketing services.

Marketing SaaS Services

From the perspective of serving mobile new media content publishers, the Group also provides marketing SaaS services. We provide simple and easy-to-use SaaS tools to mobile new media content publishers to help them access the Group's diverse product pools, and matches the mobile new media content publishers and their user fans with appropriate products by using the Group's data- and algorithm-based product recommendation technologies, helping them realize commercial value through product sales or distribution. The following chart illustrates our services model:



Through the marketing SaaS services, the Group is able to obtain stable content resources automatically from the mobile new media content distribution platform. While efficiently providing monetizing services to content publishers, it also can analyze the marketing performance simultaneously and provide technical support for data accumulation and algorithm iteration, thereby gaining more marketers and improving profitability.

• OUR TECHNOLOGIES

The Group has accumulated substantial anonymous user behavioral data through long-term service, which has enabled us to build a platform with significant and valid data collection, strong data analysis capabilities and powerful technology empowered by our proprietary business intelligence technologies. As a technology-driven company of data and algorithms based as its core competencies, the Group is able to analyze and conduct information structure processing on products and mobile new media content through an automated platform to recommend customized products distribution and marketing strategies to marketers, and provide content publishers with a portfolio of products based on the interests of content subscribers.

• OUR STRENGTHS AND BARRIERS

Rapid Development of Industry

The mobile new media segment served by the Group is booming, and generating significant demand for marketing and monetizations from both marketers and content publishers. In particular, the popularity of mobile new media platforms based on video presentation and the successful application of data and algorithm-based interest recommendation technologies are providing an excellent marketing environment for marketers to promote their products.

The rapid growth of mobile new media content publishers and the number of content has also led to a surge in the demand for traffic monetizations. Mobile new media platforms (such as WeChat official accounts (微信公眾號) and Douyin (抖音)) are also continuing to improve their infrastructure and platform functions to facilitate traffic monetizations for content publishers to maintain and improve a healthy platform ecosystem. At the same time, the development and popularity of standardized and modular marketing SaaS services have also provided content publishers with low-threshold, more convenient and efficient tools and means.

In recent years, benefiting from the development of technologies such as cloud computing, big data and artificial intelligence, marketing services based on data and algorithms and interest recommendation technologies could be charged in accordance with marketing performance, and have also been favored by marketers and mobile new media content publishers.

Data Advantages and Barriers

Since the Group started its business layout at the early stage when the mobile new media platforms such as WeChat official accounts and Douyin commenced commercialization, we began early and quickly gained advantages in data accumulation, which allowed us to have industry-leading data scale and data time dimension. Data accumulation has a decisive impact on model construction and model effectiveness, which has also built a competitive barrier for the Group's leading position in the industry. Our ample, large-scale, time-spanning and real-time interactive data helps us better test, build and improve our algorithm models, and protect our marketing performance and improve our services continuously.

Synergy Strengths of Performance-based Marketing and Marketing SaaS Businesses

As two mutually supportive components of the Group's business segment, our performance-based marketing business and marketing SaaS business form an organic whole, which together create a positive and interactive growth cycle of product library, traffic pool and model effect.

Service Capabilities of Cross-platform, Multi-product and Effect-based charging

From the perspective of marketers, the Group has the ability to distribute products for marketers across platforms, which enables us to meet the needs of multi-channel marketing promotion. From the perspective of mobile media content publishers, our product library contains a variety of products, including interactive online entertainment, online tools, consumer goods and other categories, which are in line with the requirements of laws and regulations, with high commercialization value that can provide better monetization results for content publishers. In addition, our income model is mainly based on the profit sharing or charge of marketing effect from marketers, which not only reduces the marketers' marketing threshold, but improves the input-output ratio of their marketing activities as well.

License Advantages and Barriers

In addition to possessing the national high-new technology enterprise qualification and Zhongguancun high-new technology enterprise qualification, the Group also obtained the Online Culture Operating License, which allows us to legally operate online cultural businesses such as games, e-commerce, online literature and live broadcasting, and acquire publishing, cooperating and distribution revenue on the basis of marketing effects.

MANAGEMENT DISCUSSION AND ANALYSIS

Looking back to 2020, the Group has successfully listed on the Main Board of the Stock Exchange on September 23, 2020, starting a new chapter in the Group's development. In respect of the business, the Group also proactively reinforces its technical advantages and market position by fully leveraging on the historical chance that China's mobile internet industry is moving forward to domains like algorithm recommendation, video, ecological improvement and so on.

• OVERVIEW OF RESULTS FOR THE YEAR

The revenue of the Group increased 71.73% from HK$538.00 million in 2019 to HK$923.92 million in 2020. Such increase is mainly due to the high demand in the mobile new media performance-based marketing, thus largely increasing the number of new customers, marketing products and monetization access points based on reinforcement of cooperation with the existing marketers and marketing SaaS customers.

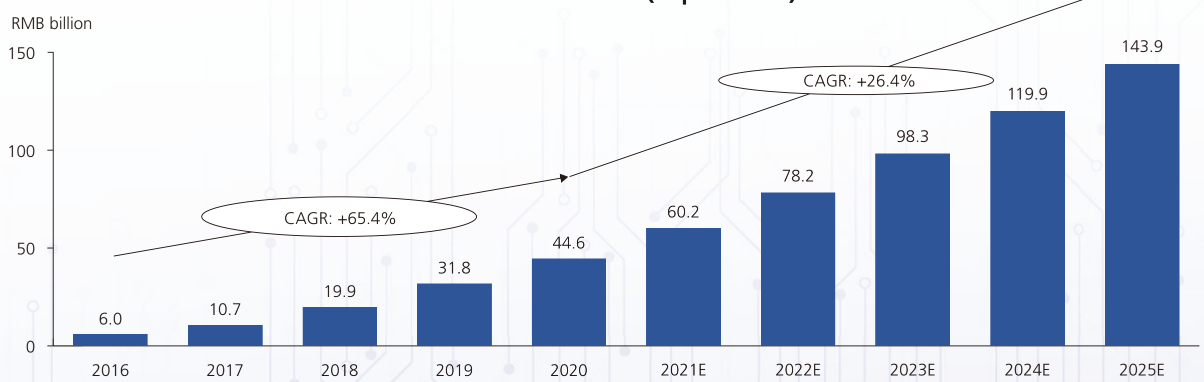
The Group has achieved gross profit of HK$301.56 million in 2020, representing an increase of 126.98% as compared with HK$132.86 million in 2019, or equivalent to 2.27 times of that in 2019. Gross profit margin increases from 24.70% in 2019 to 32.64% in 2020. The increase in gross profit margin is mainly attributed to (1) the enhancement of the Group's marketing performance; (2) a significant increase of e-commerce products marketing business of the Group thanks to the booming of video e-commerce industry; and (3) steady growth of the game products with higher gross profit margin.

• PROGRESS OF BUSINESS FOR THE YEAR

With the development of the mobile internet ecological environment and marketing technology, the performance-based marketing, which features with strengths of accuracy and high cost efficiency, is becoming the major option of marketers to conduct product marketing and promotion, and the market demand keeps on growing. As the leading mobile new media performance-based marketing technology company in China, the Group has possessed the first-class marketing performance and technology standard in the industry, and accumulated a number of the most popular current mobile new media content resources (including WeChat official accounts and video channels, and Douyin) through abundant of product reserves and efficient marketing SaaS services capability, thus favored by many marketers. In 2020, the Group has achieved a delightful performance in both business segment of the performance-based marketing and marketing SaaS services.

With regard to the industry, the market size for mobile new media performance-based marketing services increased from RMB6.0 billion in 2016 to RMB44.6 billion in 2020 with CAGR of 65.4% according to Frost & Sullivan's Report. It is expected that the market size will continue to increase in the following five years, reaching RMB143.9 billion in 2025 and CAGR of 26.4% respectively. The growth of market is mainly driven by the rapid development of emerging technology such as big data, as well as advertisers' increasing demand for mobile new media performance-based marketing services of customers of marketing services. It is expected that cross-platforms marketing activities and KOL marketing activities will gradually gain popularity.

Market Size for Mobile New Media Performance-based Marketing Services (in terms of revenue) in China from 2016 to 2025 (Expectation)



Source: Frost & Sullivan

According to Frost & Sullivan's Report, in 2020, the Group is the largest mobile new media performance-based marketing provider in terms of revenue in China with its market share accounting for approximately 1.8% of the market.

- **Performance-based Marketing Services**

The marketers and the number of their product in the Group's performance-based marketing services have significantly increased in 2020. As at December 31, 2020, the marketers of the Group's performance-based marketing services cover approximately 20 industries, amounting up to 276.

In respect of Interactive Entertainment Products, there were up to 209 game products recorded in the Group's product library as at December 31, 2020, an addition of 65 as compared with that of December 31, 2019. Online literature products amounted to 1,111 books across 84 genres, increasing 529 books and 17 genres, respectively, as compared with that of December 31, 2019.

In respect of e-commerce products, the e-commerce consumer goods included in the Group's product library were up to 183 items, an addition of 91 types as compared with 92 types as of December 31, 2019, and the product category is expanding from electronic products towards more variety of consumer goods, including daily care and cosmetic products.

E-commerce product performance-based marketing is one of the fastest growing business segments and key drivers in the 2020 annual results of the Group. The proportion of revenue from e-commerce product marketing to the total revenue of the Group increased from 4.86% in 2019 to 12.85% in 2020. As revenue from e-commerce product marketing is recognized on a net basis, its contribution to the Group's gross profit is much greater than that of revenue. In 2020, the gross profit of e-commerce product performance-based marketing accounted for 31.50% of total gross profit of the Group, representing an increase of 15.75 percentage points as compared with 15.75% of 2019 (or the proportion was doubled).

- *Interactive Entertainment and Other Digital Product Performance-based Marketing Services*

In 2020, with the increase in the number of customers and product of interactive entertainment and other digital product marketing, together with the rising of ARPU value, our scale of business was boosted rapidly. In addition, the epidemic prevention and control measures in 2020 provided a growth opportunity for online recreational industry, including games, online literature and live broadcasting. Owing to the reinforcement of the user habits of interactive entertainment and other digital products, more online products consisted of mobile applications and mini programs came into the market, which also drove the demand of online performance-based marketing services. In 2020, the Group recorded revenue of HK$803.53 million from interactive entertainment and other digital product performance-based marketing services, representing an increase of 57.64% as compared with HK$509.72 million of the same period last year, of which the game products realized revenue of HK$435.18 million, representing 2.13 times of HK$204.66 million in 2019; online literature products realized revenue of HK$152.71 million, representing 2.27 times of HK$67.19 million in 2019.

- *E-Commerce Product Performance-based Marketing Services*

The video e-commerce industry continued to grow remarkably in 2020, becoming an important channel for e-commerce product distribution. Due to the early business layout in the field of video e-commerce product marketing and the accumulation of relevant data and model algorithm, the Group began to take shape in conducting non-live e-commerce marketing business over video platform which revealed the potential of rapid growth. The e-commerce product GMV of HK$593.64 million was achieved through the Group's performance-based marketing services, representing an increase of 353.92% as compared with HK$130.78 million in 2019. As the revenue from the Group's e-commerce product performance-based marketing services was recognized on a net basis, revenue of HK$118.73 million was recorded in 2020, representing 4.54 times of HK$26.16 million in 2019.

- **Marketing SaaS Services**

The Group began to provide mobile new media publishers with marketing SaaS monetization services in 2013. With the development of SaaS platform, we provided the interface to content publishers, helping them to access our product library. We also recommended the product portfolios to their subscribers by using interest-based recommendation technology, and ultimately helped the content publishers to realize traffic monetization. Currently, the content publishers have not been charged in respect of SaaS services and the revenue sharing was obtained via the process of traffic monetization. The position of the Group's marketing SaaS services is to obtain the content resources and user behaviors data quickly and automatically, as well as to improve the model algorithm, which in turn promote the Group's marketing efficiency and effectiveness and ultimately improve our profitability.

As of December 31, 2020, the Group's marketing SaaS services customers (mobile new media resource library) comprised a total of 40,890 WeChat official accounts, representing 1.83 times of that of December 31, 2019. A total of 21,771 Douyin accounts, representing 10.50 times of that of December 31, 2019. Additionally, the Group has started to arrange WeChat video channels (such function available at the WeChat platform in 2020) marketing services, and 8,763 WeChat video channels were added in 2020. As of December 31, 2020, the Group has cooperated with 469,968 mobile new media marketing access points, representing an increase of 106.06% as compared with that of December 31, 2019.

- **Progress on Research & Development**

The development expenditure of the Group mainly consist of data acquisition and algorithm modeling. The investment in R&D of performance-based marketing and marketing SaaS business based on WeChat official accounts was started in 2013, and the data and model algorithm accumulated at present is relatively mature, thus the iterative spending in every year can be managed at a lower level. In light of the emerging of video-related business opportunities and the rapid growth of its business scale, the Group in recent years began to increase the development investment year by year in respect of data collection, data disaggregation and algorithm modeling of video content. The Group recorded research and development expenses of HK$27.37 million in 2020, of which data development expenses of HK$20.10 million and algorithm research and development expenses of HK$7.27 million, representing an increase of 254.08% as compared with HK$7.73 million in 2019.

The Group is committed to establishing competitive advantage on algorithm-based big data. As of December 31, 2020, anonymous users behaviors data in the Group's database amounted up to 1.9 billion, increasing 0.55 billion as compared with that of December 31, 2019. The data models based on various product categories amounted to 148 sets as of December 31, 2020, representing an increase of 35.78% as compared with 109 sets as of December 31, 2019. Data labels adopted by intelligent recommendation coupling model was 1,923, representing an increase of 38.15% as compared with 1,392 as of December 31, 2019. The expansion of data scale and enhancement of algorithm capability have made a solid foundation for the improvement of the Company's marketing business and further increasing the number of marketers and marketing SaaS customers.

- **Progress on Private Domain Traffic Expansion**

The deployment in Private Domain Traffic (i.e. 1P traffic) is one of the major strategies in the Group's business development. The Group strives to nurture content publishers who are highly cooperative with us in marketing business by means of strategic cooperation, investment and incubation. Through mutual empowering, we will form Private Domain Traffic with the highest level of response among the content reserves of the Group, in order to achieve the tailor-made content production for key marketers and their products, significantly improving their marketing conversion effects.

On December 25, 2020, the Group and Cowin Capital, a professional private equity investment institution, made investments of RMB5 million and RMB15 million respectively in Yingyi, a company specialized in video content production. After the investment, Yingyi was valued at RMB160 million as recognized by all parties. As the first institutional investor of Yingyi, the Group made the first strategical investment in Yingyi in December 2018, after which Yingyi was valued at RMB30 million.

Yingyi is a platform company within video industry. With a lot of Key Opinion Leaders (KOL) and its own Professional Generated Content (PGC) traffic, it can provide smart commercial services to new media content publishers, and continuously accumulate its own traffic through specialized, segmented and smart PGC content production. It now ranks first in the List of Life Creativity – A Segment of Douyin (抖音細分領域生活創意類榜單) and has obtained the PGC certification from the leading platforms in the industry. As at December 31, 2020, it has over 90 million followers.

FUTURE STRATEGIC LAYOUT

- **Expansion of SaaS Services**

The Group will continue to optimize SaaS marketing platform and its services and actively expand the customer number of mobile new media marketing SaaS in order to reserve more enriched and diversified content traffic resources for our performance-based marketing business. We will attach importance to the layout in the mobile new media platforms that already opened or may open eco-traffic systems in the future, including but not limited to WeChat, Douyin, TikTok, Bilibili, Xiao Hong Shu, with a focus on developing marketing SaaS customer resources, and continue to expand the accumulation of WeChat video channels.

- **Expansion of Video E-commerce**

We will continue to increase efforts in developing the businesses with high added-value such as video e-commerce. In recent years, the rapid development of video platform has made it become the potential largest internet traffic entry points. As platforms such as Douyin, TikTok and WeChat video channels account thrive, the future of e-commerce marketing business based on video content is very promising. The Group is among the first batch of companies investing in the sector of video marketing and has equipped with first mover advantages. In the future, we will strengthen our ability in delivering video e-commerce marketing services so as to provide video content publishers and product manufacturers with more accurate and efficient performance-based marketing services. We will explore more product categories and continue to expand into new categories suitable for mobile video new media marketing while consolidating the existing product marketing service capabilities in order to enrich the Company's performance-based marketing products and services matrix.

- **Expansion of Businesses in Overseas**

  The Group has started to focus on the establishment of a global mobile new media marketing services system to expand its mobile new media performance-based marketing services and marketing SaaS services into the overseas market by the internationalization of mobile internet platforms of the PRC. We believe that the Chinese internet platforms including WeChat and TikTok have huge numbers of active users in overseas, therefore they are of very high commercial values. The Group intends to carry on cross-border e-commerce business and Interactive Entertainment Products distribution business on the mobile internet overseas platforms of the PRC, promoting the PRC's leading performance-based marketing business and marketing SaaS business based on data algorithm and interest recommendation technologies.

- **Driving Private Domain (1P) Traffic and Enhancing Profitability**

  As part of our business development strategy, we intend to continue to promote our Private Domain Traffic, and nurture content publishers who can be highly with us in marketing business by means of strategic partnership, investment and incubation. Through mutual empowering, we will form our own traffic with the highest level of response among the content pools of the Group, in order to achieve the tailor-made content production for key marketers and their products, significantly improving their marketing conversion effects.

- **Data Algorithm Platform and R&D Investments**

  As a technology-driven company with data and algorithm as its core capacity, we plan to continue the iteration and perfection of the smart automatic transaction matching system (智能自動化交易撮合系統) and technology platform, in a bid to build an industry-leading service system of mobile new media performance-based marketing and marketing SaaS. We will consolidate our core competitiveness, optimize the marketing effect through technical capabilities, expand business scale, increase market share and further strengthen our leading position in the industry.

  As the emerging of video-related business opportunities and the rapid expansion of business scale, the Group will gradually increase its R&D investments in data collection, data sorting and algorithm modeling. It will make pre-deployment of R&D for the business expansion in overseas markets in order to accumulate technological reserves for the Group's performance-based marketing business and marketing SaaS business in advance.

• DISCUSSION AND ANALYSIS OF FINANCIAL STATEMENT

Revenue

The revenue of the Group increased by 71.73% from HK$538.00 million in 2019 to HK$923.92 million in 2020. The increase was mainly due to the strong demand in mobile new media performance-based marketing market, which has led to a significant increase in the number of new customers, marketing products and realizable access points on the basis of enhanced cooperation between existing marketers and SaaS marketing customers.

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

	For the years ended December 31,			
	2020	**Percentage**	2019	Percentage
	(HK$ million, except for percentages)			
			(Restated) (Note 1 to the consolidated financial statements)	
Interactive entertainment and other digital products	**803.53**	**86.97%**	509.72	94.74%
Marketing revenue				
Games	**435.18**	**47.10%**	204.66	38.04%
Online literature	**152.71**	**16.53%**	67.19	12.49%
Apps and others	**215.64**	**23.34%**	237.87	44.21%
Marketing revenue from e-commerce products	**118.73**	**12.85%**	26.16	4.86%
Revenue from other products[(1)]	**1.66**	**0.18%**	2.12	0.40%
Total revenue	**923.92**	**100.00%**	538.00	100.00%

Notes:

(1) Other products mainly refer to non-performance-based marketing services we provided to customers.

