netjoy+

NETJOY HOLDINGS LIMITED
云想科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2131

2020
ANNUAL REPORT

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Jiaqing *(Chairman)*
Mr. Wang Chen *(Chief Executive Officer)*

Non-executive Directors

Mr. Qin Miaomiao
Mr. Dai Liqun
Mr. Zhang Jianguo
Mr. Wang Jianshuo

Independent Non-executive Directors

Mr. Chen Changhua
Dr. Ru Liyun
Ms. Cui Wen

AUDIT COMMITTEE

Mr. Chen Changhua *(Chairman)*
Dr. Ru Liyun
Mr. Dai Liqun

REMUNERATION COMMITTEE

Dr. Ru Liyun *(Chairman)*
Mr. Chen Changhua
Mr. Dai Liqun

NOMINATION COMMITTEE

Mr. Xu Jiaqing *(Chairman)*
Mr. Chen Changhua
Dr. Ru Liyun

AUTHORIZED REPRESENTATIVES

Mr. Wang Chen
Ms. Peng Ting

JOINT COMPANY SECRETARIES

Ms. Peng Ting
Ms. Leung Shui Bing

LEGAL ADVISORS

As to Hong Kong laws
William Ji & Co. LLP
in Association with
Tian Yuan Law Firm Hong Kong Office
Suites 3304-3309, 33/F, Jardine House
One Connaught Place
Central, Hong Kong

As to PRC laws
DeHeng Law Offices
12/F Tower B, Focus Place
No.19 Finance Street
Xicheng District, Beijing
PRC

AUDITOR

Ernst & Young
Certified Public Accountants
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

CORPORATE INFORMATION

COMPLIANCE ADVISOR

Haitong International Capital Limited
8/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

REGISTERED OFFICE

4th Floor, Harbour Place
103 South Church Street, George Town
P.O. Box 10240
Grand Cayman KY1-1002
Cayman Islands

HEADQUARTERS IN THE PRC

5/F, No. 3
396 Guilin Road
Xuhui District, Shanghai
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Harneys Fiduciary (Cayman) Limited
4th Floor, Harbour Place
103 South Church Street
P.O. Box 10240
Grand Cayman, KY1-1002
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China
Shanghai Jing'anxincheng Branch
No. 2362-2366, Yishan Road
Minhang District, Shanghai
PRC

China Construction Bank Corporation
Shanghai Caohejing Branch
No. 418, Guiping Road
Xuhui District, Shanghai
PRC

STOCK CODE

2131

COMPANY WEBSITE

www.netjoy.com

FINANCIAL HIGHLIGHTS

	Year ended December 31,		
	2020	2019	Year-on-year change
	(RMB in millions, except percentage)		
Revenue	**2,577.03**	2,313.04	11.41%
Gross profit	**202.65**	159.29	27.22%
Profit before income tax	**111.14**	79.09	40.52%
Profit for the year	**103.61**	72.93	42.07%
Adjusted net profit	**146.02**	87.92	66.08%

	Year ended December 31,			
	2020	2019	2018	2017
	(RMB in millions)			
Revenue	**2,577.03**	2,313.04	1,186.17	235.43
Gross profit	**202.65**	159.29	108.26	49.71
Profit before income tax	**111.14**	79.09	74.61	35.39
Profit for the year	**103.61**	72.93	69.48	33.00
Adjusted net profit	**146.02**	87.92	74.61	35.39

	Year ended December 31,			
	2020	2019	2018	2017
	(RMB in millions)			
Non-current assets	**50.77**	40.39	10.77	4.34
Current assets	**1,988.94**	598.57	422.75	135.34
Current liabilities	**531.44**	356.24	224.02	63.39
Non-current liabilities	**3.25**	1.04	1.28	1.52
Total equity attributable to owners of the parent	**1,505.02**	281.68	208.22	74.77

CHAIRMAN'S STATEMENT

2020 is a year of historical significance for the Company, when we were successfully listed on the Main Board of the Stock Exchange. On behalf of the Board of Directors, we are pleased to present this annual report and report the Group's annual results for the year ended December 31, 2020. This is our first annual report since we were listed on the Stock Exchange.

The Group was established in 2012, and we are mainly engaged in online marketing solutions business and pan-entertainment content services business. Over the past 8 years, we have kept pace with the latest developments, seized every market opportunity brought about by the changes in communication technology, and developed our business steadily and rapidly. We recognize that our short video commercialization business is a business with two drivers. By leveraging on our large-scale production of short videos driven by consolidated data, and capabilities of crowd analysis and precise positioning, and under the support of our technology platform and service capabilities, we continuously empower our customers and partners to achieve a greater business growth. Meanwhile, the outstanding cases and performance contributions we presented to our customers enabled us to win a number of honors and awards in 2020 and achieve a considerable economic growth.

We are honored to report to you that, despite the downward pressure on the economy caused by the COVID-19 pandemic worldwide, the Company still managed to maintain a considerable growth. For the year ended December 31, 2020, the net profit of the Group increased by 42.07% to RMB103.61 million. Adjusted net profit increased by 66.08% to RMB146.02 million. The total revenue reached RMB2.577 billion, representing an increase of 11.41% compared to RMB2.313 billion in 2019. The gross billing increased by 20.36% year on year from RMB3.389 billion in 2019 to RMB4.079 billion in 2020. The gross profit increased from RMB159.3 million in 2019 to RMB202.7 million in 2020. As of December 31, 2020, our cash and bank balances amounted to RMB1.021 billion, indicating that we have abundant cash reserve and a healthy financial structure.