Cost of Sales

The cost of sales of the Group increased by 53.62% from HK$405.14 million in 2019 to HK$622.36 million in 2020. The cost of sales was mainly comprised of purchase cost of traffic on project placement platform. The increase in cost of sales in 2020 primarily attributed to the increase in sales revenue.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of HK$301.56 million in 2020, representing 2.27 times compared to a gross profit of HK$132.86 million in 2019. The gross profit margin increased from 24.70% in 2019 to 32.64% in 2020. The increase in gross profit margin mainly attributed to (1) the improvement in the Group's performance-based marketing; (2) the rapid growth of the Group's e-commerce products marketing business, which contributed higher gross profit and its revenue were recognized on a net basis thanks to the booming development of the video e-commerce industry; and (3) the steady growth in game products with higher gross profit margins.

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

	For the years ended December 31,			
	2020	**Percentage**	2019	Percentage
	(HK$ million, except for percentages)			
			(Restated) (Note 1 to the consolidated financial statements)	
Interactive entertainment and other digital products				
Marketing gross profit	**206.25**	**68.39%**	111.11	83.63%
Games	**100.66**	**33.38%**	44.80	33.72%
Online literature	**38.27**	**12.69%**	14.50	10.91%
Apps and others	**67.32**	**22.32%**	51.81	39.00%
Marketing gross profit from e-commerce products	**94.98**	**31.50%**	20.92	15.75%
Gross profit from other products[1]	**0.33**	**0.11%**	0.83	0.62%
Total gross profit	**301.56**	**100.00%**	132.86	100.00%

Note:

(1) Other products mainly refer to non-performance-based marketing services we provided to customers.

Other Gains and Losses

The other gains and losses of the Group decreased from gains of HK$0.51 million in 2019 to losses of HK$60.65 million in 2020, primarily due to the Group's listing proceeds in 2020, which are denominated in Hong Kong dollars and the exchange translation loss of HK$57.74 million arising from the decline in the exchange rate of Hong Kong dollars against Renminbi.

Research and Development Expenses

Research and development expenses of the Group mainly consisted of expenses on data acquisition and algorithm modeling. We have started to focus, on performance-based marketing business on the platform of WeChat official accounts as well as research and development of marketing SaaS business since 2013. As we currently accumulated more data and developed our modeling algorithm to a relatively mature stage, we can control our iteration expenses at a lower level every year. In light of the video-related business opportunities and swift expansion of business scale, the Group has increased its investment in research and development in recent years, especially for data collection, data sorting and algorithm modeling. The Group recorded research and development expenses of HK$27.37 million in 2020, of which data research and development expenses of HK$20.10 million and algorithm research and development expenses of HK$7.27 million, representing an increase of 254.08% from HK$7.73 million in 2019.

Distribution and Selling Expenses

The distribution and selling expenses of the Group represented 0.58% of the revenue of the Group in 2020, decreased from 0.71% in 2019. The Group is a non-sales-oriented enterprise with technology as the main driver, and the distribution and selling expenses can be controlled at a lower level.

Administrative Expenses

The administrative expenses of the Group increased by 147.26% from HK$16.80 million in 2019 to approximately HK$41.54 million in 2020, primarily due to: (1) increase in professional service fees of HK$13.97 million; (2) increase in depreciation and amortization of HK$3.86 million; (3) increase in taxes of HK$3.40 million; (4) increase in staff salary of HK$1.34 million; and (5) increase in other expenses of HK$2.17 million.

Other Comprehensive Income

In 2019 and 2020, the fair value gains on the Group's equity investment in Yingyi were HK$4.41 million and HK$20.19 million respectively, representing a year-on-year increase of 357.82%.

Finance costs

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

Trade and Other Receivables and Deposits

The Group had trade and other receivables and the balance of deposits of HK$94.77 million as of December 31, 2019 and HK$335.14 million as of December 31, 2020, respectively.

As of December 31, 2020, the balance of trade receivables of the Group amounted to HK$320.88 million, representing an increase of 314.79% as compared to HK$77.36 million at the end of 2019, which was mainly due to the rapid growth in business during the fourth quarter of 2020, during which the revenue amounted to HK$329.60 million, accounting for 35.67% of our total revenue for the year. More revenue were realized from e-commerce product marketing business, especially during "Double 11" and "Double 12", resulting in higher trade receivables as of December 31, 2020.

Other receivables and deposits are employee petty cash expenses, rental deposits, deposits to suppliers, etc. As of December 31, 2019, the balance of other receivables and deposits amounted to HK$17.41 million and HK$14.26 million as of December 31, 2020, which decreased by HK$3.15 million as compared with HK$17.41 million as at December 31, 2019.

Loan Receivables

The Group had loan receivables of HK$33.52 million and HK$37.43 million as of December 31, 2019 and December 31, 2020, respectively. The increase in balance was mainly temporary loans to cooperating companies based on the business contracts with cooperating companies and the expansion of new business model.

Prepayments

The Group had prepayments of HK$197.91 million and HK$610.85 million as of December 31, 2019 and December 31, 2020, respectively. The increase in balance was primarily attributable to the increase in purchase of prepaid data traffic to satisfy the Group's business development needs in the following 3 months to 6 months, as well as negotiating a better pricing policy of procurement.

Equity Instruments at Fair Value through Other Comprehensive Income

The Group had balance of equity instruments of HK$11.09 million and HK$37.86 million at fair value through other comprehensive income as of December 31, 2019 and December 31, 2020, respectively, which was due to the increase in the fair value of the investment in Yingyi.

Bank Balances and Cash

The Group had bank balances and cash balances of HK$146.79 million and HK$1,210.45 million as of December 31, 2019 and December 31, 2020, respectively. The increase in balances was because the Company succeeded in listing of initial public offering and raised funds.

Trade and Other Payables

Trade and other payables of the Group primarily consist of (1) purchase for data traffic; and (2) other payables, primarily representing accrued listing expenses, tax payables and compensation payable to employee.

Trade payables of the Group decreased from HK$14.91 million as of December 31, 2019 to HK$11.75 million as of December 31, 2020. Other payables increased 173.96% from HK$31.88 million as of December 31, 2019 to HK$87.34 million as of December 31, 2020, primarily due to unsettled listing-related professional services and training expenses by the Company.

Lease Liabilities

Lease liabilities of the Group increased by 67.65% from HK$12.55 million as of December 31, 2019 to HK$21.04 million as of December 31, 2020, primarily due to addition of the lease of office premises.

Liquidity and Capital Resources

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
	HK$ million	
		(Restated) (Note 1 to the consolidated financial statements)
Net cash used in operating activities	**(411.08)**	(76.21)
Net cash used in investing activities	**(20.54)**	(19.75)
Net cash from financing activities	**1,495.28**	130.45
Net increase in cash and cash equivalents	**1,063.66**	34.49
Cash and cash equivalents at the beginning of the year	**146.79**	112.30
Cash and cash equivalents at the end of the year	**1,210.45**	146.79

As at December 31, 2020, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Cash flow from Operating Activities

For the year ended December 31, 2020, we had net cash outflow from operating activities of HK$411.08 million, an increase of HK$334.87 million on a year-on-year basis, which is mainly due to the significant increase of the business volume and the increased trade receivables and prepayment in 2020 over 2019.

Cash flow from Investing Activities

Our cash used in investing activities mainly consist of purchase of fixed assets, 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, the increase in loan receivables.

For the year ended December 31, 2020, our net cash outflow from investing activities was HK$20.54 million, primarily attributable to the expenses of HK$14.22 million for purchasing fixed assets and intangible assets, equity investment to Yingyi of HK$5.94 million and net temporary loans to other enterprises of HK$1.31 million.

Cash flow from Financing Activities

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

For the year ended December 31, 2020, our net cash generated from financing activities was HK$1,495.28 million, primarily attributable to the public issue and listing of our Group on the Hong Kong Stock Exchange in 2020. The net fund raised was HK$1,498.83 million.

Capital Expenditures

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

	For the year ended December 31, 2020	For the year ended December 31, 2019
	HK$ million	
		(Restated) (Note 1 to the consolidated financial statements)
Fixed assets	**16.00**	5.53
Right-of-use assets	**9.86**	8.11
Intangible assets	**2.32**	5.89
Total	**28.18**	19.53

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

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

Future Plans for Material Investments or Capital Assets

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

Indebtedness

Bank Borrowings

As of December 31, 2020 and as of the date of this report, the Group did not have any bank borrowings.

Contingent Liabilities, Charges of Assets and Guarantees

Contingent Liabilities

As at December 31, 2020, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

Charge of Assets and Guarantees

As at December 31, 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 December 31, 2020, the gearing ratio of the Group was 5.34% (as at December 31, 2019: 12.09%).

Current Ratio

Current ratio represents current assets divided by current liabilities. Current ratio increased from 8.75 times as of December 31, 2019 to 20.63 times as of December 31, 2020.

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. 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 December 31, 2020, we had 73 full-time employees, the majority of whom were based in the PRC. As of December 31, 2020, over 82.19% of our employees were in the positions of research and development, technical and operation.

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.

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

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Zhu Zinan (朱子南), aged 39, is our founder, chairman, executive Director, chief executive officer and the chairman of the Nomination Committee. He is responsible for the overall management, strategic planning and decision-making of the Group. He has been the chief executive officer at Beijing Joyspreader since June 2012 and was appointed as an executive Director and the chief executive officer at Beijing Wuyou Technology Co, Ltd (伍遊（北京）科技有限公司) in July 2014.

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

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

Mr. Zhang Zhidi (張之的), aged 35, is an executive Director and the general manager of the Group. He is responsible for overseeing our daily business operations and assisting in overall management of the Group. He also currently serves a number of positions in the Group, including the general manager of Beijing Joyspreader, the chief operating officer and a supervisor of Beijing Wuyou Technology Co, Ltd (伍遊（北京）科技有限公司), an executive director and the general manager of Horgos Wuyou Internet Technology Co., Ltd (霍爾果斯伍遊網絡科技有限公司), an executive director and the general manager of Horgos Yaoxi Internet Technology Co., Ltd (霍爾果斯耀西網絡科技有限公司).

Prior to joining the Group, Mr. Zhang served as the president of the Far East region in Betwandwin (BWIN), an online gaming company from September 2010 to December 2011. From January 2012 to January 2013, he acted as the president of an online gaming company, Vera&John China. From February 2013 to June 2016, he worked at Beijing Huiqun Zhidi Technology Co. Ltd (北京慧群之地科技有限公司), a company that principally engages in the operation of computer games, as the chief operating officer.

Mr. Zhang obtained his bachelor's degree in banking and financial management from University of Malta in January 2009 and his master's degree of science from the University of London, London School of Economics and Political Science in November 2010, majored in media and communications.

Mr. Cheng Lin (成林), aged 38, joined the Group in January 2014, is an executive Director, vice president of the Company and the member of the Remuneration Committee. He is responsible for overseeing our sales and marketing, maintaining the relationship between marketers and content publishers and assisting in the overall management of the Group. He is currently the chief operating officer, director and vice president of Beijing Joyspreader.

Mr. Cheng has over 15 years of experience in sales, marketing and operation. Prior to joining the Group, Mr. Cheng served as a business supervisor in Sony Ericsson Mobile Communications (China) Co., Ltd (索尼愛立信移動通信產品(中國)有限公司) from 2005 to 2008. From 2009 to 2011, he worked as a business supervisor in Beijing Potevio Communication Technology Co., Ltd (北京普天太力通信科技有限公司), a mobile communication products distributor and service provider. He then served as chief operating officer in Beijing Yuancai Technology Co., Ltd (北京源彩科技有限公司), an application service provider, from 2011 to 2013. He later assumed the role of the operation director in Beijing Huiqun Zhidi Technology Co., Ltd (北京慧群之地科技有限公司) from April 2013 to December 2013.

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

Ms. Qin Jiaxin (秦佳鑫), aged 31, was appointed as an executive Director with effect from March 22, 2021. She concurrently serves as the secretary of the Board and joint company secretary of the Company. Ms. Qin joined the Group in January 2017 as the secretary of the Board. She is responsible for the information disclosure and the supervision and inspection in relation to legal compliance, investor relations management as well as investment and financing of the Group. She also assists in the coordination and organisation of the Board and shareholders' meetings.

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

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

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

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

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

Non-executive Directors

Mr. Hu Qingping (胡慶平), aged 43, was appointed as a non-executive Director with effect from December 27, 2019 and is responsible for participating in formulating the Company corporate and business strategies. Mr. Hu Qingping worked at China Telecommunications Corporation (Shenzhen) branch (中國電信深圳分公司) from June 2004 to January 2006. From January 2006 to August 2012, he worked in China Mobile Communications Group Co., Ltd (Guangdong) (中國移動通信集團廣東有限公司). Mr. Hu Qingping later served as operations director in People.cn Co., Ltd (人民網股份有限公司) from June 2013 to August 2014. From August 2014 to December 2015, he acted as director of the operations department in TCL Communication Technology (NB) Holdings Limited (TCL通訊科技控股有限公司). Mr. Hu Qingping has been acting as the vice president and the manager of angel funds in Shenzhen Co-win Asset Management Co., Ltd., (深圳同創偉業資產管理股份有限公司), a company that is principally engaged in management of investment projects, since July 2016.

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

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

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

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

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

Mr. Guo Sijia (郭思嘉), aged 39, acted as a non-executive Director from December 27, 2019 to March 21, 2021 and was responsible for participating in formulating the Company corporate and business strategies.

Prior to joining our Group, Mr. Guo Sijia worked as the business director in Beijing Longjitiandi Technology Co., Ltd (北京龍跡天地科技有限公司), a mobile internet and mobile games provider, from December 2004 to December 2007. From February 2008 to February 2010, he was a marketing manager in Beijing Sohu New Media Information Technology Co., Ltd (北京搜狐新時代信息技術有限公司). From March 2010 to March 2012, he worked at Phoenix Online (Beijing) Information Technology Co., Ltd (鳳凰在線（北京）信息技術有限公司) as a senior marketing manager. He then served as a marketing consultant at Baidu Online Network Technology (Beijing) Co., Ltd. (百度在線網絡技術（北京）有限公司) from May 2012 to July 2015. Since July 2015, he acted as a vice president in Beijing Yibairun Investment Consulting Co., Ltd (億百潤投資顧問（北京）有限公司), an investment consulting company. Since January 2017, he has been serving as the president and chief executive officer in Beijing Zhitian Leyou Technology Co., Ltd (北京智天樂遊科技有限公司), a technology products research and development company principally engaged in the marketing of overseas healthcare, overseas asset allocation and immigration services and the trading of vending machines. In addition, he is currently an executive director of Tianjin Zhilian Wanwu Technology Co., Ltd (天津智聯萬物科技有限公司), a technology products research and development company, and Beijing Zhiwu Yunlian Technology Co., Ltd (北京智物雲聯科技有限公司), a technology products research and development company.

Mr. Guo Sijia was also the general manager of Beijing Xuanyue Interactive Technology Co.,Ltd. (北京玄月互動科技有限公司)("Xuanyue Technology"), the business license of which was revoked in December 2009. To the best knowledge of Mr. Guo Sijia, Xuanyue Technology did not have any substantive business activities from its establishment to the revocation. As confirmed by Mr. Guo Sijia, the revocation of business license of Xuanyue Technology was primarily due to an error in its registered address caused by the company's agent and not due to any default of Mr. Guo Sijia.

Mr. Guo Sijia graduated with a college diploma in financial accounting from Beijing City University (北京城市學院) (formerly known as Haidian University (海淀走讀大學)) in July 2002 and obtained his bachelor's degree in business administration from the Beijing Institute of Technology (北京理工大學) in June 2009 through distance learning.

Ms. Chen Yuanyuan (陳圓圓), aged 37, acted as a non-executive Director of the Company from December 27, 2019 to March 21, 2021 and was responsible for participating in formulating the Company's corporate and business strategies.

Ms. Chen Yuanyuan worked as a project management staff in NanjingYunhai Special Metals Co., Ltd (南京雲海特種金屬股份有限公司), a company that principally engages in the manufacturing of metal alloys, from October 2007 to September 2008. She then worked as a civil servant in Suzhou Municipal Economic and Information Commission (蘇州市經濟和信息化委員會) from July 2012 to February 2015, where she was primarily responsible for overseeing the industrial and economic activity of Suzhou city. Since March 2015, she has been the deputy general manager in a private equity investment fund, Nanjing Pingheng Capital Management Center (Partnership) (南京平衡資本管理中心（普通合夥）).

Ms. Chen Yuanyuan obtained her bachelor's degree from Southeast University (東南大學) majoring in materials science and engineering in June 2006. Ms. Chen Yuanyuan then obtained a master's degree in enterprise management from Nanjing University (南京大學) in June 2012. She is currently a member of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Xu Chong (徐翀), aged 45, was appointed as our independent non-executive Director with effect from August 26, 2020. He also serves as the chairman of the Remuneration Committee and the member of the Audit Committee and Nomination Committee and is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Xu Chong has over 19 years of experience in corporate finance and financial management. Prior to joining the Group, Mr. Xu Chong held managerial positions in various companies, including a manager at BOC International Holdings Limited (中銀國際控股有限公司) from July 2001 to August 2003; a chief financial officer at SinoMedia Holding Limited (a company listed on the Stock Exchange, stock code: 0623) from June 2004 to February 2006 and a vice president of Asia region in Cazenove Asia Limited from March 2006 to July 2007, where he was primarily responsible in corporate finance. He re-joined SinoMedia Holdings Limited in July 2007 and acted as the chief financial officer until May 2010. From March 2011 to July 2011, Mr. Xu Chong took the role of the vice president in Huakang Insurance Agency Co., Ltd (華康保險代理有限公司). He later acted as a financial advisor and chief financial officer in Shanghai Zhaogangwang Information Technology Corporation Limited (上海找鋼網信息科技股份有限公司) from June 2012 to June 2014. Since October 2014, he has been the chief financial officer and is currently the executive director of Babytree Group (寶寶樹集團) (a company listed on the Stock Exchange, stock code: 1761).

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

Mr. Tang Wei (唐偉), aged 45, was appointed as an independent non-executive Director of the Company with effect from August 26, 2020. He serves as the chairman of the Audit Committee. Mr. Tang Wei is responsible for providing independent opinion and judgment to our Board.

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

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

Mr. Fang Hongwei (房宏偉), aged 40, was appointed as an independent non-executive Director of the Company with effect from August 26, 2020. He is a member of the Nomination Committee and Remuneration Committee. Mr. Fang Hongwei is primarily responsible for providing independent opinion and judgment to our Board.

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

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

Mr. Yap Jin Meng Bryan (葉仁明), aged 57, was appointed as an independent non-executive Director of the Company with effect from December 18, 2020. He is a member of the Audit Committee. Mr. Yap Jin Meng Bryan is responsible for providing independent opinion and judgment to our Board.

Mr. Yap Jin Meng Bryan is currently the chief executive officer and managing director of Daun Consulting Singapore Pte Ltd, a family office focusing on consulting and selective investments. Since December 14, 2019, Mr. Yap Jin Meng Bryan has been an independent director of Luokung Technology Corp., a company listed on NASDAQ (ticker symbol: LKCO). Since February 2001, Mr. Yap Jin Meng Bryan has been serving as an executive committee member of the Financial Markets Association (ACI) of Singapore, and was the Honorary Secretary in 2008 and 2009 and is currently serving as the treasurer for 2019 and 2020. From April 1996 to April 2008, Mr. Yap Jin Meng Bryan served as a managing director of Deutsche Bank AG, during which he was also the co-head of the Asian emerging market department of the bank. Mr. Yap Jin Meng Bryan also served as a director of the board of Deutsche Bank AG International (Asia), a branch of Deutsche Bank AG in Singapore. Mr. Yap Jin Meng Bryan also represented Deutsche Bank AG on Singapore Foreign Exchange Market Committee, which is sponsored by Monetary Authority of Singapore, where Mr. Yap Jin Meng Bryan was an active member of market development sub-committee. From April 1988 to April 1996, Mr. Yap Jin Meng Bryan worked for Citibank Singapore, where he joined investment banking industry and was promoted to vice president.

Mr. Yap Jin Meng Bryan received a Bachelor degree in Science from the National University of Singapore in July 1988, majoring in mathematics and economics.

SENIOR MANAGEMENT

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

Ms. Chen Yuping (陳玉萍), aged 50, joined the Group in March 2016, is the chief financial officer of the Company. She is responsible for overseeing the financial and taxation affairs of the Group. Prior to joining the Group, Ms. Chen was an accountant in Beijing Power Capacitor Factory (北京電力電容器廠) from August 1993 to February 1998. She then worked at Jiexun Yubo System Integration Co., Ltd (捷訊宇博(北京)系統工程有限公司) as a finance supervisor from March 1998 to July 1999. From August 2001 to August 2003, she functioned as a financial supervisor in Beijing Jingbo Properties Development Ltd. (北京京伯房地產開發有限公司). From September 2003 to May 2004, she worked as an audit manager in Beijing Xintianxiang Accounting Firm Co., Ltd. (北京心田祥會計事務所). From 2004 to 2016, Ms. Chen worked for various PRC companies' financial departments, including Beijing Weigen Garments Co., Ltd (北京維根製衣有限公司) from June 2004 to December 2011, Zhongchi (Beijing) Environmental Development Co., Ltd (中持(北京)環保發展有限公司) from January 2012 to August 2014 and Beijing Datang Energy Management Co., Ltd (大唐(北京)能源管理有限公司) from March 2015 to March 2016. Ms. Chen graduated with a college diploma in civil engineering in power enterprise management from Taiyuan Institute of Electrical Engineering (太原電力高等專科學校) in July 1993 and later obtained her bachelor's degree in law from CPC Beijing Municipal Party School (中共北京市委黨校) in July 2006. Ms. Chen is admitted as a certified public accountant of the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in May 2001 and a certified management accountant of the American Institute of Management Accountants in March 2013.

Ms. Zhou Lingyan (周凌燕), aged 31, joined the Group in December 2020, is the chief operating officer. She is responsible for the overall management of the Group. Prior to joining the Group, Ms. Zhou worked as a management trainee at Waldorf Astoria Shanghai on the Bund (上海外灘華爾道夫酒店) from July 2011 to April 2013. She then worked as a marketing project manager in ExxonMobil (China) Investment Co., Ltd (埃克森美孚(中國)投資有限公司) from May 2013 to June 2016. From June 2016 to November 2020, she served as the assistant to the president in Xiao Hong Shu (小紅書). Ms. Zhou graduated from Shanghai Jiaotong University (上海交通大學) and obtained a bachelor's degree in management in July 2011.

CORPORATE GOVERNANCE REPORT

The Group is committed to maintaining high standards of corporate governance to protect the interests of the Shareholders, improve the corporate values, set the business strategies and policies as well as improve its transparency and accountability. The Group's corporate governance practice adopts the principles and code provisions under the Corporate Governance Code, which has been applicable since the Group's listing on the Main Board of the Stock Exchange on September 23, 2020.

The Board is of the view that from the Listing Date up to the date of this report, the Group has complied with all applicable code provisions under the Corporate Governance Code, except for the deviation from code provision A.2.1. The roles of Chairman and Chief Executive Office of the Group are not separate and both are acted by Mr. Zhu Zinan. In view of Mr. Zhu's experience, personal profile and his roles in the Group as mentioned above and that Mr. Zhu has assumed the role of chief executive officer of our Group since the Group's incorporation, the Board considers it beneficial to the business prospect and operational efficiency of our Group for Mr. Zhu acting as the chairman of the Board and continuing to act as the chief executive officer of the Company upon Listing. 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 Zinan and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategies and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary. Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of shareholders.

Throughout period from the Listing Date up to the date of this report, the Group has complied with all the applicable code provisions of Corporate Governance Code. The Board will continue to review and monitor the Group's practices.

BOARD OF DIRECTORS

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

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

The main corporate governance duties of the Board include:

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

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

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

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

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

From the Listing Date up to March 21, 2021, the Board comprises three executive Directors, three non-executive Directors and four independent non-executive Directors. From March 22, 2021 up to the date of this report, the Board comprises five executive Directors, two non-executive Directors and four independent non-executive Directors.

From the Listing Date to the date of this report, the Board consists of:

Executive Directors

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

Non-executive Directors

Mr. Guo Sijia (resigned with effect from March 22, 2021)
Mr. Hu Qingping
Ms. Chen Yuanyuan (resigned with effect from March 22, 2021)
Mr. Hu Jiawei (appointed as an non-executive Director with effect from March 22, 2021)

Independent non-executive Directors

Mr. Xu Chong
Mr. Tang Wei
Mr. Fang Hongwei
Mr. Yap Jin Meng Bryan (appointed as an independent non-executive Director with effect from December 18, 2020)

Biographies of the Directors are set out on pages 24 to 30 of this annual report.

For the period from the Listing Date to December 31, 2020, the Company has complied with the Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed at least three independent non-executive directors (representing at least one-third of the Board), including at least one with appropriate professional qualifications or knowledge in accounting or financial management related fields.

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

During the year ended December 31, 2020, the total emoluments payable to the Directors (including fees, salaries, contributions to pension scheme, discretionary bonus, housing and other allowances and other benefits-in-kind) amounted to approximately HK$1.54 million.

The emoluments of the Directors and senior management are determined after taking into account of salaries paid by comparable companies, the time of commitment and duties of the Directors as well as the Group's results. Details of the emoluments of the Directors and senior management for 2020 are set out in note 12 and note 34 to the financial statements. In addition, pursuant to code provision B.1.5 of the Corporate Governance Code, the emoluments of the members of senior management of the Company (who are not the Directors) by band for the year ended December 31, 2020 are set out below:

Emoluments of senior management by band	Number of senior management
HK$0-HK$1,000,000	4
Total	4

During the year ended December 31, 2020, senior management of the Group comprised Ms. Qin Jiaxin, Mr. Sheng Shiwei, Ms. Chen Yuping and Ms. Zhou Lingyan.

During the year ended December 31, 2020, the Company has four independent non-executive Directors, among which Mr. Yap Jin Meng Bryan was appointed as an independent non-executive Director on December 18, 2020, which was in compliance with the Listing Rules, which requires that the numbers of independent non-executive Directors shall account for at least one-third of the members of the Board and no less than three people.

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

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

JOINT COMPANY SECRETARIES

During the period from the Listing Date of the Company to December 31, 2020, Ms. Qin Jiaxin is one of the joint company secretaries of the Company. The Company has also engaged Mr. Lei Kin Keong, who meets the requirement of Rule 3.28 of the Listing Rules and is the assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited which is principally engaged in the provision of company secretarial services, as the other joint company secretary to assist Ms. Qin Jiaxin in performing her duties as the company secretary of the Company. Mr. Lei Kin Keong's primary contact person of the Company is Ms. Qin Jiaxin.

Pursuant to Rule 3.29 of the Listing Rules, during the year ended December 31, 2020, both Ms. Qin Jiaxin and Mr. Lei Kin Keong have taken not less than fifteen hours of relevant professional training.

The code provision A.1.1 of the Corporate Governance Code stipulated that the Board should hold at least four meetings (roughly one for a quarter) involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Due to the fact that the Company was only listed on September 23, 2020, three meetings were held during the period from the Listing Date to December 31, 2020, including Board meetings which audited and approved the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2020, the announcements of business update and financial position and the changes of the members of the Board. The Directors expect that four regular meetings will be held according to the code provision A.1.1 of the Corporate Governance Code, with the frequency of one for a quarter.

From the Listing Date up to the date of the issuance of this report, no Shareholders' meeting was held. The table below sets out the details of attendance of the Directors at the Board meetings during the year ended December 31, 2020.

	Attendance/ attendance as required
Executive Directors	
Mr. Zhu Zinan	3/3
Mr. Zhang Zhidi	3/3
Mr. Cheng Lin	3/3
Ms. Qin Jiaxin (appointed as an executive Director with effect from March 22, 2021)	N/A(2)
Mr. Sheng Shiwei (appointed as an executive Director with effect from March 22, 2021)	N/A(2)
Non-executive Directors	
Mr. Guo Sijia (resigned with effect from March 22, 2021)	3/3
Mr. Hu Qingping	3/3
Ms. Chen Yuanyuan (resigned with effect from March 22, 2021)	3/3
Mr. Hu Jiawei (appointed as an non-executive Director with effect from March 22, 2021)	N/A(2)
Independent non-executive Directors	
Mr. Xu Chong	3/3
Mr. Tang Wei	3/3
Mr. Fang Hongwei	3/3
Mr. Yap Jin Meng Bryan	0/0(1)

Notes:

(1) Mr. Yap Jin Meng Bryan was appointed as an independent non-executive Director on December 18, 2020. Since no Board meetings and Shareholders' meetings were held from the date of his appointment to December 31, 2020, he is not required to attend Board meetings and any Shareholders' meetings.

(2) Both Ms. Qin Jiaxin and Mr. Sheng Shiwei were appointed as executive Directors on March 22, 2021. Mr. Hu Jiawei was appointed as a non-executive Director on March 22, 2021. Therefore, they were not required to attend Board meetings and any Shareholders' meetings for the period from the Listing Date of the Company to December 31, 2020.

During the year ended December 31, 2020, there was one meeting between the Chairman of the Company and the independent non-executive directors without the presence of other Directors.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the Corporate Governance Code. The Board has reviewed the Company's corporate governance policies and practices, the training and continuous professional development of the Directors and senior management, the Company's policies and practices in compliance with the legal and regulatory requirements, standard code and written staff manual and code as well as the disclosure in this corporate governance report.

BOARD COMMITTEES

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

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

AUDIT COMMITTEE

The Company has established the written terms of reference in compliance with Rule 3.21 of the Listing Rules and the paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The Audit Committee consists of four members, namely, the independent non-executive Directors Mr. Tang Wei, Mr. Xu Chong, Mr. Yap Jin Meng Bryan and non-executive Director Mr. Guo Sijia (resigned with effect from March 22, 2021). Mr. Tang Wei is the chairman of the committee and is an independent non-executive Director holding the appropriate qualifications or relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules.

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

For the period from the Listing Date up to December 31, 2020, two Audit Committee meetings were held and the attendance record of the members of the Audit Committee is as follows:

Directors	Attendance/ attendance as required
Mr. Tang Wei (chairman)	2/2
Mr. Xu Chong	2/2
Mr. Guo Sijia	2/2
Mr. Yap Jin Meng Bryan	1/1[(1)]

Note:

(i) Mr. Yap Jin Meng Bryan was appointed as the independent non-executive Director and member of the Audit Committee on December 18, 2020. Since only one Audit Committee meeting was held for the period from his appointment as an independent non-executive Director to December 31, 2020, he only attended one Audit Committee meeting.

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

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

NOMINATION COMMITTEE

The Company has established the written terms of reference in compliance with the paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules. The nomination committee consists of three members, namely, Mr. Zhu Zinan, Mr. Xu Chong and Mr. Fang Hongwei. Mr. Zhu Zinan is the chairman of the committee.

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

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

Selection Criteria

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

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

(c) in case of a candidate for an independent non-executive Director, to assess: (i) the independence of such candidate with reference to, among others, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the guidance and requirements relating to independent non-executive Directors set out in Code Provision A.5.5 of Appendix 14 to the Listing Rules and in the Guidance for Boards and Directors; and

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

Nomination Procedures

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

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

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

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

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

For the period from the Listing Date up to December 31, 2020, one Nomination Committee meeting was held and the attendance record of the members of the Nomination Committee is as follows:

Directors	Attendance/ attendance as required
Mr. Zhu Zinan (chairman)	1/1
Mr. Xu Chong	1/1
Mr. Fang Hongwei	1/1

For the year ended December 31, 2020, the Nomination Committee has reviewed the nomination policies and the Board Diversity Policy; assessed the independence of the independent non-executive Directors; and made recommendations to the Board in respect of the appointment of Mr. Yap Jin Meng Bryan as the independent non-executive Director and member of the Audit Committee of the Board.

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

REMUNERATION COMMITTEE

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

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

The Remuneration Committee has adopted the standards set out in Rule B.1.2(c)(ii) of the Code within its terms of reference.

For the period from the Listing Date up to December 31, 2020, one Remuneration Committee meeting was held and the attendance record of the members of the Remuneration Committee are is follows:

Directors	Attendance/ attendance as required
Mr. Xu Chong (chairman)	1/1
Mr. Cheng Lin	1/1
Mr. Fang Hongwei	1/1

The Remuneration Committee has discussed and reviewed the service agreements, appointment letters and remuneration policy of the Directors and senior management of the Company, and made recommendations to the Board on the service agreements, appointment letters and remuneration policy of individual executive Directors and senior management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company have adopted the Model Code as the code of conduct for relevant Directors in conducting securities transactions. The provisions of the code relating the relevant Directors conducting securities transactions under the Listing Rules are applicable to the Company since the date of Listing. Specific enquiries have been made to all Directors and all Directors have confirmed that they have fully complied with the Model Code for the period from the Listing Date to December 31, 2020.

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

Based on the information provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2020 is as follows:

	Nature of continuous professional development
Mr. Zhu Zinan	A,B,C and D
Mr. Zhang Zhidi	A,C and D
Mr. Cheng Lin	A,C and D
Ms. Qin Jiaxin (appointed as an executive Director with effect from March 22, 2021)	N/A[1]
Mr. Sheng Shiwei (appointed as an executive Director with effect from March 22, 2021)	N/A[1]
Mr. Guo Sijia (resigned with effect from March 22, 2021)	A,C and D
Mr. Hu Qingping	A,C and D
Ms. Chen Yuanyuan (resigned with effect from March 22, 2021)	A,C and D
Mr. Hu Jiawei (appointed as an non-executive Director with effect from March 22, 2021)	N/A[1]
Mr. Xu Chong	A,C and D
Mr. Tang Wei	A,C and D
Mr. Fang Hongwei	A,C and D
Mr. Yap Jin Meng Bryan (appointed as an independent non-executive Director with effect from December 18, 2020)	A,C and D

Notes:

A: Attend meetings and/or briefings

B: Made speech at meetings and/or briefings

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

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

(1) Both Ms. Qin Jiaxin and Mr. Sheng Shiwei were appointed as executive Directors on March 22, 2021. Mr. Hu Jiawei was appointed as non-executive Director on March 22, 2021. Therefore, they have not attended any director training for the period from the Listing Date of the Company up to December 31, 2020.

BOARD DIVERSITY POLICY

We have adopted a board diversity policy (the "Board Diversity Policy") which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board.

This policy aims to set out the basic principles to ensure that the members of the board of directors (the "Board") achieve an appropriate balance of diversification in skills, experience and perspectives, so as to enhance the effective operation of the Board and maintain a high standard of corporate governance.

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

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

The Company recognises and embraces the benefits of having a diverse Board and see increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. We have also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to our Board and the senior management levels. Currently, one of our Directors is female. We recognise that the gender diversity at our Board level can be improved given the majority of our Directors is male.

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

EXTERNAL AUDITOR

For the year ended December 31, 2020, the Company has appointed Deloitte Touche Tohmatsu as its external auditor.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended December 31, 2020 are set out in the table below:

Services provided	(HK$ million)
Audit services:	
Annual audit of the Group's consolidated financial statements	2.30
Non-audit services:	
Interim review of the Group's consolidated financial statements	0.87

ACCOUNTABILITY AND AUDIT

The Directors are responsible for overseeing the preparation of financial statements, which should give a true and fair view of the state of affairs of the Group and of the results and cash flow for the reporting period. The independent auditor's report on the financial statements is set out on pages 84 to 88 in this report. In preparing the financial statements for the year ended December 31, 2020, the Directors have selected suitable accounting policies and have applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and have prepared the financial statements on a going concern basis.

INTERNAL CONTROL AND RISK MANAGEMENT

Risk management and internal control

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

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

1.1 Risk management organizational structure

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

1.2 Five guiding principles of our risk management system

Principle of comprehensiveness

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

Principle of continuity

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

Principle of prudence

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

Principle of mutual checks and balances

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

Principle of cost-effectiveness

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

1.3 Joy Spreader's "Three Lines of Defense" risk management model

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

The Board

- Evaluating and determining the nature and extent of the risks it is willing to take in achieving the company's strategic objectives;
- Ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems;
- Reviewing the effectiveness of risk management and internal control systems at least annually; and
- Overseeing management of the Company in the design, implementation and supervision of the risk management and internal control systems on an on-going basis.

The Audit Committee

- Assisting the Board to oversee the effectiveness of the design, implementation and supervision of the risk management and internal control systems;
- Reviewing and approving the annual internal audit plan and review results; and
- Reviewing the risk assessment report of the Group.

The Senior Management

- Identifying and overseeing all risks related to the daily operations of the Group;
- Reporting the identified risks to the Board and the Audit Committee, including strategic, operational, financial, reporting and compliance risks, and risk changes during the year;
- Implementing, executing and overseeing risk management and internal control procedures on an ongoing basis; and
- Drawing up and implementing appropriate action plans to mitigate the identified risks and resolve major internal control deficiencies.

The First Line of Defense Business Team	The Second Line of Defense Risk Management Team	The Third Line of Defense Internal Audit Function

1.4 Risk management procedures

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

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

1.5 Internal audit function

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

On the other hand, in order to further strengthen the internal control of the Group, it has also appointed an independent professional consultant ("Internal Control Consultant") to conduct an annual review on the effectiveness of the risk management and internal control system for the year ended December 31, 2020. The Internal Control Consultant has reported the findings and improvement suggestions to the Audit Committee, and the management of the Group will continue to closely follow up the relevant rectification measures to ensure that the improvement suggestions are implemented within a reasonable time.