Looking forward, we will continue to strengthen and deepen our cooperation with top online publishers; accelerate the upgrade of programmatic advertising and management platforms, and enhance big data analytics and AI capabilities; continue to unleash the monetization potential of our content production, exchange and distribution platform that offers full-cycle services, and selectively pursue strategic collaboration, investment and acquisition opportunities.

Last but not least, we would like to express our gratitude to every Shareholder and every friend helping and supporting the Company all along.

Xu Jiaqing
Chairman and Executive Director

Shanghai, China
March 31, 2021

MANAGEMENT DISCUSSION AND ANALYSIS

2020 RESULTS HIGHLIGHTS

We are a leading short video marketing solutions provider and an online content services provider focusing on pan-entertainment in China. The Shares have been listed on the Stock Exchange since December 17, 2020.

In 2020, despite the downward pressure on the economy caused by the COVID-19 pandemic worldwide, the Company still managed to maintain a considerable growth. For the year ended December 31, 2020, the net profit of the Company increased by 42.07% to RMB103.61 million. Adjusted net profit increased by 66.08% to RMB146.02 million. The total revenue reached RMB2.577 billion, representing an increase of 11.41% compared to RMB2.313 billion in 2019. The gross billing increased by 20.36% year on year from RMB3.389 billion in 2019 to RMB4.079 billion in 2020. The gross profit increased from RMB159.3 million in 2019 to RMB202.7 million in 2020. As of December 31, 2020, our cash and bank balances amounted to RMB1.021 billion, indicating that we have abundant cash reserve and a healthy financial structure.

We provide integrated services, comprising creative design, production, programmatic precise distribution, performance tracking and reporting of short video marketing content, to a fast-growing and diversified advertiser base operating in a wide array of industry verticals, including online gaming, financial services, e-commerce, internet services and tools, etc. The number of direct advertisers served by us increased from 669 in 2019 to 861 in 2020, representing an annual growth rate of 28.70%; as of December 31, 2020, we had served over 4,660 advertisers, directly or indirectly, in 188 sub-sectors of industry verticals.

Through continuous innovation in technology, creativity and customer service, and with excellent cases and performance contributions to the service value presented to our customers, we won a number of honors and awards in 2020, including the "2020 iResearch Award – Best Short Video Marketing Award (2020年金瑞獎－最佳短視頻營銷獎)", "13th ROI Festival – Golden Award, Silver Award (第13屆金投賞國際創意節－金獎、銀獎)", "Winning 2020 Kuaishou-Magnetic Engine Short Video Marketing Case Competition – Special Award, Silver Award, Bronze Award (贏戰2020快手磁力引擎短視頻營銷案例大賽－特別獎、銀獎、銅獎)", "Outstanding Business Partners of Kuaishou in the First Half of 2020 (2020年上半年快手商業優秀合作夥伴)", etc. Meanwhile, we were also selected as one of the "2020 Ocean Engine Channels – Service Contribution Partners of the Year (2020年巨量引擎渠道－年度服務貢獻合作夥伴)" by virtue of our two drivers of short videos and big data, in-depth efforts on internet services and e-commerce marketing, and exploration of the new opportunities for live streaming services.

2020 BUSINESS REVIEW

Benefiting from the commercialization of the fifth-generation mobile communication ("**5G**") technology of the operators in Mainland China, the short video market maintained a high growth rate. The short video marketing market grew significantly in 2020 and the top six short video platforms covered most of the market share. In this area, programmatic advertising is the most dominant method of commercial monetization in the industry and for us. Based on the optimistic expectations for the development of Tencent's short video business, we entered into direct business cooperation with Tencent in 2020, and we were honored to be one of the "Silver Service Providers of Tencent's Ecological Cooperation Department for Advertising Channels in the Second Half of 2020". Thus, we have basically covered the main short video media markets by establishing direct cooperation with the five major platforms covering the most share of the markets.

We recognize that our short video commercialization business is a business with two drivers. By leveraging on the large-scale production of short videos driven by consolidated data, and capabilities of crowd analysis and precise positioning, and under the support of our technology platform and service capabilities, we empower our customers to acquire a large number of new users and customers with quantifiable indicators, real-time tracking method and low marketing costs, thereby helping our partners to achieve tremendous business growth, and bringing benefits to ourselves.

As of December 31, 2020, our video production team consisting of 120 full-time employees had a production capacity of 7,400 short videos per month. At the same time, more than 200 video producers had joined our co-production video trading platform to provide us and our partners with finished videos. As of the same day, the short videos we delivered and distributed programmatically had generated approximately 491.2 billion impressions and over 102.4 billion video views.