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

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

1.6 Disclosure of inside information policy

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

Communication with Shareholders and Investors

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

Convening of Extraordinary General Meetings by Shareholders of the Company

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

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

Enquiries to the Board

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

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

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

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

Communication with Shareholders and Investors Relations

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

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

DIVIDEND POLICY

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

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

CONSTITUTIONAL DOCUMENTS

The Company's Memorandum and Articles of Association have been amended and restated, effective from the date of Listing, and are available on the respective websites of the Stock Exchange and the Company. Save as disclosed above, there are no changes to the Company's constitutional documents for the year ended December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

The Company strives to achieve a high standard of corporate governance to protect the interest of its Shareholders and enhance corporate value and accountability. Since the date of Listing, the Company has adopted the principles and code provisions of the Corporate Governance Code. During the relevant period, except for the deviation from Code Provision A.2.1 of the Corporate Governance Code, the Company has been complying with all applicable code provisions of the Corporate Governance Code.

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

RESPONSIBILITY OF THE BOARD

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

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

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

DIRECTORS' REPORT

The Board of Directors is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2020.

PRINCIPAL ACTIVITIES

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

A list of the Company's subsidiaries, together with their places of establishment or incorporation, principal activities and details of their issued shares/paid up capital, is set out in note 36 to the consolidated financial statements of this annual report.

BUSINESS REVIEW

Review and Performance of the Year

A review of the Group's business during the year, a discussion on and analysis of the Group's future business development and the financial and operating key performance indicators used by the Directors in measuring the Group's business performance are set out in the sections headed "Financial Highlights" on pages 6 to 8, "Corporate Profile" on pages 9 to 11 and "Management Discussion and Analysis" on pages 12 to 23 of this annual report.

Environment Policies and Performance

The Group shall comply with the national and local laws and regulations on environment, health and safety in China. The Group has established detailed internal rules on environmental protection. As far as the Group is aware, during the year ended December 31, 2020, the Group complied with relevant environmental and occupational health and safety laws and regulations in China, and no incidents or complaints occurred during the Reporting Period that had a material adverse effect on our business, financial condition or results of operations.

Compliance with Relevant Laws and Regulations

For the year ended December 31, 2020, the Group has established compliance procedures to ensure compliance with applicable laws, rules and regulations that have a significant impact on the Group. The Board and senior management, within their respective scope of responsibilities, together with internal and external professional advisers, monitor policies and practices relating to the Group's compliance with laws and regulations. Changes, if any, in applicable laws, rules and regulations that have a significant impact on the Company will be brought to the notice of relevant employees and relevant business units from time to time. During the Reporting Period, the work of the Board of Directors and senior management complied with relevant applicable laws and regulations, the Articles of Association of the Company, charters of the board committees, internal policies and the relevant provisions of various internal control systems. Decision-making procedures of the Company are legitimate and effective. Directors and senior management of the Company have performed in a diligent and responsible manner and the resolutions of the board meetings are implemented faithfully. Meanwhile, the Company has timely performed its disclosure obligations which are in strict compliance with the requirements of the Listing Rules and the Model Code.

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

As far as the Group is aware, employees of the Group and the Group have complied with all relevant rules and regulations that have a significant impact on the Group for the year ended December 31, 2020.

Key Relationships with Stakeholders

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

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

Major Risks and Uncertainties and Risk Management

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

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

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

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

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

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

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

The Company believes that risk management is essential to the efficient and effective operation of the Group. The management of the Company assists the Board in assessing major risks arising inside and outside the Group's business, including operation risks, financial risks, regulatory risks, etc., and actively establishes appropriate risk management and internal control systems in daily management. The financial risk management objectives and policies of the Group are set out in note 31 to the consolidated financial statements of this annual report.

Events After the Reporting Period

Proposed Change of Company Name

On 19 March 2021, the Board proposed to change the English name of the Company from "Joy Spreader Interactive Technology. Ltd" to "Joy Spreader Group Inc." and the dual foreign name of the Company from "乐享互动有限公司" to "樂享集團有限公司". The Proposed Change of Company Name is subject to (i) the passing of a special resolution by the Shareholders at the Company's forthcoming AGM approving the Proposed Change of Company Name; and (ii) the Registrar of Companies in the Cayman Islands approving the Proposed Change of Company Name by issuing a certificate of incorporation on change of name.

In view of the Proposed Change of Company Name, the Board also proposed to adopt the Second Amended and Restated Memorandum and Articles of Association, and the Proposed Change of Company Name by replacing all references to "Joy Spreader Interactive Technology. Ltd 乐享互动有限公司" in the Amended and Restated Memorandum and Articles of Association with "Joy Spreader Group Inc. 樂享集團有限公司" to reflect the Proposed Change of Company Name. The Amendments is taking effect upon the passing of a special resolution and the Proposed Change of Company Name at the forthcoming AGM of the Company and the approval of the Proposed Change of Company Name by the Registrar of Companies of the Cayman Islands through the issuance of Certificate of Change of Name Registration.

Please refer to the Company's announcement dated March 19, 2021 for details of proposed change of company name.

There is no material events that affected the Group and occurred after the financial year ended December 31, 2020.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Mr. Guo Sijia (resigned with effect from March 22, 2021)
Mr. Hu Qingping
Ms. Chen Yuanyuan (resigned with effect from March 22, 2021)
Mr. Hu Jiawei (appointed as an non-executive Director with effect from March 22, 2021)

Independent non-executive Directors

Mr. Xu Chong
Mr. Tang Wei
Mr. Fang Hongwei
Mr. Yap Jin Meng Bryan (appointed as an independent non-executive Director with effect from December 18, 2020)

In accordance with Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

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

In accordance with Article 16.2 of the Articles of Association, Ms. Qin Jiaxin, Mr. Sheng Shiwei and Mr. Hu Jiawei (appointed on March 22, 2021) and Mr. Yap Jin Meng Bryan (appointed on December 18, 2020) will hold office until the next annual general meeting and shall then be eligible for re-election. Ms. Qin Jiaxin, Mr. Sheng Shiwei, Mr. Hu Jiawei and Mr. Yap Jin Meng Bryan, being eligible, offer themselves for re-election at the AGM.

In accordance with Article 16.18 of the Articles of Association, Mr. Zhang Zhidi, Mr. Cheng Lin and Mr. Fang Hongwei shall retire from office at the AGM. Such retiring Directors, being eligible, will offer themselves for re-election at the AGM.

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

Biography of Directors and Senior Management of the Group

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

Changes on Directors' information

On December 18, 2020, Mr. Yap Jin Meng Bryan ("Mr. Yap") was appointed as an independent non-executive Director and a member of the Board's audit committee (the "Audit Committee").

With effect from March 22, 2021, (i) Ms. Qin Jiaxin was appointed as an executive Director; (ii) Mr. Sheng Shiwei was appointed as an executive Director; and (iii) Mr. Hu Jiawei was appointed as a non-executive Director.

Each of Mr. Guo Sijia and Ms. Chen Yuanyuan resigned as non-executive Directors due to his/her other personal pursuits and business commitments with effect from March 22, 2021. Since Mr. Guo Sijia resigned as a non-executive Director, he will cease to be a member of the Audit Committee with effect from March 22, 2021. Each of Mr. Guo Sijia and Ms. Chen Yuanyuan has confirmed that he or she has no disagreement with the Board, and that there are no other matters in respect of his or her resignation that needs to be brought to the attention of The Stock Exchange of Hong Kong Limited (the"Stock Exchange") and the Shareholders of Company.

Directors' Service Contracts

Three executive Directors including Mr. Zhu Zinan, Mr. Zhang Zhidi and Mr. Cheng Lin have entered into a service agreement with the Company with an initial term of three years commencing from the Listing Date, and will continue thereafter until terminated by not less than three months' notice in writing served by either party on the other. Ms. Qin Jiaxin and Mr. Sheng Shiwei have entered into a service agreement with the Company on March 19, 2021, and their term of appointment commenced from March 22, 2021 and shall hold office until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

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

Each of our executive Directors (except Ms. Qin Jiaxin and Mr. Sheng Shiwei), non-executive Directors (except Mr. Hu Jiawei) and independent non-executive Directors (except Mr. Yap Jin Meng Bryan) is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Ms. Qin Jiaxin, Mr. Sheng Shiwei and Mr. Hu Jiawei have entered into a service agreement or appointment letter with the Company on March 19, 2021 and Mr. Yap Jin Meng Byran has entered into a letter of appointment with the Company on December 18, 2020. The term of appointment of Ms. Qin Jiaxin, Mr. Sheng Shiwei and Mr. Hu Jiawei commenced from March 22, 2020, and the term of appointment of Mr. Yap Jin Meng Byran commenced from December 18, 2020. They shall hold office until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

Remuneration of the Directors and Five Highest Paid Individuals

Details of the remuneration of the Directors and five highest paid individuals of the Group are set out in note 12 and note 34 to the consolidated financial statements of this annual report.

During the year ended December 31, 2020, none of the Directors has waived or agreed to waive any emoluments.

Employees and Remuneration Policies

A review of the Group's employees and remuneration policies during the year is set out in the section headed "Management Discussion and Analysis" on pages 12 to 23 of this annual report.

The Independence of Independent Non-Executive Directors

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

The Directors' Interests in Competing Business

Save as disclosed in this annual report, as at December 31, 2020, none of the Directors or their respective associates was engaged in or had an interest in any business which competes or might compete with the business of the Group.

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

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

Connected Transactions

No related party transactions disclosed in Note 34 to the consolidated financial statements constituted as a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Save as disclosed below in this annual report, during the year ended December 31, 2020, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

CONTRACTUAL ARRANGEMENT

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

I. The Specific Agreements that Constitute the Contractual Arrangements

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

1. Exclusive Management and Consultation Service Agreement

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

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

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

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

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

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

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

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

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

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

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

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

(l) to provide management of technical support;

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

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

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

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

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

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

2. Exclusive Option Agreement

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

3. Equity Pledge Agreement

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

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

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

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

4. Shareholders' Rights Proxy Agreement

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

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

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

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

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

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

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

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

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

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

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

5. Spousal Consent Letters and Undertakings from the Registered Shareholders

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

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

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

II. Grounds for the Contractual Arrangements

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

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

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

III. The Development of PRC Foreign Investment Law

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

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

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

IV. Risks Relating to the Contractual Arrangements

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

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

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

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

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

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

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

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

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

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

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

V. Listing Rules Implications

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

VI. The Waiver Granted by the Stock Exchange

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

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

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

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

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

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

VII. Confirmation from Independent Non-Executive Directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended December 31, 2020 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) during the year end December 31, 2020, no dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, (iii) during the year end December 31, 2020,the Group has not entered into, renewed or reproduced any new contracts with Consolidated Affiliated Entities, and (iv) Contractual Arrangements have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with the Equity Pledge Agreement and the Exclusive Management and Consultation Service Agreement for the year ended December 31, 2020 in accordance with Main Board Listing Rules 14A.56, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Equity Pledge Agreement and the Exclusive Management and Consultation Service Agreement for the year ended December 31, 2020. A copy of the auditor's letter has been provided by the Company to The Stock Exchange of Hong Kong Limited.

IX. Non-exempted Continuing Connected Transactions

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

Transactions	Parties involved	Continuing connected transactions in relation to	Continuing connected transactions amount for the year ended December 31 , 2020	Annual cap for the year ended December 31, 2020
Equity pledge agreement (the "Equity Pledge Agreement") entered into among Beijing Joy Spreader Interactive Network Technology Co., Ltd (北京樂享互動網絡科技股份有限公司", "Beijing Joyspreader"), Beijing Joy Spreader Interactive Technology Co., Ltd (北京樂享互動科技有限公司, "WFOE") and Registered Shareholders (as defined in the section headed "Equity Pledge Agreement" in the prospectus of the Company dated September 10, 2020)	Beijing Joyspreader and its subsidiaries (collectively referred to as the "Consolidated Affiliated Entities") and the holders of equity interests of the Consolidated Affiliated Entities, including WFOE	Dividends or other distributions made by Consolidated Affiliated Entities to the holders of equity interests of Consolidated Affiliated Entities	Nil	Not applicable
Exclusive management and consultation service agreement (the "Exclusive Management and Consultation Service Agreement") entered into between Beijing Joyspreader and WFOE	Consolidated Affiliated Entities and WFOE	Management and consultation service provided by WFOE to Consolidated Affiliated Entities.	HK$6,512,000	Not applicable

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

As at December 31, 2020, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares or Underlying Shares of the Company

Name of Director	Nature of interest	Number of Shares/underlying Shares [(1)]	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporation[(2)]	858,409,400 (L)	39.28%
	Interest of a party to an agreement[(4)]	66,750,000 (L)	3.06%
Mr. Zhang	Interest in controlled corporation[(3)]	66,750,000 (L)	3.06%
	Interest of a party to an agreement[(4)]	858,409,400 (L)	39.28%

Notes:

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

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

(3) 66,750,000 Shares are held by ZZD. Ltd. and ZZD. Ltd. is wholly owned by Mr. Zhang.

(4) 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.

Interests in Shares or Underlying Shares of Beijing Joyspreader

Name of Director	Nature of interest	Number of shares of Beijing Joyspreader[(1)]	Approximate percentage of shareholding interest in Beijing Joyspreader
Mr. Zhu	Beneficial owner	7,472,983 (L)	45.81%
	Interest in controlled corporation[(2)]	1,111,111 (L)	6.81%
	Interest of a party to an agreement[(3)]	667,500 (L)	4.09%
Mr. Zhang	Beneficial owner	667,500 (L)	4.09%
	Interest of a party to an agreement[(3)]	8,584,094 (L)	52.62%

Notes:

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

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

(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 Joyspreader. Therefore, they are deemed to be interested in the shares of Beijing Joyspreader held by each other under the SFO.

Save as disclosed above, as at December 31, 2020, so far as it was known to the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

THE DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

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

As at December 31, 2020, so far as it was known to the Directors or chief executives of the Company, the following persons (other than the Directors and chief executives of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Shares or Underlying Shares of the Company

Name of Shareholder	Nature of interest	Number of Shares/ underlying Shares [1]	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporation[2]	858,409,400 (L)	39.28%
	Interest of a party to an agreement[3]	66,750,000 (L)	3.06%
ZZN. Ltd.	Beneficial owner[4]	747,298,300 (L)	34.20%
Mr. Zhang	Interest in controlled corporation[5]	66,750,000 (L)	3.06%
	Interest of a party to an agreement[3]	858,409,400 (L)	39.28%
ZZD. Ltd.	Beneficial owner[5]	66,750,000 (L)	3.06%
Laurence mate. Ltd.	Beneficial owner[6]	111,111,100 (L)	5.08%
Shenzhen Nanhai Growth	Beneficial owner[7]	124,610,400 (L)	5.70%
NT Balance Capital Ltd.	Beneficial owner[8]	118,795,300 (L)	5.44%
Balance Capital Group Ltd.	Beneficial owner[9]	72,727,100 (L)	3.33%

Notes:

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

(2) 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.

(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.

Save as disclosed above, as at December 31, 2020, the Directors and chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

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

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

The Group's sales to its five largest customers accounted for 36.32% of the Group's total revenue for the year ended December 31, 2020 and 50.34% for the year ended December 31, 2019. Sales to the Group's largest customer accounted for 10.83% of the Group's total revenue, compared to 19.57% for the year ended December 31, 2019.

Major Suppliers

The purchase attributable to the Group's five latest suppliers accounted for 98.44% of the Group's total purchases for the year ended December 31, 2020 and 92.68% for the year ended December 31, 2019. The purchase attributable to the Group's largest supplier accounted for 46.24% of the Group's total purchases for the year ended December 31, 2020, as compared to 33.96% for the year ended December 31, 2019.

For the year ended December 31, 2020, none of the Directors, their close associates or any shareholders, which to the knowledge of the Directors owned more than 5% of the Company's issued shares, had an interest in any of the five largest customers and the five largest suppliers of the Group.

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2020.

PERMITTED INDEMNITY OF DIRECTORS

According to the Articles of Association, every director or other officer of the Company shall be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him in the performance of his duties or in the execution of his duties on trust or otherwise incurred or sustained. For the year ended December 31, 2020, the Company has arranged appropriate liability insurance for the Directors of the Group.

RESULTS

The Group's profit for the year ended December 31, 2020 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 89 to 91.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended December 31, 2020. There is no dividends declared prior to the Listing during the Reporting Period.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Reporting Period are set out in note 27 to the consolidated financial statements of this annual report.

RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 28 to the consolidated financial statements of this annual report.

As at December 31, 2020, the Company's reserves available for distribution to shareholders of the Company amounted to HK$1.34 billion.

CHARITABLE DONATIONS

During the Reporting Period, charitable and other donations made by the Group were HK$20,840.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 16 to the consolidated financial statements of this annual report.

USE OF NET PROCEEDS FROM LISTING

The Company was successfully listed on the Main Board of the Stock Exchange on September 23, 2020. After deducting underwriting fees, commissions and related expenses which were paid during the current year by the Company, the Company obtained the net proceeds from the Global Offering amounted to HK$1,498.83 million (including the net proceeds from partial exercise of the Over-allotment Option). As of December 31, 2020, the utilization of proceeds from the Listing of the Group is analyzed as follows:

Intended applications of net proceeds as stated in the Prospectus	Net proceeds (including net proceeds from the exercise of over-allotment option) (HK$ million)	Approximate percentage of total net proceeds (%)	Net proceeds utilized as of December 31, 2020 (HK$ million)	Unutilized net proceeds as of December 31, 2020 (HK$ million)	Expected timeframe for unutilized net proceeds
To develop our short-form video mobile new media monetization business, the net proceeds:					
(1) Will be used to invest in developing our self-owned user traffic;	511.11	34.10%	260.00	251.11	over the next five years
(2) Will be used to expand our team;	61.45	4.10%	–	61.45	over the next five years
(3) Will be used to further develop our short-form video technology infrastructure;	37.47	2.50%	–	37.47	over the next five years
(4) Will be used to procure high quality copyrights or ownership of high quality Interactive Entertainment Products or license-in high quality Interactive Entertainment Products; and	265.29	17.70%	–	265.29	over the next five years
(5) Will be used to continuously develop and optimize our algorithms and data collection capabilities to increase the effectiveness of recommendation algorithms for short-form videos.	23.98	1.60%	22.52	1.46	over the next five years
To continue to strengthen our capabilities in performance-based mobile new media marketing services, the net proceeds:					
(1) Will be used for potential investments in, or acquisitions of suitable licensed or large agents of top mobile new media platforms;	106.42	7.10%	–	106.42	over the next five years
(2) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	46.46	3.10%	–	46.46	over the next five years
(3) Will be used to expand our Interactive Entertainment Products offerings; and	121.41	8.10%	–	121.41	over the next five years
(4) Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order to capture high-quality mobile new media resources.	22.48	1.50%	–	22.48	over the next five years
To finance our international expansion, the net proceeds:					
(1) Will be used to establish an overseas office in South Korea or countries in Southeast Asia and to establish an international sales and marketing team;	61.45	4.10%	–	61.45	over the next five years
(2) Will be used for exploring potential investments and acquisitions, including talent trainee agency companies with strong talent resources in South Korea and Southeast Asia;	38.97	2.60%	–	38.97	over the next five years
(3) Will be used for procuring user traffic from overseas mobile new media platforms or their agents that provide traffic resources to extend our performance-based mobile new media marketing services to overseas platforms for both domestic marketers and foreign marketers that seek to market their products on overseas short-video platforms; and	29.98	2.00%	–	29.98	over the next five years
(4) Will be used to develop overseas versions of our technology platforms.	22.48	1.50%	–	22.48	over the next five years
For working capital and general corporate purposes	149.88	10.00%	39.08	110.80	over the next five years
Total	1,498.83	100.00%	321.60	1,177.23	

The Company will use the remaining proceeds for the purposes disclosed in the Prospectus and in accordance with the expected application timeframe disclosed in the Prospectus.

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend the annual general meeting (the "AGM") of the Company to be held on June 30, 2021, the register of members of the Company will be closed from June 25, 2021 (Friday) to June 30, 2021 (Wednesday), both days inclusive, during which period no transfer of shares of the Company will be effected. In order to be entitled to attend the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on June 28, 2021.

PURCHASE, SALE OR REDEMPTION OF THE SECURITIES OF THE COMPANY

Save as disclosed above, neither the company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended December 31, 2020.

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

The Company did not change its auditor since its listing. The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2020. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the forthcoming AGM for the approval of shareholders.

By order of the Board
Joy Spreader Interactive Technology. Ltd
Zhu Zinan
Chairman

Beijing, China
March 19, 2021

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THIS REPORT

Summary

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

Reporting Scope

The time range of this Report is from January 1, 2020 to December 31, 2020 (the "Reporting Period"), which is in line with the financial year covered by the 2020 Annual Report of the Group. The Report covers the Company and its subsidiaries.

Reporting Standards

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

Contact Information

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

- Tel: 010-87726988
- Email: investment@adjoy.com.cn

CORPORATE PROFILE

The Group is a leading marketing technology company, engaged in mobile new media performance-based marketing and marketing SaaS services in China. The Group uses data and algorithms as the core competencies, and uses aggregation and matching technologies based on interest-based recommendations to help marketers' products and mobile new media content to achieve coupled transactions, so as to realize marketers' marketing goals such as product sales and promotions. We also help content publishers to realize the commercial value of their traffic.

Through years of accumulation and development, the Group has gradually become a leader in the field of mobile new media marketing technology. Thanks to its pioneering advantages and long-term efforts in the field of mobile new media marketing technology, the Group has built up a solid barrier in its business development, established a leading edge and won a good reputation. The rapid accumulation of resources in our customers, products and mobile new media content has contributed to the continuous optimization of our data and algorithm models, laying a solid foundation for the Group to further enhance its technology service capabilities and achieve leapfrog development in the future.

ESG MANAGEMENT SYSTEM

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

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

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

STAKEHOLDER ENGAGEMENT

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

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

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

1. ENVIRONMENTAL IMPACTS

The Group acknowledges that protecting the environment is a social responsibility for an enterprise. As a mobile new media performance-based and marketing SaaS service provider, the Group mainly operates in office where the pollutants generated and the natural resources consumed both have no material impacts on the environment. Nevertheless, the Group has always committed to protecting the environment, formulating and performing environmental-friendly policies and measures in order to reduce the generation of emissions and the consumption of natural resources by the Group.

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

1.1 Emissions

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

Major emission	Unit	Volume of emission
Nitrogen oxides (NOx)	kg	5.0
Sulphur oxides (SOx)	kg	0.004
Particulate matters	kg	0.5

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

Greenhouse gas emissions	Unit	Volume of emission
Total greenhouse gas emissions	tonne	75.9
Scope 1: direct greenhouse gases emissions	tonne	0.7
Scope 2: indirect greenhouse gases emissions	tonne	75.2
Density of greenhouse gases emissions	tonne/employee	1.0

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

Waste generation	Unit	Volume
Volume of non-hazardous waste generation	tonne	17.5
Density of non-hazardous waste generation	tonnes/employee	0.2

The Group has adopted a series of environmental protection measures to reduce the emissions of exhaust and greenhouse gases and the generation of non-hazardous wastes. The Group has implemented a strict business travel approval system, under which the employees of the Group shall obtain approval for making business travel by air or high speed rail, and the Group shall also monitor the travel records of its own vehicles to avoid abuse. Furthermore, the Group encourages its employees to use two-sided printing or black and white printing and adopt electronic office methods such as projection screen and shared screen with an aim to reduce the generation of wastes.

1.2 Use of Resources

The Group has proactively practiced various energy saving measures, pursuant to which employees are required to use electricity, water and paper reasonably and eradicate any wasting phenomenon. The following sets forth a breakdown of the Group's consumption of electricity, water and paper during the Reporting Period.

Use of electricity	Unit	Consumption
Electricity consumption	Thousand kWh	77.7
Density of electricity consumption	Thousand kWh/employee	1.1
Use of water	**Unit**	**Consumption**
Water consumption	tonne	679.0
Density of water consumption	tonne/employee	9.3
Use of paper	**Unit**	**Consumption**
Density of paper consumption	kg/employee	4.8

The Group has attached great importance to the management of use of resources, formulated and adopted requirements for water saving, paper saving and electricity saving, and strived to improve employees' awareness of energy saving. The Ethics and Code of Conduct for Employees (《員工道德及行為規範》) expressly stipulates that each employee shall use water and power effectively. In addition, employees are required to shut down all power, lighting and air conditioning systems when off duty every day, thus lowering electricity consumption. Also, employees are encouraged to use two-sided printing or black and white printing and adopt electronic office methods such as projection screen and shared screen with the aim to reduce paper consumption.

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

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

1.3 The Environment and Natural Resources

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

2. SOCIAL IMPACT

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

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

The Group keeps abreast of the needs of the community where it operates and actively assumes social responsibility so as to bring positive influence on the development of the community. As such, it has received wide recognition, including "New Prominent Enterprise of Social Responsibility in 2020".

2.1 Employment

The Group regards talents as an important asset and core competitiveness and values the contributions made by its employees. The Group has formulated and implemented a full set of human resources management policies aiming at protecting the interests of employees and the Group.

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

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

In term of employee benefits and security, the Group complies with the minimum working age and minimum wage prescribed by law and provides employees with five national statutory social insurances in accordance with the Beijing Social Insurance Ordinance (《北京市社會保險條例》). The Group strictly guarantees that employees have their rights to various holidays, such as public holidays, paid annual leave, sick leave, wedding leave and maternity leave. Additionally, the Group also provides employees with employee accident insurance, reimbursement of taxi expenses for overtime and other benefits and safeguard measures. Moreover, we organize team building quarterly and physical examinations annually for our employees.

In term of equal employment, the Group has always been committed to promoting employee diversities and treats every employee fairly in aspects of employment, promotion and training, regardless of gender, religion, race, or nationality, to ensure that all employees enjoy equal opportunities. During the Reporting Period, the Group did not have any discrimination cases.

At the end of the Reporting Period, the Group had 73 full-time employees, the majority of whom were based in China. At the end of the Reporting Period, over 82.19% of our employees were in the positions of research and development, technical and operation.

2.2 Health and Safety

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

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

The Group regularly inspects office equipment and fire equipment to guarantee the health and safety of staff at work and reduce work injury. The Group also provides staff with training relating to health and safety, such as fire safety training to enhance their safety awareness.

During the Reporting Period, in response to the COVID-19 epidemic, the Group actively unfolded the preventive work, such as issuing certain notices on epidemic prevention and control, requiring all staff to fill the epidemic information questionnaire to know about relevant information that whether the staff have been to the places with cluster cases and whether they have contacts with confirmed cases and suspected cases.

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

2.3 Development and Training

The Group attaches great importance to talents cultivation and regards the staff's development as a key factor of the Group's success. Hence, the Group has formulated specific talents training plan to improve staff's professional abilities and support their professional development and personal growth. Meanwhile, the Group provides professional training plan for new employees and, also, customises and offers online and offline regular and professional training according to the demand of employees in different departments.

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

- General system: new employees' induction training, attendance management training
- Working skills: payment reimbursement process training, seal application process training
- Professional knowledge: financial training (including the financial and tax training of finance department), compliance training (including compliance training of office of secretary to the Board (董秘辦), investors relations department training and National Equities Exchange and Quotations (全國中小企業股份轉讓系統) training

The Group also encourages its employees to participate in external training. During the Reporting Period, the Group organised employees to attend training in Cheung Kong Graduate School of Business (長江商學院), Xiaomi Corporation and consulting firms.

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

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

By employee category	Percentage of trained employees	Average training hours (hour/employee)
Senior management	100%	30
Middle management	100%	30
General staff	100%	30

2.4 Labour Standards

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

The Group will confirm the actual age of applicants by checking their identification cards in recruitment. In addition, the Group will also develop and implement overtime management system to ban involuntary overtime, and at the same time, enter into labor contracts with all employees on a voluntary basis.

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

2.5 Supply Chain Management

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

The Group will conduct investigation and evaluation on potential suppliers in the selection, including evaluating their goodwill in the industry, customers served in the past, qualification and whether the supplier complied with relevant laws and regulations in the past cooperation, participated in bribery, corruption and other prohibited business methods and violated relevant local and national laws and regulations. If the supplier is founded in violating the provisions of relevant laws and regulations during the cooperation, the Group will terminate the cooperation with that supplier in the future.

2.6 Product Responsibilities

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

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

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

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

2.7 Anticorruption

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

The Group required all staff to enter into Letter of Commitment on Non-benefit Transfer (《關於無利益輸送事宜之承諾函》), which clarifies that all staff shall not provide loans or guarantees for units who have business contact with them under the Company's name without its permissions; they shall not privately obtain loans from or with the assistance of business units (other than normal loans from financial institutions); they shall not directly or indirectly hold shares in any form (other than public market stock investment), hold an office, take a part-time job or obtain other benefits in any business units; they shall not accept any articles of value including but not limited to rebates, cash, benefits in kind, securities and coupons, directly or indirectly provided by the business units, or accept and engage in travel, high-grade business dinner and other activities provided by the business units which may affect impartial performance of duties; they shall not conduct any insider transaction or benefits transfer. In case of any of the above circumstances, the Group has the right to make relevant punishments on the employee according to the provisions of laws and regulations, the Group's articles of association and internal management system, and reserves the right to prosecute/charge.

During the Reporting Period, the Group did not involve any cases related to bribery, extortion, fraud and money laundering.

2.8 Community Investment

The Group deeply acknowledges that business success of the Group has a stake in the development of the communities where it operates. Thus, we keep abreast of the needs of the communities and actively assume our social responsibilities.

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

On November 27, 2020, Joy Spreader Interactive was awarded "New Prominent Enterprise of Social Responsibility in 2020" for its excellent performance in social responsibility in the award ceremony of 2020 Pioneer Award of the Third CSR Pioneer Forum with the theme of "Benefit" Road Start Again.

The forum was held by the International Finance News, highlighting the epidemic prevention and control, precise poverty alleviation, rural vitalization and other issues to explore new ideas and courses of corporate social responsibility development. Each of awards issued in the forum aims to recognize those enterprises who have outstanding performance and make great contributions in corporate social responsibilities, thus, encouraging more enterprises to continue to perform social responsibility.

HKEX ESG REPORTING GUIDE INDEX

Subject Areas, Aspects, General Disclosures and KPIs		Chapter	Page
A. Environmental			
A1. Emissions			
General Disclosure		1.1 Emissions	6
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(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.		
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A1.2	Total greenhouse gas emissions and intensity.	1.1 Emissions	6
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A1.6	Description of how hazardous and non-hazardous wastes are handled, and reduction production measures and achievements received.	1.1 Emissions	6
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Policies on the efficient use of resources, including energy, water and other raw materials.			
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	1.2 Use of Resources	7
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A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	1.3 The Environment and Natural Resources	7

Subject Areas, Aspects, General Disclosures and KPIs		Chapter	Page
B. Social			
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(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		
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B2. Health and Safety			
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B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	2.2 Health and Safety	10
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General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		2.3 Development and Training	10
B3.1	The percentage of employees trained by gender and employee category.	2.3 Development and Training	10
B3.2	The average training hours completed per employee by gender and employee category.	2.3 Development and Training	10

* As this is the first year of reporting, the Group has not yet recorded the related statistics. The Group targets to provide such data next year.

Subject Areas, Aspects, General Disclosures and KPIs		Chapter	Page
B4. Labour Standards			
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(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.		
B4.1	Description of measures to review employment practices to avoid child and forced labor.	2.4 Labor Standards	11
B4.2	Description of steps taken to eliminate such practices when discovered.	—	—
B5. Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		2.5 Supply Chain Management	11
B5.1	Number of suppliers by geographical region.	Not disclosed during the Reporting Period*	N/A
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Not disclosed during the Reporting Period*	N/A
B6. Product Responsibility			
General Disclosure Information on:		2.6 Product Responsibility	11
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B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	The Group is not engaged in product production	N/A
B6.2	Number of products and service related complaints received and how they are dealt with.	2.6 Product Responsibility	11
B6.3	Description of practices relating to observing and protecting intellectual property rights.	2.6 Product Responsibility	11
B6.4	Description of quality assurance process and recall procedures.	Not disclosed during the Reporting Period*	N/A
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	2.6 Product Responsibility	11

* As this is the first year of reporting, the Group has not yet recorded the related statistics. The Group targets to provide such data next year.

Subject Areas, Aspects, General Disclosures and KPIs		Chapter	Page
B7. Anti-corruption			
General Disclosure Information on:		2.7 Anti-corruption	11
(a)	the policies; and		
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	2.7 Anti-corruption	11
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	—	—
B8. Community Investment			
General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.		2.8 Community Investment	12
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	—	—
B8.2	Resources contributed (e.g. money or time) to the focus area.	—	—

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE SHAREHOLDERS OF JOY SPREADER INTERACTIVE TECHNOLOGY. LTD
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Joy Spreader Interactive Technology. Ltd (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 89 to 165, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Revenue recognition	
We identified the revenue recognition from contracts with customers as a key audit matter because the amount is significant to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 and it is a key performance indicator of the Group and therefore there is a high inherent risk of misstatement. As disclosed in Note 6 to the consolidated financial statements, the Group derived its revenue from provision of performance-based we-media marketing services amounting to HK$923,916,000 for the year ended 31 December 2020.	Our procedures in relation to revenue recognition included: • Understanding the key internal controls relevant to revenue recognition from contracts with customers; • Examining, on a sample basis, the key terms set out in the Group's contracts with its customers governing the performance obligations and the associated revenue recognition; • Obtaining confirmations for the revenue generated from the Group's major customers; • Inspecting, on a sample basis, the recorded revenue transactions by examining the underlying supporting evidences such as monthly settlement records with customers and other supporting documents.

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	NOTES	Year ended 31 December **2020** **HK$'000**	 2019 HK$'000 (Restated)
Revenue	6	**923,916**	538,001
Cost of revenue		**(622,359)**	(405,143)
Gross profit		**301,557**	132,858
Other income	7	**4,638**	4,101
Other gains and losses	8	**(60,650)**	512
Impairment losses, net of reversal	9	**(12,716)**	(5,855)
Distribution and selling expenses		**(5,331)**	(3,824)
Administrative expenses		**(41,543)**	(16,798)
Research and development expenses		**(27,366)**	(7,730)
Listing expenses		**(24,274)**	(23,135)
Finance costs	10	**(958)**	(385)
Profit before taxation	11	**133,357**	79,744
Income tax credit/(expenses)	13	**5,322**	(3,218)
Profit for the year attributable to owners of the Company		**138,679**	76,526
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**98,087**	(9,156)
Fair value gain on equity instruments at fair value through other comprehensive income		**20,192**	4,405
Income tax relating to item that will not be reclassified		**(2,854)**	(670)
Other comprehensive income for the year, net of income tax		**115,425**	(5,421)
Total comprehensive income for the year attributable to owners of the Company		**254,104**	71,105
Basic earnings per share (HK cents)	14	**7.78**	4.84
Diluted earnings per share (HK cents)	14	**7.78**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	As at 31 December 2020 HK$'000	2019 HK$'000 (Restated)	As at 1 January 2019 HK$'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	16	**20,173**	5,977	1,125
Right-of-use assets	17	**18,732**	12,721	7,891
Intangible assets	18	**8,722**	8,528	9,208
Deferred tax assets	19	**1,300**	–	341
Other deposits	21	**2,791**	2,503	1,403
Prepayments	23	**–**	4,066	4,028
Equity instruments at fair value through other comprehensive income	20	**37,862**	11,092	6,848
		89,580	44,887	30,844
CURRENT ASSETS				
Trade and other receivables and deposits	21	**332,345**	92,264	51,808
Loan receivables	22	**37,427**	33,524	23,088
Prepayments	23	**610,854**	193,840	59,493
Financial assets at fair value through profit or loss		**–**	–	1,144
Bank balances and cash	24	**1,210,447**	146,787	112,299
		2,191,073	466,415	247,832
CURRENT LIABILITIES				
Trade and other payables	25	**99,090**	46,789	27,833
Lease liabilities	26	**6,152**	4,667	1,594
Income tax payable		**986**	1,861	96
Contract liabilities		**–**	–	406
		106,228	53,317	29,929
NET CURRENT ASSETS		**2,084,845**	413,098	217,903
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,174,425**	457,985	248,747

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	As at 31 December 2020 HK$'000	2019 HK$'000 (Restated)	As at 1 January 2019 HK$'000 (Restated)
NON-CURRENT LIABILITIES				
Lease liabilities	26	**14,890**	7,886	6,132
Deferred tax liabilities	19	**573**	625	–
		15,463	8,511	6,132
NET ASSETS		**2,158,962**	449,474	242,615
CAPITAL AND RESERVES				
Share capital	27	**22**	16	16,072
Reserves	28	**2,158,940**	449,458	226,543
TOTAL EQUITY		**2,158,962**	449,474	242,615

The consolidated financial statements on pages 89 to 165 were approved and authorized for issue by the board of directors on 19 March 2021 and are signed on its behalf by:

Zhu Zinan
Director

Zhang Zhidi
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share capital HK$'000	Capital reserve HK$'000	Fair value through other comprehensive income reserve HK$'000	Statutory reserve funds HK$'000	Translation reserve HK$'000	Retained earnings HK$'000	Total HK$'000
At 1 January 2019 (Restated)	16,072	137,931	–	10,743	(10,801)	88,670	242,615
Profit for the year (Restated)	–	–	–	–	–	76,526	76,526
Other comprehensive income for the year (Restated)	–	–	3,735	–	–	–	3,735
Exchange difference on translation (Restated)	–	–	–	–	(9,156)	–	(9,156)
Profit and total comprehensive income for the year (Restated)	–	–	3,735	–	(9,156)	76,526	71,105
Issue of shares (Restated) (note a)	1,546	140,640	–	–	–	–	142,186
Share issuance expenses (Restated) (note a)	–	(6,448)	–	–	–	–	(6,448)
Appropriation of statutory reserve funds (Restated)	–	–	–	9,047	–	(9,047)	–
Issue of shares (Restated) (note b)	16	–	–	–	–	–	16
Adjustment arising from the Group Reorganisation (Restated) (note c)	(17,618)	17,618	–	–	–	–	–
At 31 December 2019 (Restated)	16	289,741	3,735	19,790	(19,957)	156,149	449,474
Profit for the year	–	–	–	–	–	138,679	138,679
Other comprehensive income for the year	–	–	17,338	–	–	–	17,338
Exchange difference on translation	–	–	–	–	98,087	–	98,087
Profit and total comprehensive income for the year	–	–	17,338	–	98,087	138,679	254,104
Issue of shares (note d)	6	1,595,528	–	–	–	–	1,595,534
Share issuance expenses (note d)	–	(140,150)	–	–	–	–	(140,150)
Appropriation of statutory reserve funds	–	–	–	13,244	–	(13,244)	–
At 31 December 2020	22	1,745,119	21,073	33,034	78,130	281,584	2,158,962