Most of the videos we deliver are presented on the mobile devices of the user groups precisely targeted via popular short video platforms in the form of programmatic real-time bidding on our programmatic advertising trading platform: Trade+ (連山) system. Meanwhile, hepai.video, a video content trading platform we operate, has been systematically connected with our programmatic trading platform. The finished short video advertisements delivered online by the video suppliers on hepai.video are promptly presented to the users of the short video platforms with which we have established connection through the Trade+ (連山) programmatic trading system, and programmatic settlement with video suppliers has been achieved. Programmatic trading and video content trading systems are our core systems, and our other related systems, such as the data management platform ("**DMP**") system, all provide support and service extensions for and based on these two core systems.

At present, we recognize that the current advancements in artificial intelligence ("**AI**") technologies can contribute to the expansion, cost reduction and efficiency enhancement of short video production capacity, and are conducive to the substantial mechanization of short video production, which is still labor-intensive at present. In this area, we and SenseTime, a leading domestic company in AI technologies, are cooperating closely on AI technology engineering research and development, and certain AI video processing technologies, such as automatic video subtitle generation and editing tools and video green screen replacement technology, have been applied to the production process, which have remarkably improved our production efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK

Continue to strengthen and deepen our cooperation with top online publishers, diversify our media partner base, and continuously innovate and upgrade the forms of cooperation with various media partners.

We have well-established relationship with existing top short video platforms in business and data cooperation, and maintain solid long-term cooperation with our customers through close routines in respect of technologies, creatives and services, during which we play an important role in connection. We will continue to invest more resources and expand our professional team, and seek to diversify our media partner base in order to serve our customers with technologies and creatives in a larger scale and of higher efficiency.

We are also exploring the opportunities arising from emerging business forms in the industry to expand the scope of services for advertisers, thereby further expanding our scale and developing our business. For example, in December 2020, we obtained the Douyin Partner (抖音電商優質服務商) qualification of the largest short video platform in China to provide live streaming operation services for e-commerce advertisers, and help them sell products online directly through live streaming events managed by us. We have also helped certain famous international and domestic brands to achieve revenue from live streaming sales, thereby creating benefits for ourselves. We plan to continue to seek in-depth development in existing main industry verticals by developing and offering customized solutions with industry-specific functions. Meanwhile, we will continue to pay close attention to the opportunities brought about by changes in market trends, and strive to diversify and expand our advertiser base into new industry verticals to seize such growth opportunities.

We have always been observing the opportunities for short video commercialization in other overseas regional markets. Mainland China is currently ahead of other overseas regional markets in terms of the development in this field. We believe that other markets will also take on this development trend with the upgrade of their internet infrastructure. We keep abreast of the development trend of the short video industry in other overseas regional markets, and will increase investment in international business once we believe that suitable commercialization opportunities arise in certain markets, and work closely with our partners to replicate and expand our technologies, knowledge and capabilities to these markets.

Accelerate the upgrade of programmatic advertising and management platforms, and enhance big data analytics and AI capabilities.

We attach importance to the long-term accumulation of data assets, closely rely on the capabilities of such data for programmatic advertising, and will continue to invest substantial resources in this regard. Through our programmatic trading platform, we have established close connection with the bidding systems of the top media partners in this field, and we can present clear result-oriented intelligent data statements, and achieve automatic precise targeting and distribution of short videos in a large scale by virtue of our data advantages.

BUSINESS OUTLOOK (Continued)

We are currently arranging for the open-up of our programmatic trading platform to our partners, including agencies and service providers, so that the data, technologies, knowledge and experience accumulated by us can benefit our cooperation partners in the industry. We believe that the technology spillover arrangement will help us, our ecological partners and customers to grow together, upgrade us from a technology and creative service provider to a platform service provider, and contribute to our own business growth while creating benefits for our business partners with greater economies of scale.

In addition, we plan to continue to enhance the AI algorithm to further improve the quality and frequency of the training of crowd modeling strategy and the accuracy of crowd labeling. We also believe that the continuous development of AI technologies will promote the improvement of video production capabilities revolutionarily, enabling us and our partners to realize automatic production of short videos, expanding our business scale and increasing our revenue. We will continue to develop the continuous cooperation with SenseTime in technology research and development, and to train more valuable AI video production tools through machine learning to support video production in a larger scale. To this end, we also plan to continue to recruit more research and development personnel.

Continue to unleash the monetization potential of our content production, exchange and distribution platform that offers full-cycle services.

With leading platform infrastructure, large-scale data accumulation and processing capabilities, and large-scale production of video creatives, we have captured a leading position in the industry. At present, the market we are in is still in short supply, and yet only through technology-driven methods can we achieve considerable transaction scale and benefits. Therefore, we are still continuously developing our platform capabilities to drive the rapid growth of transaction scale, so that we can acquire the capability of rapid iteration in response to the changing needs of advertisers and the fast upgrade and change of market environment, so as to achieve further leading advantages and strive for further business achievements.

By virtue of our large advertiser and online publisher bases and the partners working together with us, we are aware that our technology platform solutions are urgently needed by our partners, and we are arranging for the commercialization of our programmatic trading platform and content trading platform to realize revenue from software-as-a – service (“**SaaS**”) commercialization based on cloud solutions.

In addition, we are also developing in related derivative areas that are newly emerging, and help our e-commerce customers under certain well-known brands to generate new source of business income through live streaming sales, thereby diversifying our service offerings and source of income. Innovative types of products and services not only help to deepen our cooperation with existing customers, but also bring us new important customer bases.