Notes:

a. Beijing Joy Spreader Interactive Network Technology Co., Ltd ("Beijing Joyspreader"), 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 19 February 2019 and 11 December 2019, 9,883,333 and 6,429,299 ordinary shares of Hong Kong Dollar ("HK$")16,313, equivalent to approximately Renminbi ("RMB")14,000 in total were issued by the Company and allotted to the offshore holding companies wholly-owned by the legal shareholders of Joy Spreader.

c. 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 (the "Prospectus") 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 "Listing"). As a result, the Company became the holding company of the Group since then.

d. On 23 September 2020, 543,700,000 ordinary shares of the Company 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. On 28 October 2020, the Company elected to allot and issue a further 10,305,000 ordinary shares at a price of HK$2.88 per share, raising a total gross proceed of HK$29,678,400. Transaction costs of the issuance of these new shares were incurred and charged against equity.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
OPERATING ACTIVITIES		
Profit before taxation	**133,357**	79,744
Adjustments for:		
Interest income	**(940)**	(1,737)
Depreciation of property, plant and equipment	**2,195**	861
Depreciation of right-of-use assets	**4,945**	3,022
Amortisation of intangible assets	**2,652**	2,047
Impairment losses, net of reversal	**12,716**	5,855
Finance costs	**958**	385
Loss on disposal of property, plant and equipment	**399**	–
Other gains and losses	**2,510**	(512)
Exchange difference	**57,741**	–
Operating cash flows before movements in working capital	**216,533**	89,665
Increase in trade and other receivables and deposits	**(247,991)**	(44,468)
Increase in prepayments	**(391,291)**	(143,289)
Increase in trade and other payables	**11,880**	23,403
Decrease in contract liabilities	**–**	(404)
Cash used in operations	**(410,869)**	(75,093)
Income tax paid	**(209)**	(1,114)
Net cash used in operating activities	**(411,078)**	(76,207)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	**(14,153)**	(5,529)
Purchase of intangible assets	**(68)**	(3,749)
Prepayments for right-of-use assets	**–**	(1,734)
Purchase of financial assets at fair value through profit or loss	**129,280**	(90,885)
Redemption of financial assets at fair value through profit or loss	**(128,940)**	93,206
Purchase of equity instruments at fair value through profit or loss	**(5,941)**	–
Increase in loan receivables	**(35,412)**	(34,116)
Repayment of loan receivables	**33,759**	22,983
Interest received	**600**	554
Proceeds from disposal of property, plant and equipment	**337**	–
Acquisition of a subsidiary	**–**	(483)
Net cash used in investing activities	**(20,538)**	(19,753)
FINANCING ACTIVITIES		
Repayment of lease liabilities	**(2,592)**	(1,295)
Interests paid	**(958)**	(385)
Proceeds from issue of shares	**1,554,214**	142,024
Payment of shares issue costs	**(55,388)**	(9,896)
Increase in restricted bank deposits	**–**	(3,414)
Decrease in restricted bank deposits	**–**	3,414
Net cash from financing activities	**1,495,276**	130,448
Net increase in cash and cash equivalents	**1,063,660**	34,488
Cash and cash equivalents at beginning of the year (Restated)	**146,787**	112,299
Effect of foreign exchange rate changes	**–**	–
Cash and cash equivalents at end of the year, represented by bank balances and cash	**1,210,447**	146,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2020

1. GENERAL INFORMATION

Joy Spreader Interactive Technology. Ltd (the "Company") is a public limited company incorporated and registered in the Cayman Islands on 19 February 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited. The 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 in the People's Republic of China (the "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 chairman and chief executive officer of the Company (the "Ultimate Controlling Shareholder").

The consolidated financial statements are presented in HK$, which is different from the Company's functional currency of RMB. The directors of the Company (the "Directors") adopted HK$ as presentation currency. For facilitating the reading of the consolidated financial statements of the Company by users and in view of the Group's future internationalization strategy, the presentation currency of the Company was changed from RMB to HK$ during the current year, and the consolidated financial statements are presented in HK$, as the Company's share are listed on The Stock Exchange of Hong Kong Limited in September 2020. The comparative information has been restated to reflect the change in presentation currency to HK$ accordingly. The Group has also presented the consolidated statement of financial position as at 1 January 2019 without related notes.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Prior to the incorporation of the Company and the completion of the Group Reorganisation, the main operating activities of the Group were carried out by Joy Spreader and its subsidiaries, which were established in the PRC (collectively, the "Consolidated Affiliated Entities"). Joy Spreader was owned by the Ultimate Controlling Shareholder and other shareholders (collectively referred to as "Joy Spreader Shareholders").

In preparation for the Listing, the Group underwent the Group Reorganisation involving the following steps: (i) incorporating the Company and certain investment holding companies including a wholly-owned subsidiary established in the PRC namely Beijing Joy Spreader Interactive Technology Limited ("Joy Spreader WFOE"), (ii) incorporating investment holding companies by each of the Joy Spreader Shareholders and each of them subscribing the shares of the Company with the equivalent shareholding percentage of Joy Spreader and (iii) entering into the Contractual Arrangements (see definition in note 2) as detailed below.

2. GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As the shares are proportionately issued to the shareholders of the Company, the Group resulting from the Group Reorganisation, which involves interspersing certain investment holding companies including the Company between Joy Spreader and the Joy Spreader Shareholders and execution of the Contractual Arrangements (see definition in the paragraph below), is regarded as a continuing entity throughout the two years ended 31 December 2020, regardless of the actual date when they legally form part of a group. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes of equity and consolidated statements of cash flows for the two years ended 31 December 2020 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganisation had been in existence throughout the two years ended 31 December 2020, or since their respective dates of incorporation/establishment, where there is a shorter period.

The Group conducts its business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Internet cultural business industry in the PRC. Joy Spreader WFOE has entered into contractual arrangements with Joy Spreader and the Joy Spreader Shareholders on 11 December 2019 (the "Contractual Arrangements"). Pursuant to the Contractual Arrangements, Joy Spreader WFOE is able to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders' voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Joy Spreader WFOE;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Joy Spreader WFOE may exercise such options at any time until they have acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, pledge or dispose of any assets, or make any distributions to their equity holders without prior consent of Joy Spreader WFOE; and
- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders as collateral security for payments of the Consolidated Affiliated Entities due to Joy Spreader WFOE and to secure performance of the Consolidated Affiliated Entities' obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities, has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets, liabilities, revenue, income and expenses of the Consolidated Affiliated Entities in the consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	*Definition of Material*
Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*

The application of the *Amendments to References to the Conceptual Framework in IFRS Standards* and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendments to IFRS 16	*Covid-19-Related Rent Concessions*[4]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[5]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to IFRS Standards	*Annual Improvements to IFRS Standards 2018-2020*[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2021

The Directors anticipate that the application of all new and amendments to IFRSs that have been issued but are not yet effective will have no material impact on the consolidated financial statements in the foreseeable future.

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

4.1 Basis of preparation of the consolidated financial statements

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

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

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

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

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

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

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

4.2 Significant accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

4.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

Business combinations or asset acquisitions

Assets acquisitions

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

Revenue from contracts with customers

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

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

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

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

4.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

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

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

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

Variable consideration

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

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

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

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

4.2 Significant accounting policies (continued)

Leases

Definition of a lease

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

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

The Group as lessee

Short-term leases

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

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

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

4.2 Significant accounting policies (continued)

Leases (continued)

The Group as lessee (continued)

Refundable rental deposits

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

Lease liabilities

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

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

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

4.2 Significant accounting policies (continued)

Foreign currencies

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

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

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

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

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

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

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

4.2 Significant accounting policies (continued)

Retirement benefit costs

Payments to the retirement funds scheme managed by local social security bureau in accordance with the government regulations in the People's Republic of China (the "PRC"), are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

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

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

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

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

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

4.2 Significant accounting policies (continued)

Taxation (continued)

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

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

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

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

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

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

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

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

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

4.2 Significant accounting policies (continued)

Property, plant and equipment

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

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

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

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives.

The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Research and development expenditure

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

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

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

4.2 Significant accounting policies (continued)

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

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

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

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

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

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

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

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

4.2 Significant accounting policies (continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

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

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

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

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

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

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

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

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

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

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

(iii) Financial assets at FVTPL

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

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

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

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

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

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

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

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

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

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

(ii) Definition of default

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

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

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

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iii) Credit-impaired financial assets

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

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

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

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

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

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

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

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

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

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

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

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

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

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

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

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities at amortised cost

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

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

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Derecognition of financial liabilities

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

Offsetting a financial asset and a financial liabilities

A financial asset and a financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (continued)

Provision of ECL for trade receivables

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

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

The provision of ECL is sensitive to changes in estimates. Due to greater financial uncertainty triggered by the COVID-19 pandemic, the Group has increased the expected loss rates arising from forward looking information in the current year as there is higher risk that a prolonged pandemic could possibly increase credit default rates. As at 31 December 2020, the carrying amount of trade receivables was HK$320,874,000 (31 December 2019: HK$77,358,000 (Restated)), after deducting allowance for doubtful debts of HK$19,252,000 (31 December 2019: HK$5,527,000 (Restated)). The information about the ECL and the Group's trade receivables are disclosed in notes 31(b) and 21.

Fair value measurement of equity instruments

As at 31 December 2020, certain of the Group's unlisted equity securities amounting to HK$37,862,000 (31 December 2019: HK$11,092,000 (Restated)) were measured at fair value with fair value being determined based on recent transaction price or significant unobservable inputs using valuation techniques. Judgment and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 31(c) for further disclosures.

6. REVENUE AND SEGMENT 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 type of products promoted

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Interactive entertainment and other digital products marketing	**803,531**	509,725
E-commerce products marketing	**118,727**	26,155
Other products	**1,658**	2,121
	923,916	538,001

Timing of revenue recognition

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Point in time	**923,916**	538,001

6. REVENUE AND SEGMENT INFORMATION (continued)

Performance obligations for contracts with customers

The Group mainly acts as the principal to all contracts with customers and therefore recognises revenue earned and costs incurred related to the transactions on a gross basis where the Group is the primary obligor and are responsible for (i) identifying and contracting with individual customers and negotiating with them the contract price; (ii) identifying and contracting with suppliers (normally the Group made prepayments to suppliers for the advertising traffic to be used for a future period, for example nine months); and (iii) bearing sole responsibility for fulfillment of the services. Such revenue is recognised at a point in time when specific services were provided based on different pricing models. Normally, the payment terms for the contract is 90 days after the number of the specified actions is agreed with the customers monthly.

Transaction price allocated to the remaining performance obligation for contracts with customers

All performance-based we-media marketing services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 the place of establishment of the customers, and all of the Group's non-current assets are located in the PRC. Thus, no geographical information is presented.

6. REVENUE AND SEGMENT INFORMATION (continued)

Information about major customers

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Customer A[3]	**100,106**	N/A[1]
Customer B[4]	**N/A[1]**	105,260
Customer C	**N/A[2]**	59,791

1 The revenue generated from the customer was less than 10% of the total sales of the Group for the relevant year.
2 No revenue was generated from this customer for the relevant year.
3 Customer A represents two customers under the control of the same shareholder.
4 Customer B represents two customers under the control of the same shareholder.

7. OTHER INCOME

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Interest income on bank deposits	**253**	239
Interest income on financial assets as FVTPL	**340**	1,183
Interest income on loan receivables	**347**	315
Government grants (Note)	**3,698**	2,364
	4,638	4,101

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

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Loss on disposal of property, plant and equipment, net	**399**	–
Foreign exchange losses, net	**57,741**	–
Others	**2,510**	(512)
	60,650	(512)

9. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Net impairment losses recognised in respect of:		
trade receivables	**12,650**	5,324
other receivables	**66**	531
	12,716	5,855

As at 31 December 2019, the Group's trade receivables from one of its customers amounting to HK$16.1 million (Restated) was impaired by HK$4.7 million (Restated) and the repayment date has been revised and scheduled to be fully repaid by the end of May 2020 in February 2020. The Group issued a formal attorney letter to the customer on 22 May 2020 and initiated an arbitration proceeding in a PRC arbitration court on 17 November 2020. Up to the date of these financial statements, the Group was still under the process of arbitration and none of such receivables were settled. The Group has fully impaired the net carrying amount of such receivables amounting to HK$11.4 million during the current year. Details of impairment assessment are set out in note 31.

10. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Interest expense on lease liabilities	**958**	385

11. PROFIT BEFORE TAXATION

Profit before taxation has been arrived at after charging:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Depreciation of property, plant and equipment	**2,195**	861
Depreciation of right-of-use assets	**4,945**	3,022
Amortisation of intangible assets (included in administrative expenses)	**2,652**	2,047
Total depreciation and amortisation	**9,792**	5,930
Staff costs (including Directors' remuneration as set out in note 12):		
Salaries and other benefits-in-kind	**6,993**	6,093
Retirement benefits scheme contributions	**150**	1,558
Discretionary bonus	**6,603**	5,961
Total staff costs	**13,746**	13,612
Auditors' remuneration	**3,170**	359
Research and development costs recognised as an expense (included in research and development expenses)	**27,366**	7,730

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

a. Directors' and Chief Executive's Emoluments

Zhu Zinan was appointed as an executive director and chief executive officer of the Company on 19 February 2019.

Zhang Zhidi and Cheng Lin were appointed as executive directors of the Company on 27 December 2019.

Guo Sijia, Hu Qingping and Chen Yuanyuan were appointed as non-executive directors of the Company on 27 December 2019.

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

Yap Jin Meng Bryan was appointed as an independent non-executive director of the Company on 18 December 2020.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

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

Details of the emoluments paid or payable to the directors and chief executive officer of the Company (including emoluments of their services as employees or directors of the group entities prior to becoming the directors of the Company) during the year are as follows:

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

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

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

	Fees HK$'000 (Restated)	Salaries and other benefits-in-kind HK$'000 (Restated)	Contributions to retirement benefits scheme HK$'000 (Restated)	Discretionary bonus (note) HK$'000 (Restated)	Total HK$'000 (Restated)
Year ended 31 December 2019					
Executive directors					
Zhu Zinan	–	233	59	241	533
Zhang Zhidi	–	173	49	164	386
Cheng Lin	–	208	59	306	573
Subtotal	–	614	167	711	1,492
Non-executive directors					
Guo Sijia	70	–	–	–	70
Hu Qingping	–	–	–	–	–
Chen Yuanyuan	–	–	–	–	–
Subtotal	70	–	–	–	70
Total					1,562

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

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

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

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

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

b. Employees' Emoluments

The five highest paid employees of the Group during the year included two directors (2019: two directors), details of whose remuneration are set out above. Details of the remuneration for the year of the remaining three (2019: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Salaries and other benefits-in-kind	**799**	675
Contributions to retirement benefits schemes	**13**	174
Discretionary bonus (Note)	**722**	1,051
	1,534	1,900

The remunerations of each of the highest paid employees who are not the Directors are all within HK$1,000,000.

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

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

13. INCOME TAX (CREDIT)/EXPENSES

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Current enterprise income tax	**2,516**	2,858
(Over-provision)/under-provision in prior years	**(3,666)**	54
Deferred tax (note 19)	**(4,172)**	306
	(5,322)	3,218

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Profit before taxation	**133,357**	79,744
Tax at the applicable tax rate of 25%	**33,339**	19,936
Tax effect of expenses not deductible for tax purpose	**716**	440
Effect of tax exemptions granted	**(34,912)**	(8,719)
Effect of research and development expenses that are additionally deducted	**(799)**	(257)
Effect on different tax rate resulting from subsidiaries entitling as High-New Technology Enterprises ("HNTE")	**–**	(8,236)
(Over-provision)/under-provision in prior years	**(3,666)**	54
Tax (credit)/charge	**(5,322)**	3,218

13. INCOME TAX (CREDIT)/EXPENSES (continued)

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% for both years.

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

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

According to "關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知" (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 from 2017 to 2021. Two of the Group's subsidiaries, Horgos Zhipu Shulian Internet Technology Co., Ltd and Horgos Joyspreader Interactive Technology Co., Ltd, which were founded in 2020 and located in Horgos city in the PRC, were exempted from income tax from 2020 to 2024.

14. EARNINGS PER SHARE

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

Earnings figures are calculated as follows:

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Profit for the year attributable to owners of the Company	**138,679**	76,526
Basic earnings per share (HK cents)	**7.78**	4.84
Diluted earnings per share (HK cents)	**7.78**	N/A

Number of shares

	Year ended 31 December	
	2020	2019
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,782,057**	1,580,091
Effect of dilutive potential ordinary shares:		
– over-allotment options	**36**	N/A
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**1,782,093**	N/A

The number of ordinary shares for the purposes of calculating basic earnings per share for the years ended 2019 and 2020 has been determined on the assumption that the Group Reorganisation, the Share Subdivision (defined in note 27(b)) and the capitalisation issuance of the shares of the Company as set out in note 27 had been effective on 1 January 2019.

15. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2019 and 2020.

16. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and equipment HK$'000	Vehicles HK$'000	Leasehold improvement HK$'000	Total HK$'000
COST				
At 1 January 2019 (Restated)	866	566	–	1,432
Additions	236	5,294	–	5,530
Acquisition of a subsidiary	–	481	–	481
Disposals	–	(244)	–	(244)
Exchange realignment	(23)	(109)	–	(132)
At 31 December 2019 (Restated)	1,079	5,988	–	7,067
Additions	652	12,393	2,954	15,999
Disposals	(39)	(898)	–	(937)
Exchange realignment	104	1,039	168	1,311
At 31 December 2020	**1,796**	**18,522**	**3,122**	**23,440**
DEPRECIATION				
At 1 January 2019 (Restated)	286	21	–	307
Provided for the year	237	624	–	861
Eliminated on disposals	–	(58)	–	(58)
Exchange realignment	(9)	(11)	–	(20)
At 31 December 2019 (Restated)	514	576	–	1,090
Provided for the year	385	1,810	–	2,195
Eliminated on disposals	(30)	(171)	–	(201)
Exchange realignment	52	131	–	183
At 31 December 2020	**921**	**2,346**	**–**	**3,267**
CARRYING VALUES				
At 31 December 2020	**875**	**16,176**	**3,122**	**20,173**
At 31 December 2019 (Restated)	**565**	**5,412**	**–**	**5,977**

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

16. PROPERTY, PLANT AND EQUIPMENT (continued)

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

17. RIGHT-OF-USE ASSETS

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

The Group does not have the option to purchase the buildings at the end of the lease term. The Group's obligations are secured by the lessor's title to the leased assets for such leases. The lease contracts do not impose any covenants, but the leased assets may not be used as security for borrowing purposes.