Selectively pursue strategic collaboration, investment and acquisition opportunities.

We are seeking opportunities to invest in or acquire long-term strategic business companies that can supplement or enhance our existing business and develop business synergy. We set our targets on the companies with competitive advantages in big data analytics and AI capabilities, content development and production, upstream and downstream collaboration and other strategic resources.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Year ended December 31, 2020 compared to year ended December 31, 2019

	2020 **RMB'000**	2019 RMB'000
REVENUE	**2,577,026**	2,313,036
Cost of sales	**(2,374,376)**	(2,153,747)
Gross profit	**202,650**	159,289
Other income and gains	**23,245**	15,600
Selling and distribution expenses	**(7,032)**	(7,793)
Administrative expenses	**(72,681)**	(41,561)
Impairment losses on financial assets, net	**(7,931)**	(29,630)
Research and development expenses	**(13,309)**	(9,923)
Other expenses	**(2,971)**	(750)
Finance costs	**(5,972)**	(6,524)
Share of profits and losses of:		
Associates	**(4,859)**	381
PROFIT BEFORE TAX	**111,140**	79,089
Income tax expense	**(7,532)**	(6,155)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**103,608**	72,934
Profit and total comprehensive income attributable to:		
Owners of the parent	**103,608**	72,934
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		
Basic and diluted		
– For profit for the year	**RMB17.1 cents**	RMB12.2 cents

FINANCIAL REVIEW (Continued)

Key Operating Data

The following table sets forth our key operating data for the years ended December 31, 2020 and 2019.

	Year ended/As of December 31,	
	2020	2019
Impressions (short videos) (millions)(1)(3)	**220,090.03**	179,743.3
Click-throughs (short videos) (millions)(2)(3)	**6,652.94**	4,493.6
Click-through rate (short videos) (%) (4)	**3.02**	2.5
Likes (short videos) (thousands)(5)	**443,701.51**	362,362.5

Notes:

(1) Impressions are the total number of page views of our short video advertisements for the periods indicated. CPM and oCPM are pricing models on the basis of each one thousand impressions of the advertisement.

(2) Click-throughs are the total number of clicks on the short video advertisements placed by us for the periods indicated. CPC and oCPC are pricing models on the basis of each click-through of the advertisement.

(3) We charge advertisers for our online marketing solutions primarily based on oCPM, oCPC or CPC. Our revenue derived from online marketing solutions business is positively correlated to the total number of impressions and click-throughs.

(4) Click-through rate is calculated as the total number of click-throughs divided by the total number of impressions.

(5) Likes are given by video viewers when they enjoy our short video creatives. Likes indicate the popularity of our short video creatives, including short video advertisements.

(6) CPC means cost per click, a performance-based pricing model where advertising is paid on the basis of each click of the advertisement.

CPM means cost per mille, a non-performance-based pricing model where advertising is paid on the basis of thousand impressions.

oCPC means optimized cost per click, a bid optimizing strategy which automatically adjusts advertisers' bid to achieve finer matching of bid and traffic quality of page view request granularity.

oCPM means optimized cost per mille, an optimized bid setting that allows advertisers to set maximum bids for ad inventories to achieve their desired campaign outcomes by automatically adjusting campaign parameters, such as advertising space, frequency and reach.

Our impressions and click-throughs recorded a significant increase during the Reporting Period, reflecting the stable growth of our short video marketing solutions business. Our click-through rate increased by 0.52% from 2.50% in 2019 to 3.02% in 2020, reflecting our efforts and success in expanding our online marketing solutions business. Our pan-entertainment content service business is changing and upgrading its focus to original content, and is gradually expanding into the fields of creative content video production and commercialised live streaming operations, etc.

FINANCIAL REVIEW (Continued)

Key Financial Ratios

	Year ended December 31,	
	2020	2019
Gross profit margin (%) [(1)]	**7.86**	6.89
Net profit margin (%) [(2)]	**4.02**	3.15
Current ratio (times) [(3)]	**3.74**	1.68
Adjusted net profit margin (%) [(4)]	**5.67**	3.80
Debt-to-asset ratio (times) [(5)]	**0.26**	0.56

Notes:

(1) Gross profit margin is calculated based on gross profit for the year divided by revenue for the respective year and multiplied by 100%.

(2) Net profit margin is calculated based on profit for the year divided by revenue for the respective year and multiplied by 100%.

(3) Current ratio is calculated based on total current assets divided by total current liabilities.

(4) Equals to adjusted net profit divided by revenue for the year and multiplied by 100%. For the reconciliation from net profit to adjusted net profit, see "– Non-IFRS Measures: Adjusted Net Profit" below.

(5) Debt-to-asset ratio is calculated based on total liabilities divided by total assets.

FINANCIAL REVIEW (Continued)

Revenue

We generate our revenue primarily from the provision of (i) our one-stop online marketing solutions to advertisers directly or through advertising agencies; and (ii) pan-entertainment content service business (upgraded in the second half of 2020). Our total revenue increased by 11.41% from RMB2,313.04 million in 2019 to RMB2,577.03 million in 2020, which was mainly attributable to the increase in the revenue from our online marketing solution business.