	Buildings HK$'000
COST	
At 1 January 2019 (Restated)	10,084
Additions	8,113
Exchange realignment	(361)
At 31 December 2019 (Restated)	17,836
Additions	9,859
Exchange realignment	1,708
At 31 December 2020	29,403
DEPRECIATION	
At 1 January 2019 (Restated)	2,194
Charge for the year	3,022
Exchange realignment	(101)
At 31 December 2019 (Restated)	5,115
Charge for the year	4,945
Exchange realignment	611
At 31 December 2020	**10,671**
CARRYING VALUES	
At 31 December 2020	**18,732**
At 31 December 2019 (Restated)	12,721

17. RIGHT-OF-USE ASSETS (continued)

The Group regularly entered into short-term leases for buildings, during the current year, expenses relating to short-term leases of buildings amounting to HK$274,000 (2019: HK$596,000 (Restated)), respectively, were recognised.

During the current year, the total cash outflow for leases was HK$3,824,000 (2019: HK$4,010,000 (Restated)).

Restrictions or covenants on leases

In addition, lease liabilities of HK$21,042,000 are recognised with related right-of-use assets of HK$18,732,000 as at 31 December 2020 (2019: lease liabilities of HK$12,553,000 and related right-of-use assets of HK$12,721,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

18. INTANGIBLE ASSETS

	Software HK$'000	**Adaptation rights** HK$'000 (Note)	**Short-form video making** HK$'000	**Total** HK$'000
COST				
At 1 January 2019 (Restated)	9,952	6,460	–	16,412
Additions	5,893	–	–	5,893
Disposals	–	(6,430)	–	(6,430)
Exchange realignment	(319)	(30)	–	(349)
At 31 December 2019 (Restated)	15,526	–	–	15,526
Additions	68	–	2,248	2,316
Exchange realignment	1,003	–	128	1,131
At 31 December 2020	**16,597**	**–**	**2,376**	**18,973**

18. INTANGIBLE ASSETS (continued)

	Software HK$'000	Adaptation rights HK$'000 (Note)	Short-form video making HK$'000	Total HK$'000
AMORTISATION				
At 1 January 2019 (Restated)	5,097	2,107	–	7,204
Provided for the year	2,047	–	–	2,047
Eliminated on disposals	–	(2,097)	–	(2,097)
Exchange realignment	(146)	(10)	–	(156)
At 31 December 2019 (Restated)	6,998	–	–	6,998
Provided for the year	2,652	–	–	2,652
Exchange realignment	601	–	–	601
At 31 December 2020	**10,251**	**–**	**–**	**10,251**
CARRYING VALUES				
At 31 December 2020	**6,346**	**–**	**2,376**	**8,722**
At 31 December 2019 (Restated)	8,528	–	–	8,528

Note: During the year ended 31 December 2019, the Group disposed of the adaptation rights of novels with an aggregate carrying amount of HK$4,333,000 (Restated) for cash proceeds of HK$4,393,000 (Restated) (excluding value added tax ("VAT")) resulting in a gain on disposal of HK$60,000 (Restated).

All of the Group's intangible assets were acquired from independent third parties and have finite useful lives. Such intangible assets other than short-form video making are amortised on a straight-line basis over the following periods:

Software	3 years
Adaptation rights	3-5 years

Short-form video making is amortised on a systematic basis over the useful life of the intangible asset.

19. DEFERRED TAXATION

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

	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000 (Restated)
Deferred tax assets	**1,300**	–
Deferred tax liabilities	**(573)**	(625)
	727	(625)

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

	Fair value gain on equity instruments at FVTOCI HK$'000	Impairment loss on receivables HK$'000	Taxation losses HK$'000	Total HK$'000
At 1 January 2019 (Restated)	–	34	307	341
Charge to profit or loss	–	–	(307)	(307)
Charge to other comprehensive income	(670)	–	–	(670)
Exchange realignment	12	(1)	–	11
At 31 December 2019 (Restated)	(658)	33	–	(625)
(Charge)/credit to profit or loss	–	(31)	4,203	4,172
Charge to other comprehensive income	(2,854)	–	–	(2,854)
Exchange realignment	(206)	–	240	34
At 31 December 2020	**(3,718)**	**2**	**4,443**	**727**

19. DEFERRED TAXATION (continued)

At the end of the reporting period, the Group has unused tax losses of HK$37,304,000 (2019: Nil) available for offset against future profits. A deferred tax assets has been recognised in respect of HK$4,443,000 (31 December 2019: Nil) of such losses. Deferred tax assets have been recognised in respect of all the tax losses.

At the end of the reporting period, the Group has deductible temporary differences of HK$20,134,000 (2019: HK$6,289,000). No deferred tax asset in respect of the Group's subsidiaries located in Horgos city in the PRC has been recognised in relation to such deductible temporary differences of HK$20,120,000 (2019: HK$6,047,000) because these subsidiaries are exempted from income tax.

No deferred tax liabilities for undistributed earnings of Beijing Joyspreader, the PRC holding company of all PRC subsidiaries of the Group, have been recognised in respect of the temporary difference because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such difference will not reverse in the foreseeable future. As at 31 December 2020, the undistributed consolidated profit of Beijing Joyspreader was HK$402,507,000 (31 December 2019: HK$178,804,000 (Restated)). The corresponding unrecognised deferred tax liabilities as at 31 December 2020 were HK$40,251,000 (31 December 2019: HK$17,880,000 (Restated)).

20. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME/FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Trade receivables	**340,126**	82,885
Less: Allowance for credit losses	**(19,252)**	(5,527)
	320,874	77,358
Deferred shares issue costs	**–**	7,780
Deposits paid to suppliers	**2,376**	2,233
Rental and other deposits	**3,074**	2,553
Receivable for disposal of intangible assets (Note)	**–**	4,577
Other receivables	**9,694**	1,028
Less: Allowance for credit losses	**(882)**	(762)
	14,262	17,409
Total trade and other receivables and deposits	**335,136**	94,767
Analysis as		
Non-current	**2,791**	2,503
Current	**332,345**	92,264
	335,136	94,767

Note: As disclosed in note 18, the Group disposed of its adaptation rights for production and distribution of television works and games for a consideration of HK$4,393,000 (Restated) (excluding VAT) during the year ended 31 December 2019, which were fully settled in July 2020.

21. TRADE AND OTHER RECEIVABLES AND DEPOSITS (continued)

As at 1 January 2019, trade receivables from contracts with customers amounted to HK$47,873,000.

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 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Within 3 months	**264,444**	60,312
3-6 months	**53,244**	4,833
7-12 months	**3,186**	10,880
1-2 years	**–**	1,333
	320,874	77,358

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amounts of HK$56,430,000 (31 December 2019: HK$17,046,000 (Restated)) which are past due as at that date. Out of the past due balance, HK$3,186,000 (31 December 2019: HK$718,000 (Restated)) has been past due 90 days or more and is not considered as in default because the amount is due from a number of independent reputable customers with good credit rating. The Group considers that there is no significant change in these customers' credit risk. The Group does not hold any collateral or other credit enhancement over these balances.

Details of impairment assessment of trade receivables and other receivables are set out in note 31(b).

22. LOAN RECEIVABLES

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

Loan receivables as at 31 December 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.

Details of impairment assessment of loan receivables are set out in note 31(b).

23. PREPAYMENTS

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Current		
Prepayments for purchases of traffic	**609,369**	192,188
Prepaid share issue cost or listing expense	**–**	521
Other prepayments	**1,485**	1,131
	610,854	193,840

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Non-current		
Prepayments for acquisition of buildings (Note)	**–**	1,833
Prepayment for short-form video making	**–**	2,233
	–	4,066

Note: The Group disposed of these buildings under prepayments to an independent third party with a total cash consideration of HK$1,675,000 (Restated), HK$893,000 (Restated) of which was settled in June 2020, the remaining consideration will be settled upon the reception of these buildings.

24. BANK BALANCES AND CASH

Bank balances carried interest at market interest rate ranging from 0.01% to 0.35% (2019: 0.01% to 0.40%). Bank balances and cash amounting to HK$6,977,000 (31 December 2019: HK$742,000 (Restated)) were denominated in US Dollar ("US$"). Bank balances and cash amounting to HK$930,849,000 (31 December 2019: nil) were denominated in HK$.

25. TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Trade payables	**11,748**	14,911
Employee compensation payable	**8,799**	6,555
Other tax payable	**18,766**	2,366
Accrued listing expense/shares issue costs	**52,513**	18,419
Deposits received from customers	**2,376**	2,233
Amounts due to shareholders	**–**	1,670
Other payables and accruals	**4,888**	635
	99,090	46,789

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

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Within 3 months	**5,555**	9,977
3-6 months	**2,469**	2,637
7-12 months	**2,218**	2,297
1-2 years	**1,506**	–
	11,748	14,911

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

26. LEASE LIABILITIES

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Non-current	**14,890**	7,886
Current	**6,152**	4,667
	21,042	12,553

Maturity analysis

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
No later than 1 year	**6,787**	4,901
Later than 1 year but not longer than 2 years	**13,806**	3,763
Later than 2 years but not longer than 5 years	**2,009**	5,309
	22,602	13,973
Less: future finance charges	**(1,560)**	(1,420)
	21,042	12,553

The weighted average incremental borrowing rates applied to lease liabilities was 5% at 31 December 2020 (31 December 2019: 5%).

27. SHARE CAPITAL

	Number of shares	Share capital
		HK$
Ordinary shares of HK$0.001 each		
Authorised		
At 19 February 2019 (the date of incorporation) (Note a)	50,000,000	50,000
At 31 December 2019	50,000,000	50,000
Share subdivision into HK$0.00001 each (Note b)	4,950,000,000	–
At 31 December 2020	**5,000,000,000**	**50,000**
Issued and fully paid		
At 19 February 2019 (the date of incorporation) (Note a)	9,883,333	9,883
Issue of shares on 11 December 2019 (Note a)	6,429,299	6,430
At 31 December 2019	16,312,632	16,313
Share subdivision (Note b)	**1,614,950,568**	**–**
Issue of shares on 23 September 2020 (Note c)	**543,700,000**	**5,437**
Issue of shares on 28 October 2020 (Note d)	**10,305,000**	**103**
At 31 December 2020	**2,185,268,200**	**21,853**

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Presented as	**22**	16

27. SHARE CAPITAL (continued)

Notes:

a 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, 9,883,333 and 6,429,299 ordinary shares of HK$16,313 in total were issued by the Company and allotted to the offshore holding companies wholly-owned by the legal shareholders of Beijing Joyspreader, the holding company of the Group before the completion of the Group Reorganisation.

b. On 26 August 2020, a written resolution was passed by the shareholders of the Company to approve the subdivision of each share of the Company's issued and unissued share capital with par value of HK$0.001 each into 100 shares of the corresponding class with par value of HK$0.00001 each before the Listing, 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.

c. On 23 September 2020, 543,700,000 ordinary shares of the Company of HK$0.00001 each were issued at a price of HK$2.88 per share in connection with the Listing, raising a total gross proceed of HK$1,565,856,000.

d. On 28 October 2020, the Company elected to allot and issue a further 10,305,000 ordinary shares of HK$0.00001 each at a price of HK$2.88, raising a total gross proceed of HK$29,678,400.

28. RESERVES

The principal reserves of the Group consist of the following:

Capital reserve

On 11 December 2019, the Group completed the Group Reorganisation. As a result, the Company became the holding company of the Group since then. The relevant share capital of Joy Spreader was transferred to capital reserve of the Group.

Fair value through other comprehensive income reserve

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

Statutory reserve

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

28. RESERVES (continued)

Translation reserve

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

29. ACQUISITION OF ASSETS THROUGH ACQUISITION OF A SUBSIDIARY

In October 2019, the Group acquired 100% of the equity interest in Beijing Hongcheng Xinglong Commerce and Trading Co., Ltd ("Beijing Hongcheng") from an independent third party for a consideration of HK$483,000 (Restated). This acquisition has been accounted for using the purchase method. Beijing Hongcheng is engaged in the trading business. Beijing Hongcheng was acquired by the Group to get the quota for purchasing vehicles in Beijing. The acquisition was accounted for as acquisition of assets as Beijing Hongcheng has not carried any business.

Consideration transferred

	HK$'000 (Restated)
Cash	483

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

	HK$'000 (Restated)
Other current assets	2
Property, plant and equipment	481
	483

Net cash outflow on acquisition of Beijing Hongcheng

	HK$'000 (Restated)
Cash consideration paid	483
Less: cash and cash equivalents balances acquired	–
	483

30. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of net debt, which includes the lease liabilities as disclosed in note 26, net of bank balances and cash, and total equity of the Group, comprising share capital, retained earnings and reserves as disclosed in notes 27 and 28 respectively.

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

31. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Financial assets		
Financial assets at amortised cost	**1,583,010**	275,078
Equity instruments at FVTOCI	**37,862**	11,092

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Financial liabilities		
Amortised cost	**71,525**	37,868

b. Financial risk management objectives and policies

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

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

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk

(i) Interest rate risk

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

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

Sensitivity analysis

The bank balances are excluded from the sensitivity analysis as the management considers that the interest rate fluctuating is insignificant. The Group did not have significant interest rate risk at 31 December 2020 and 2019.

(ii) Currency risk

Several subsidiaries of the Company have US$ and/or HK$ bank balances which expose the Group to foreign currency risk.

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

	As at 31 December	
	2020 **HK$'000**	2019 HK$'000 (Restated)
US$ denominated monetary assets	**6,977**	742
HK$ denominated monetary assets	**930,849**	–

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

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

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

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
	Decrease	
US$ against RMB		
Weakening		
– 5%	**(281)**	(32)
– 10%	**(562)**	(64)
– 15%	**(643)**	(96)
HK$ against RMB		
Weakening		
– 5%	**(37,431)**	–
– 10%	**(74,862)**	–
– 15%	**(112,293)**	–

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

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Market risk (continued)

(iii) Price risk

The Group is exposed to equity price risk through its investment in equity security measured at FVTOCI. The Group invested in certain unquoted equity security for an investee operating in short-form video making industry sector for long term strategic purpose which had been designated as FVTOCI. The Group monitors the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 31(c).

Credit risk and impairment assessment

At the end of each reporting periods, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to failure to discharge an obligation by the counterparties for the carrying amounts of the financial assets at amortised cost.

The Group mainly conducts transactions with customers with good quality and long term relationship, when accepting new customers, the Group considers the reputation of the customer before contract is signed. In order to minimise the credit risk, the management of the Group continuously monitors the credit quality and financial conditions of the debtors to ensure that follow-up action is taken to recover overdue debts.

To manage risk arising from receivable balances, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management performs ongoing credit evaluations of its counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group has concentration of credit risk as 19% of the total trade receivables was due from the Group's largest customer as at 31 December 2020 (31 December 2019: 43%), 56% of the total trade receivables was due from the Group's five largest customers as at 31 December 2020 (31 December 2019: 92%).

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Trade receivables arising from contracts with customers

The Group reassesses lifetime ECL for trade receivables arising from contracts with customers to ensure that adequate impairment loss are made for significant increase in the likelihood or risk of a default occurring. The ECL on these assets are individually assessed for debtors with significant balances or collectively using a provision matrix appropriate groupings for the remaining balance. As part of the Group's credit risk management, the Group uses the debtors' aging to assess with the impairment for its customers because these customers consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping and assessment are regularly reviewed by management to ensure relevant information about specific debtors is updated.

Loan receivables and other receivables

Before granting the loan receivables, the management of the Group has obtained an understanding to the credit background of the debtors and undertaken an internal credit approval process. The management of the Group has taken into account the economic outlook of the industries in which the debtors operate and reviewed the recoverable amount of each loan receivable at the end of the reporting period to ensure that adequate impairment loss was recognised for irrecoverable debts.

For all other instruments including other receivables and loan receivables with non-trade nature, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For the purpose of internal risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The Group has assessed and concluded that the risk of default rate for the other instruments are steady based on the Group's assessment of the financial health of the counterparties. Thus, the Group does not have any other significant concentration of credit risk associated with financial assets.

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Bank balances and cash

The Group mainly transacts with banks with high credit ratings. The credit risk for bank balances is considered as not material as such amount is placed in reputable banks. The Group assessed 12m ECL on these balances are by reference to probability of default and loss given default and concluded that the expected credit losses are insignificant upon application of IFRS 9 and thus no impairment loss was recognised.

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

31 December 2020	Notes	External rating credit	Internal rating credit	12m or lifetime ECL	Average loss rate	Gross carrying amount HK$000
Financial assets at amortised cost						
Trade receivables – goods and services	21	N/A	(Note a)	Lifetime ECL (not credit impaired and assessed individually)	0.5%	181,476
				Lifetime ECL (assessed in provision matrix)	0.9%	141,493
				Lifetime ECL (credit impaired and assessed individually)	100%	17,157
Loan receivables	22	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	–	37,427
Other receivables	21	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	–	8,831
				Lifetime ECL (not credit impaired and assessed individually)	5.0%	863
				Lifetime ECL (credit impaired and assessed individually)	12.0%	5,450
Bank balances and cash	24	AAA	–	12m ECL (not credit impaired and assessed individually)	–	1,210,447

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

31 December 2019	Notes	External rating credit	Internal rating credit	12m or lifetime ECL	Average loss rate	Gross carrying amount HK$000 (Restated)
Financial assets at amortised cost						
Trade receivables – goods and services	21	N/A	(Note a)	Lifetime ECL (not credit impaired and assessed individually)	1.2%	60,037
				Lifetime ECL (assessed in provision matrix)	3.0%	6,728
				Lifetime ECL (credit impaired and assessed individually)	28.4%	16,120
Loan receivables	22	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	–	33,524
Other receivables	21	N/A	(Note b)	12m ECL (not credit impaired and assessed individually)	–	8,762
				Lifetime ECL (not credit impaired and assessed individually)	5.0%	5,190
				Lifetime ECL (credit impaired and assessed individually)	12.0%	4,219
Bank balances and cash	24	AAA	–	12m ECL (not credit impaired and assessed individually)	–	146,787

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

Notes:

a. For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for receivables with significant outstanding balances or credit-impaired, the Group determines the expected credit losses on these items grouped by internal credit rating and past due status.

The Group's internal credit risk grading assessment for trade receivables comprises the following categories:

- Low risk (Lifetime ECL – not credit impaired): The counterparty has a low risk of default and does not have any past-due amounts.
- Watch list (Lifetime ECL – not credit impaired): There have been insignificant increases in the credit risk since initial recognition.
- Doubtful (Lifetime ECL – not credit impaired): There have been significant increases in credit risk since initial recognition through information developed internally or external resources.
- Credit impaired (Lifetime ECL – credit impaired): There is evidence indicating the asset is credit impaired.
- Write-off (Amount is written off): There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.

b. For loan receivables and other receivables, the Group has applied the 12m ECL, unless when there has been a significant increase in credit risk since initial recognition and for balances which are credit-impaired, the Group recognises lifetime ECL.