Revenue by business segments

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

	Year ended December 31,			
	2020		2019	
	(RMB'000)	**% of the total**	(RMB'000)	% of the total
Online marketing solutions business	**2,566,349**	**99.6**	2,282,304	98.7
Pan-entertainment content services	**10,677**	**0.4**	30,732	1.3
Total	**2,577,026**	**100.0**	2,313,036	100.0

We enter into annual framework agreements with our advertising customers and charge them for our online marketing solutions based primarily on a mix of oCPM, oCPC and CPC. Our online marketing solutions business grew stably during the Reporting Period, benefiting from the increased recognition of short video marketing by both audiences and advertisers and the popularity of short video marketing. In 2020, the revenue generated from our online marketing solutions business accounted for 99.6% of our total revenue.

FINANCIAL REVIEW (Continued)

Revenue by business segments (Continued)

Revenue from online marketing solutions business by type of advertising customers

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

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

	Year ended December 31,			
	2020		2019	
	(RMB'000)	% of the total	(RMB'000)	% of the total
Advertisers	2,084,645	81.2	2,212,764	97.0
Advertising agencies	481,704	18.8	69,540	3.0
Total	2,566,349	100.0	2,282,304	100.0

FINANCIAL REVIEW (Continued)

Revenue by business segments (Continued)

Revenue from online marketing solutions business by industry verticals

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

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

	Year ended December 31,			
	2020		2019	
	(RMB'000)	% of the total	(RMB'000)	% of the total
Online gaming	783,859	30.5	1,368,410	60.0
Financial services[1]	336,366	13.1	273,791	12.0
E-commerce	514,705	20.1	215,467	9.4
Internet services	237,858	9.3	171,640	7.5
Advertising	415,454	16.2	72,547	3.2
Culture & media	180,091	7.0	59,323	2.6
Others[2]	98,016	3.8	121,126	5.3
Total	2,566,349	100.0	2,282,304	100.0

Notes:

(1) Financial services primarily include online insurance, consumer financing and retail banking.

(2) Others mainly include business services and healthcare.

During the year ended December 31, 2020, the online gaming industry (online gaming developers and/or distributors) was our largest group of advertising customers. Our revenue generated from the online gaming industry accounted for 60.0% and 30.5% of our total revenue derived from online marketing solutions business for the years ended December 31, 2019 and 2020, respectively.

During the year ended December 31, 2020, we further explored other industry verticals, such as e-commerce. Our revenue generated from e-commerce companies, as a percentage of our total revenue generated from online marketing solutions business, increased from 9.4% in 2019 to 20.1% in 2020.

FINANCIAL REVIEW (Continued)

Cost of Sales

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

	Year ended December 31,			
	2020		2019	
	(RMB'000)	% of the total	(RMB'000)	% of the total
Traffic acquisition cost	2,339,958	98.6	2,134,500	99.2
Employee benefit expenses	24,346	1.0	13,949	0.6
Others[1]	10,072	0.4	5,298	0.2
Total	2,374,376	100.0	2,153,747	100.0

Note:

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

Our cost of sales primarily consists of traffic acquisition costs and employee benefit expenses. In 2020, traffic acquisition costs constituted the largest portion of our cost of sales, and employee benefit expenses constituted the second largest portion of our cost of sales. For the years ended December 31, 2019 and December 31, 2020, our traffic acquisition costs amounted to RMB2,134.5 million and RMB2,340.0 million, respectively, accounting for approximately 99.2% and 98.6%, respectively, of our total cost of sales for the respective years, which was in line with our business expansion. For the years ended December 31, 2019 and December 31, 2020, our employee benefit expenses amounted to RMB13.9 million and RMB24.3 million, respectively, accounting for approximately 0.6% and 1.0%, respectively, of our total cost of sales for the respective years, which was attributable to the increases in the number of our employees and the general compensation level of the internet related industries.

FINANCIAL REVIEW (Continued)

Cost of Sales (Continued)

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

	Year ended December 31,			
	2020		2019	
	(RMB'000)	% of the total	(RMB'000)	% of the total
Online marketing solutions business	2,362,512	99.5	2,129,742	98.9
Pan-entertainment content services	11,864	0.5	24,005	1.1
Total	2,374,376	100.0	2,153,747	100.0

Gross Profit and Gross Profit Margin

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

	Year ended December 31,			
	2020		2019	
	Gross profit (RMB'000)	Gross profit margin %	Gross profit (RMB'000)	Gross profit margin %
Online marketing solutions business	203,837	7.9	152,562	6.7
Pan-entertainment content services	-1,187	-11.1	6,727	21.9
Total	202,650	7.9	159,289	6.9

Our gross profit consists of our revenue less cost of sales. The Group recorded gross profit of RMB202.65 million in 2020, representing an increase of 27.22% as compared to the gross profit of RMB159.29 million in 2019.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. Gross profit margin increased from 6.9% in 2019 to 7.9% mainly attributable to (1) the better results of the Group's marketing efforts; and (2) the fact that, benefiting from the rapid development of the short video e-commerce industry, the Group's online marketing solutions business in the e-commerce industry grew rapidly and contributed higher gross profit to the Group, and the revenue therefrom was recognized using the net method.

FINANCIAL REVIEW (Continued)

Other Income and Gains

Our other income and gains increased from RMB15.6 million for the year ended December 31, 2019 to RMB23.2 million for the year ended December 31, 2020, which was mainly attributable to the increase in the additional deduction of RMB8.6 million in value-added tax throughout 2020 as compared to 2019.

Selling and Distribution Expenses

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

Our selling and distribution expenses gradually decreased from RMB7.8 million in 2019 to RMB7.0 million in 2020, which was mainly attributable to the decrease in entertainment and travelling activities in line with the fact that our online marketing business had gradually established a presence in the market.

General and Administrative Expenses

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

Our administrative expenses increased significantly by 74.88% from RMB41.56 million for the year ended December 31, 2019 to RMB72.68 million for the year ended December 31, 2020, which was mainly attributable to the increase in intermediary service fees of RMB27.13 million in relation to, among others, the listing of the Company, and the increase of RMB2.41 million in labor cost resulting from the increased staff in line with further business expansion.

FINANCIAL REVIEW (Continued)

Impairment Losses on Financial Assets, Net

Impairment losses on financial assets, net represent provisions of impairment of trade receivables, net of reversal. We recorded impairment losses on financial assets, net of RMB7.93 million in 2020, which was mainly attributable to the general provision made by us for the credit loss of trade receivables.

Research and Development Expenses

Our research and development expenses primarily comprise (i) employee benefit expenses; (ii) outsourcing development expenses; and (iii) others mainly consisting of server rental expenses. Our research and development expenses increased by 34.17% from RMB9.92 million for the year ended December 31, 2019 to RMB13.31 million for the year ended December 31, 2020, which was mainly attributable to the increases in the number and average remuneration level of our research and development staff.

Other Expenses

Our other expenses increased from RMB0.8 million for the year ended December 31, 2019 to RMB3.0 million for the year ended December 31, 2020, which was mainly attributable to the loss from the translation of listing proceeds resulting from the declines of RMB against HKD and USD exchange rates.

Finance Costs

Our finance costs decreased from RMB6.5 million for the year ended December 31, 2019 to RMB6.0 million for the year ended December 31, 2020. The decrease in finance costs was mainly due to the decrease of RMB2.8 million in the discounting expenses for bills receivable as compared to 2019, and the corresponding increase of RMB2.4 million in the interest expenses of our bank borrowings resulting from the increase in bank borrowings in line with business expansion.

Income Tax Expenses

Our income tax expenses increased from RMB6.2 million for the year ended December 31, 2019 to RMB7.5 million for the year ended December 31, 2020, which was mainly due to the further increase in the operating results of the Company. Our effective income tax rate decreased from 7.8% for the year ended December 31, 2019 to 6.8% for the year ended December 31, 2020, which was because that, in 2020, Horgos Quantum Dynamic Culture Media Co., Ltd. (霍爾果斯量子動態文化傳媒有限公司), a subsidiary of the Group founded and located in Horgos, China, generated more profit and was exempt from income tax.

FINANCIAL REVIEW (Continued)

Profit for the Year

As a result of the above, our profit for the year increased by 42.07% from RMB72.93 million for the year ended December 31, 2019 to RMB103.61 million for the year ended December 31, 2020. Our net profit margin increased from 3.15% for the year ended December 31, 2019 to 4.02% for the year ended December 31, 2020.

Non-IFRS Measures: Adjusted Net Profit

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as additional financial measures, which are not required by, or presented in accordance with, IFRS. We believe these non-IFRS measures facilitate comparisons of operating performance from year to year and company to company by eliminating potential impacts of items which our management considers non-indicative of our operating performance. We believe these measures provide useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as they help our management.

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

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

	Year ended December 31,	
	2020	2019
	(RMB in millions)	
Net profit for the year	**103.61**	72.93
Add:		
Listing expenses	**32.37**	8.83
Foreign exchange differences	**2.51**	–
Income tax expense	**7.53**	6.16
Adjusted net profit	**146.02**	87.92

FINANCIAL REVIEW (Continued)

Liquidity and Financial Resources

Our business operations and expansion plans require a significant amount of capital, including acquiring user traffic from online publishers, enhancing our content production capabilities, improving our big data analytics and AI capabilities, upgrading our proprietary DMP and other infrastructures as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, and capital contributions from the Shareholders. In 2019 to 2020, our cash and bank balances significantly increased from RMB34.84 million to RMB1,020.86 million, mainly attributable to the proceeds from the successful initial public offering of the Company.

The table below sets out our liquidity as of December 31, 2020 and December 31, 2019, respectively:

	2020 **RMB'000**	2019 RMB'000
Cash and bank balances	**1,020,863**	34,840
Denominated in RMB	**140,311**	34,474
Denominated in HKD	**253,540**	361
Denominated in USD	**627,012**	5
	1,020,863	34,840

FINANCIAL REVIEW (Continued)

Capital Expenditures

Our capital expenditures in 2020 primarily consists of expenditures on (i) property, plant and equipment for office equipment and leasehold improvement; and (ii) intangible assets for software and the user right of a website.