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit impaired). In addition, debtors with significant outstanding balances or credit impaired with gross carrying amount of HK$198,633,000 as at 31 December 2020 (31 December 2019: HK$76,157,000 (Restated)) were assessed individually. Impairment allowance of HK$18,015,000 was made on debtors with significant balances as at 31 December 2020 (31 December 2019: HK$5,323,000 (Restated)).

	At 31 December 2020		
	Average loss rate	**Gross carrying amount HK$000**	**Impairment loss allowance HK$'000**
Trade receivables			
Low risk	**0.39%**	**85,990**	**336**
Watch list	**1.32%**	**52,105**	**688**
Doubtful	**6.25%**	**3,398**	**213**
		141,493	**1,237**

	At 31 December 2019		
	Average loss rate	Gross carrying amount HK$'000 (Restated)	Impairment loss allowance HK$'000 (Restated)
Trade receivables			
Low risk	0.64%	5,759	38
Watch list	2.82%	–	–
Doubtful	17.18%	969	166
		6,728	204

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the movements in lifetime ECL that have been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit impaired) HK$000	Lifetime ECL (credit impaired) HK$'000	Total HK$'000
As at 1 January 2019 (Restated)	850	137	987
Changes due to financial instruments recognised as at 1 January 2019:			
– Transfer to credit-impaired	(7)	7	–
– Impairment losses reversed	(768)	–	(768)
– Impairment losses recognised	98	709	807
– Written off during the year	–	(682)	(682)
New financial assets originated	795	4,490	5,285
Exchange realignment	(20)	(82)	(102)
As at 31 December 2019 (Restated)	948	4,579	5,527
Changes due to financial instruments recognised as at 1 January 2020:			
– Impairment losses reversed	**(954)**	**–**	**(954)**
– Impairment losses recognised	**–**	**11,622**	**11,622**
New financial assets originated	**1,982**	**–**	**1,982**
Exchange realignment	**119**	**956**	**1,075**
As at 31 December 2020	**2,095**	**17,157**	**19,252**

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Credit risk and impairment assessment (continued)

The following table shows the reconciliation of loss allowance that has been recognised for loan receivables and other receivables.

	12m ECL HK$'000	Lifetime ECL (not credit impaired) HK$'000	Lifetime ECL (credit impaired) HK$'000	Total HK$'000
As at 1 January 2019 (Restated)	–	221	24	245
Changes due to financial instruments recognised as at 1 January 2019:				
– Transfer to credit-impaired	–	(202)	202	–
– Impairment losses reversed	–	(18)	–	(18)
– Impairment losses recognised	–	–	286	286
New financial assets originated	–	263	–	263
Exchange realignment	–	(5)	(9)	(14)
As at 31 December 2019 (Restated)	–	259	503	762
Changes due to financial instruments recognised as at 1 January 2020:				
– Impairment losses reversed	**–**	**(259)**	**–**	**(259)**
– Impairment losses recognised	**–**	**–**	**111**	**111**
New financial assets originated	**–**	**214**	**–**	**214**
Exchange realignment	**–**	**14**	**40**	**54**
As at 31 December 2020	**–**	**228**	**654**	**882**

31. FINANCIAL INSTRUMENTS (continued)

b. Financial risk management objectives and policies (continued)

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from the interest rate curve at the end of the reporting period.

	Weighted average interest rate %	Less than 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2020						
Non-derivative financial liabilities						
Trade and other payables	–	71,525	–	–	71,525	71,525
Lease liabilities	5.00%	6,787	13,806	2,009	22,602	21,042

	Weighted average interest rate %	Less than 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total undiscounted cash flows HK$'000	Total carrying amount HK$'000
At 31 December 2019 (Restated)						
Non-derivative financial liabilities						
Trade and other payables	–	37,868	–	–	37,868	37,868
Lease liabilities	5.00%	4,901	3,763	5,309	13,973	12,553

31. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments

Financial instruments carried at fair value

The Group measures its following financial instruments at fair value at the end of each of the reporting period on a recurring basis:

Financial assets	Fair value as at 31 December 2020	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inputs as at 31 December 2020	Relationship of unobservable inputs to fair value
Unlisted equity securities	HK$37,862,000	Level 2	Recent transaction price	N/A	N/A	N/A

Financial assets	Fair value as at 31 December 2019 (Restated)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inputs as at 31 December 2019	Relationship of unobservable inputs to fair value
Unlisted equity securities	HK$11,092,000	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	3%	The higher the long term revenue growth rate, the higher the fair value, vice versa (Note a)
				Discount rate	21%	The higher the discount rate, the lower the fair value, vice versa (Note b)

Notes:

a. A 1% increase/decrease in the long-term growth rate holding all other variables constant would increase/decrease the carrying amount of unlisted equity securities by HK$351,000 (Restated) as at 31 December 2019.

b. A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of unlisted equity securities by HK$497,000 (Restated) as at 31 December 2019.

The fair value of the unlisted equity securities as at 31 December 2019 has been arrived based on a valuation carried out by an independent valuer.

31. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Financial instruments carried at fair value (continued)

The unlisted equity securities represent equity instruments at FVTOCI of the Group (see note 20). Such equity interests in Yingyi Technology were acquired by the Group on 24 December 2018 by a cash capital consideration of RMB6,000,000 injected into this investee which was newly incorporated on 21 December 2018. As the investment was made a few days prior to the end of 2018 and the investee was not yet commenced its business activities prior to 31 December 2018, the Company's management determined the fair value of these equity instruments at 31 December 2018 by reference to this most recent transaction price in December 2018 and accordingly, classified the fair value measurement of these equity instruments as level 2 at 31 December 2018.

As there was no equity transaction of Yingyi Technology happened during the year of 2019, the Company could not get available recent transaction price information in the market to determine the fair value of Yingyi Technology as at 31 December 2019. As a result, these equity instruments were transferred from level 2 to level 3 during the year ended 31 December 2019 and were determined based on an independent valuation report.

During the current year, an investment agreement was entered into among Yingyi Technology, Yingyi Technology's controlling shareholder and an independent third party ("Party A"), pursuant to which, Party A acquired 10% equity interest in Yingyi Technology. Consequently, the Group's equity interest in Yingyi Technology was diluted from 19.9% to 17.91%.

On 25 December 2020, an investment agreement was entered into among Yingyi Technology, Yingyi Technology's controlling shareholder and the Group, pursuant to which, the Group acquired further equity interest in Yingyi Technology by a cash capital consideration of RMB5,000,000 injected into Yingyi Technology. Simultaneously, another investment agreement was entered into among Yingyi Technology, Yingyi Technology's controlling shareholder and Party A, pursuant to which, Party A acquired further equity interest that was equal to the Group in Yingyi Technology by a cash capital consideration of RMB5,000,000 (equivalent approximately to HK$5,941,000) injected into Yingyi Technology. Consequently, the Group's equity interest in Yingyi Technology was increased from 17.91% to 19.916% upon completion of the new capital contributions above.

As the new capital raised by Yingyi Technology from an independent third party was made a few days prior to the end of 2020 and the transaction was executed at terms and price that were consistent with how other market participants would transact, the Company's management determined the fair value of these equity instruments as at 31 December 2020 by reference to this most recent transaction price in December 2020. As a result, these equity instruments were transferred from Level 3 to Level 2 as at 31 December 2020.

31. FINANCIAL INSTRUMENTS (continued)

c. Fair value measurements of financial instruments (continued)

Reconciliation of level 3 measurements

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

	Investment in financial products at fair value HK$'000	Unlisted equity securities HK$'000	Total HK$'000
As at 1 January 2019 (Restated)	1,144	–	1,144
Purchase	90,885	–	90,885
Transfer from level 2 to level 3	–	6,698	6,698
Redemption	(93,206)	–	(93,206)
Interest income on financial assets at FVTPL	1,177	–	1,177
Net gain in other comprehensive income	–	4,394	4,394
At 31 December 2019 (Restated)	–	11,092	11,092
Transfer from level 3 to level 2	–	(11,092)	(11,092)
At 31 December 2020	–	–	–

Fair values of financial instruments carried at other than fair value

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

32. RETIREMENT BENEFIT SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme operated by the PRC Government. The Group is required to contribute a specific percentage of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of approximately HK$150,000 for the year ended 31 December 2020 (2019: HK$1,558,000 (Restated)) represented contributions paid and/or payable to the scheme by the Group for the reporting period.

33. MAJOR NON-CASH TRANSACTIONS

During the current year, the Group entered into new lease agreements for buildings with a lease term of 2 to 5 years and recognised right-of-use assets of HK$9,859,000 (2019: HK$6,379,000 (Restated)) and lease liabilities of HK$9,859,000 (2019: HK$6,379,000 (Restated)), respectively.

34. RELATED PARTY TRANSACTIONS

During the years ended 31 December 2020 and 2019, the Group entered into the following related party transactions:

Name of the enterprises	Relationship with the Company
Mr. Zhu Zinan	Director and the Ultimate Controlling Shareholder

(a) Purchase of a car from a related party

On 11 November 2019, the Group purchased a car from Mr. Zhu Zinan for a consideration of HK$891,000 (Restated). As at 31 December 2019, the outstanding payable for the purchase was HK$891,000 (Restated). Such payable was fully settled in April 2020.

(b) Compensation of key management personnel

	Year ended 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
Fees	**97**	70
Salaries and other benefits-in-kind	**1,356**	1,100
Contributions to retirement benefits scheme	**21**	282
Discretionary bonus	**1,070**	1,461
	2,544	2,913

35. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's statements of cash flows as cash flows from financing activities.

	Lease liabilities HK$'000	Accrued share issue costs HK$'000	Total HK$'000
At 1 January 2019 (Restated)	7,727	605	8,332
Increase of lease liabilities	6,379	–	6,379
Accrued share issue costs (note 21)	–	7,213	7,213
Financing cash flows	(1,680)	(3,456)	(5,136)
Finance costs	385	–	385
Exchange realignment	(258)	(79)	(337)
At 31 December 2019 (Restated)	12,553	4,283	16,836
Increase of lease liabilities	9,859	–	9,859
Accrued share issue costs	–	90,996	90,996
Financing cash flows	(3,550)	(55,388)	(58,938)
Finance costs	958	–	958
Exchange realignment	1,222	2,303	3,525
At 31 December 2020	**21,042**	**42,194**	**63,236**

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the date of these financial statements, the Company has direct and indirect interests in the following subsidiaries, particulars of which are set out below:

Name of Subsidiaries	Legal form	Place and date of establishment/ incorporation and operation	Issued share capital/paid up registered capital	Proportion of interest and voting power held by the Group At 31 December 2019 %	2020 %	Principal activities
Directly held:						
Joy Spreader Interactive Technology (HK) Limited	Limited liability company	Hong Kong 28 March 2019	HK$1	100	**100**	Investment holding
Indirectly held:						
北京樂享互動科技有限公司 Beijing Joy Spreader Interactive Technology Co., Ltd(i)	Wholly-foreign owned enterprise	PRC 22 May 2019	RMB500,000,000	100	**100**	Investment holding
北京宏成興隆商貿有限公司 Beijing Hongcheng Xinglong Commerce and Trading Co., Ltd(i)	Limited liability company	PRC 01 March 2004	RMB1,000,000	100	**100**	Trading business
霍爾果斯樂享互動網絡科技有限公司 Horgos Joyspreader Interactive Technology Co., Ltd(i)	Limited liability company	PRC 24 March 2020	RMB10,000,000	N/A	**100**	Digital marketing business and the relevant services
樂享互動(南京)投資有限公司 Joy Spreader (Nanjing) Investment Co., Ltd(i)	Wholly-foreign owned enterprise	PRC 17 November 2020	US$30,000,000	N/A	**100**	Investment holding
樂享互動(南京)網絡科技有限公司 Joy Spreader (Nanjing) Interactive Technology Co., Ltd(i)	Limited liability company	PRC 23 November 2020	RMB200,000,000	N/A	**100**	Digital marketing business and the relevant services

36. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

Name of Subsidiaries	Legal form	Place and date of establishment/ incorporation and operation	Issued share capital/paid up registered capital	Proportion of interest and voting power held by the Group At 31 December 2019 %	2020 %	Principal activities
Consolidated Affiliated Entities:						
北京樂享互動網絡科技股份有限公司 Beijing Joy Spreader Interactive Network Technology Co., Ltd[(i)]	Joint stock limited liability company	PRC 9 October 2008	RMB16,312,632	100	**100**	Digital marketing business and the relevant services
伍遊(北京)科技有限公司 Beijing Wuyou Technology Co., Ltd[(i)]	Limited liability company	PRC 30 July 2014	RMB10,000,000	100	**100**	Digital marketing business and the relevant services
霍爾果斯耀西網絡科技有限公司 Horgos Yaoxi Internet Technology Co., Ltd[(i)]	Limited liability company	PRC 19 March 2017	RMB10,000,000	100	**100**	Digital marketing business and the relevant services
霍爾果斯伍遊網絡科技有限公司 Horgos Wuyou Internet Technology Co., Ltd[(i)]	Limited liability company	PRC 20 March 2017	RMB10,000,000	100	**100**	Digital marketing business and the relevant services
Joy Spreader Interactive Group (HK) Limited	Limited liability company	Hong Kong 25 October 2019	HK$10,000	100	**100**	Investment holding
霍爾果斯智普數聯網絡科技有限公司 Horgos Zhipu Shulian Internet Technology Co., Ltd[(i)]	Limited liability company	PRC 7 January 2020	RMB10,000,000	N/A	**100**	Digital marketing business and the relevant services

(i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December	
	2020	2019
	HK$'000	HK$'000
		(Restated)
NON-CURRENT ASSET		
Investment in a subsidiary	**694,878**	–
	694,878	–
CURRENT ASSETS		
Other receivables and deposits	**–**	7,780
Prepayments	**–**	521
Bank balances and cash	**817,106**	354
Other receivables	**2,639**	–
	819,745	8,655
CURRENT LIABILITIES		
Trade and other payables	**41,040**	18,793
Amount due to subsidiaries	**79,290**	14,691
	120,330	33,484
NET CURRENT LIABILITIES	**699,415**	(24,829)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,394,293**	(24,829)
CAPITAL AND RESERVES		
Share capital	**22**	16
Reserve	**1,394,271**	(24,845)
TOTAL EQUITY	**1,394,293**	(24,829)

37. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium HK$'000	Translation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 19 February 2019 (Date of incorporation) (Restated)	–	–	(2,205)	(2,205)
Loss and total comprehensive income/(expense) from the date of incorporation to 31 December 2019 (Restated)	–	531	(23,171)	(22,640)
At 31 December 2019 (Restated)	–	531	(25,376)	(24,845)
Loss and total comprehensive income/(expense) from the year	–	55,177	(91,439)	(36,262)
Issue of shares	1,595,528	–	–	1,595,528
Share issuance expenses	(140,150)	–	–	(140,150)
At 31 December 2020	1,455,378	55,708	(116,815)	1,394,271

DEFINITIONS

"app"	mobile application
"ARPU"	Average Revenue Per User
"Audit Committee"	the audit committee of the Board
"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 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"	the board of Directors
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Chairman"	the Chairman of the Board
"China" or "the PRC"	the People's Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Beijing Joyspreader and its subsidiaries
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, Beijing Joyspreader and the Registered Shareholders
"Director(s)"	the director(s) of the Company
"Frost & Sullivan"	Frost & Sullivan International Limited
"FVTPL"	fair value through profit or loss
"GMV"	Gross Merchandise Volume
"Group", "the Group", "we" or "us"	our Company, its subsidiaries and the consolidated affiliated entities at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the subsidiaries of our Company or the businesses operated by its present subsidiaries (as the case may be)
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Interactive Entertainment Product(s)"	Interactive entertainment product(s), primarily comprising games and internet literature, etc.
"Joy Spreader", "Company", or "We"	Joy Spreader 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
"Latest Practicable Date"	April 20, 2021, being the latest practicable date for the inclusion of certain information in this annual report prior to its publication
"Listing"	the listing of the Shares on the Main Board on September 23, 2020
"Listing Date"	September 23, 2020, being the date on which the Shares were listed on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
"Main Board"	the Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"Nanjing Pingheng Capital"	Nanjing Balance Capital Management Centre (General Partnership) (南京平衡資本管理中心(普通合夥)), a general partnership set up under the laws of the PRC on March 6, 2013
"Nantong Pinghengchuangye"	Nantong Pinghengchuangye Venture Capital Investment Centre (Limited Partnership) (南通平衡創業投資基金中心(有限合夥)), a limited partnership set up under the laws of the PRC on June 11, 2015
"Mr. Zhang"	Mr. Zhang Zhidi (張之的), our executive Director, general manager 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
"Over-allotment Option"	has the meaning ascribed thereto in the Prospectus
"Private Domain Traffic"	Traffic that can be freely controlled and utilized repeatedly by community and content publishers vis-à-vis public domain traffic
"Prospectus"	the prospectus issued by the Company dated September 10, 2020
"Registered Shareholder(s)"	being Mr. Zhu Zinan, Shenzhen Nanhai Chengzhangtongying, Nantong Pinghengchuangye, Beijing Zinan and Friends, Jiaxing Baozheng, Beijing Daoyoudao, Nanjing Pingheng Capital, Mr. Zhang Zhidi, Mr. Chen Liang, Shanghai Jinjia, Mr. Guo Zhiwei, Ms. Zhang Yue, Ms. Zhang Wenyan, Ms. Xue Xiaoli, Ms. Zhu Xifen, Mr. Xiong Chi and Ms. Huang Huijuan, who are shareholders of Beijing Joyspreader

DEFINITIONS

"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of China
"Reporting Period"	the 12 months period from January 1, 2020 to December 31, 2020
"SaaS"	Software as a Service
"Shareholder(s)"	holder(s) of Shares
"Share(s)"	ordinary shares in the share capital of our Company with the nominal value of HK$0.00001 each
"Shanghai Jinjia"	Shanghai Jinjia Asset Management Co., Ltd. (上海今嘉資產管理有限公司), a company established under the laws of the PRC with limited liability on February 6, 2016
"Shenzhen Nanhai Chengzhangtongying"	Shenzhen Nanhai Growth Win-win Private Equity Investment Fund (Limited Partnership) (深圳南海成長同贏股權投資基金(有限合夥)), a limited partnership set up under the laws of the PRC on July 20, 2017
"Shenzhen Nanhai Growth"	Shenzhen Nanhai Growth Win-win Limited, a limited liability company incorporated in the BVI on March 26, 2019
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"WFOE"	Beijing Joy Spreader Interactive Technology Co., Ltd (北京樂享互動科技有限公司), a limited liability company established in the PRC on May 22, 2019 and a wholly-owned subsidiary of us
"Yingyi"	Shenzhen Yingyi Vision Technology Co., Ltd. (深圳影漪視界科技有限公司), a limited liability company established in the PRC on September 14, 2020