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

	As at December 31, 2020	2019
	(RMB in millions)	
Property, plant and equipment	**4.6**	2.5
Intangible assets	**10.3**	8.7
Total	**14.9**	11.2

We incurred capital expenditures of approximately RMB14.9 million for the year ended December 31, 2020, primarily related to office furniture and decoration as well as purchases of servers, software and website. We intend to fund our planned capital expenditures through cash generated from operations.

Pledge of Assets

As of December 31, 2020, we did not pledge any of our assets.

Foreign Exchange Risk Management

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

Contingent Liabilities

As of December 31, 2020, we did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

Material Acquisition, Disposal of Subsidiaries, Associates and Joint Ventures and Significant Investment

From the Listing Date to December 31, 2020, the Group had no material acquisition, disposal of subsidiaries, associates and joint ventures or significant investment.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Xu Jiaqing (徐佳慶), aged 33, is the chairman of the Board, an executive Director, a vice president and the chief marketing officer of the Company. He is primarily responsible for overseeing daily operation and management of the Group and the implementation of the business plans of the Group.

Mr. Xu has an in-depth understanding of the industry where the Group operates with almost 10 years of working experience both inside and outside the Group and has accumulated extensive experience in the daily operation and management of the Group. From November 2012 to November 2013, Mr. Xu served as the general sales manager of Netjoy Network in charge of overall planning of marketing strategies and management of sales operation. Mr. Xu has held directorship at Netjoy Network since October 2015, and has been its vice general manager since September 2017 and its chairman of the board and the legal representative since November 2018. Apart from holding positions in Netjoy Network, Mr. Xu also served as the chief operating officer of Letui Culture from the date of its establishment in December 2013 and has been its director since June 2019. In addition, Mr. Xu has been the executive director or general manager of several subsidiaries within the Group, including Quantum Culture Media since June 2017, Qizheng Culture since May 2019, Letui Information since August 2019, Yunxiang Information since August 2019, Guomeng Internet since December 2019 and Letui Zhixiao since January, 2020, respectively. Prior to joining the Group, Mr. Xu worked at Shanghai Ruichuang Network Technology Co., Ltd. (上海瑞創網絡科技有限公司), a company primarily engaging in internet advertising business, from September 2010 to August 2012.

Mr. Xu graduated with a college's degree in printing technology from Shanghai Publishing and Printing College (上海出版印刷高等專科學校) in July 2009.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. Wang Chen (王晨), aged 43, is an executive Director and the chief executive officer of the Company. He is primarily responsible for developing overall corporate and business strategies of the Group and making significant business and operational decisions of the Group.

With almost 10 years of industry experience, Mr. Wang has gained in-depth understanding of the industry where the Group operates and accumulated rich management experience. Mr. Wang joined the Group in February 2013 and had served as the vice general manager of Netjoy Network until June 2015. He subsequently has been the general manager and a director of Netjoy Network since June 2015 and October 2015, respectively. Prior to joining the Group, Mr. Wang acted as the business development director of Baixing Net, a company listed on the NEEQ (NEEQ: 836012) which is one of the largest classified information platforms in the PRC in provision of local information to consumers and marketing resolutions to merchants, from November 2010 to January 2013, in charge of advertising management and business cooperation with media partners and management of local channel sales representative network. He also worked at Microsoft (China) Co., Ltd. (微軟(中國)有限公司) and its Shanghai Minhang Branch from September 2004 to November 2010, with his last position as partner technical advisory (PTA) (Level II), primarily responsible for providing technical support, action plan and analysis services to the partners of Microsoft. Mr. Wang also worked at Beijing Xander Technology Co., Ltd. (北京建達藍德科技有限公司) previously.

Mr. Wang graduated with a bachelor's degree in engineering from Beijing University of Technology (北京工業大學) in July 2000. He was certified as a PMP (Project Management Professional) by Project Management Institution in the U.S. from June 2006 to June 2010, a Microsoft Certified Database Administrator and a Microsoft Certified Systems Engineer by Microsoft Incorporation in September 2002 and January 2006, respectively. He also obtained Google Analytics Individual Qualification in February 2011 accredited by Google Testing Center. Mr. Wang is currently studying for an EMBA (Executive Master of Business Administration) degree at School of Economics and Management of Tsinghua University (清華大學經管學院).

DIRECTORS (Continued)

Non-executive Directors

Mr. Qin Miaomiao (覃渺渺), aged 36, is a non-executive Director of the Company. He is primarily responsible for assisting in overseeing the operation of Netjoy Network and providing strategic advice on development the Group.

Mr. Qin has more than 11 years of working experience in internet companies and has obtained substantial experience from the operation of the Group. Mr. Qin has been the vice general manager of Netjoy Network since November 2012 and its director since June 2015. Mr. Qin also served as chairman of the board of Netjoy Network from October 2015 to October 2018. Prior to joining the Group, Mr. Qin worked at Shanghai Ruichuang Network Technology Co., Ltd. (上海瑞創網絡科技有限公司) from August 2009 to July 2012.

Mr. Qin graduated with a bachelor's degree in Chinese language and literature from Jiangnan University (江南大學) in June 2007.

Mr. Dai Liqun (戴立群), aged 44 with the former name as Dai Liqun (代立群), is a non-executive Director of the Company. He is primarily responsible for providing strategic advice and making recommendations on corporate operation and development of the Group. Mr. Dai is the spouse of Ms. Peng Ting, a vice president and a joint company secretary of the Company.

Mr. Dai joined the Group in October 2015 and has been a director of Netjoy Network since then. He has also been a director of Letui Culture since December 2013 and its chairman of the board since July 2019. Prior to joining the Group, Mr. Dai served as the technical director of Shanghai Yungang Tonghui Visual Art Design Co., Ltd. (上海雲罡同匯視覺藝術設計有限公司) from July 2008 to November 2013 and Shanghai Look Visual Art Design Co., Ltd. (上海路可視覺藝術設計有限公司) from June 2005 to June 2008, respectively, in charge of overall management of product research and development.

Mr. Dai graduated with a college's degree in automobile application engineering from Wuhan University of Technology (武漢理工大學) (formerly named as Wuhan Automotive Industry University (武漢汽車工業大學)) in June 1997.

DIRECTORS (Continued)

Non-executive Directors (Continued)

Mr. Zhang Jianguo (張建國), aged 45, is a non-executive Director of the Company. He is primarily responsible for providing strategic advice and making recommendations on corporate operation and development of the Group.

Mr. Zhang joined the Group in October 2018 and has been a director of Netjoy Network since then. Prior to that, he accumulated rich experience in product operation and management by holding various senior management positions in both private and public companies for more than 20 years.

Mr. Zhang worked at Wutong Holding, a company listed on Shenzhen Stock Exchange (stock code: 300292), as the assistant to chairman of the board from September 2018 to December 2018, where he has also served as its president since December 2018 and its director since January 2019.

He currently holds directorships in several companies within the group of Wutong Holding in which he is responsible for major operational and managerial matters. From July 1999 to July 2018, Mr. Zhang served at ZTE Corporation, a company listed on both Shenzhen Stock Exchange (stock code: 000063) and the Stock Exchange (stock code: 0763), with his last position as its senior vice president focusing on overseeing and managing development of communication products. Mr. Zhang graduated with a bachelor's degree in computer science and technology from Chongqing University (重慶大學) in June 1999.

Mr. Zhang later obtained an EMBA degree from School of Economics and Management of Tsinghua University (清華大學經管學院) in June 2017.

Mr. Wang Jianshuo (王建碩), aged 43, is a non-executive Director of the Company. He is primarily responsible for providing strategic advice and making recommendations on corporate operation and development of the Group.

With more than 20 years of internet industry related working experience, Mr. Wang gathered substantial knowledge and experience in the area where the Group operates. He joined the Group in June 2018 and has been a director of Netjoy Network since then. Prior to that, Mr. Wang has been the chairman of the board of Baixing Net, a company listed on the NEEQ (NEEQ: 836012) which is one of the largest classified information platforms in the PRC in provision of local information to consumers and marketing resolutions to merchants, since August 2015. Mr. Wang previously served as an executive director of Baixing Net from September 2005 to August 2015. From June 1999 to March 2005, Mr. Wang worked at Microsoft (China) Co., Ltd. Shanghai Branch (微軟(中國)有限公司上海分公司) with his last position as the project manager.

Mr. Wang graduated with a bachelor's degree in automation from Shanghai Jiao Tong University (上海交通大學) in July 1999.

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Chen Changhua (陳長華), aged 41, is an independent non-executive Director of the Company. He is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Mr. Chen has held directorship at Guofu Life Insurance Co., Ltd. (國富人壽保險股份有限公司) from June 2018 to June 2020. He has extensive experience in accounting and financial management. Mr. Chen has been the chief financial officer of financial service platform (金融服務平台) in Tianjin Sankuai Technology Co., Ltd. (天津三快科技有限公司), a subsidiary of Meituan Dianping (美團點評) (stock code: 3690), since April 2018, primarily responsible for financial analysis. Prior to that, he served as the senior director of Vipshop (China) Co., Ltd. (唯品會(中國)有限公司) from October 2011 to April 2018, whose holding company, Vipshop Holdings Limited, is listed on the New York Stock Exchange (NYSE stock code: VPIS), primarily responsible for financial analysis. Mr. Chen also served as the audit manager at Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所有限公司) from July 2005 to November 2011.

Mr. Chen graduated with a bachelor's degree in marketing from Dalian Maritime University (大連海事大學) in July 2002. He further obtained a master's degree in industrial economics from Shanghai University (上海大學) in April 2005, and a master's degree in business administration from University of Southern California in August 2016, respectively. Mr. Chen was admitted as a member of Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in April 2012, and was licensed as a certified public accountant by the Board of Accountancy of Washington in the U.S..

Dr. Ru Liyun (茹立雲), aged 41, is an independent non-executive Director of the Company. He is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Dr. Ru has almost 15 years of experience in internet technology industry. From July 2005 to June 2018, Dr. Ru held various positions within the group of Sogou Inc., a company listed on the New York Stock Exchange (NYSE stock code: SOGO), with his last position as the chief operational officer of Sogou Inc. He also served as a strategic counsel of Beijing Sogou Information Service Co., Ltd. (北京搜狗信息服務有限公司) from June 2018 to May 2019. He founded Beijing Grape Intelligence Technology Co., Ltd. (北京葡萄智學科技有限公司) in March 2018 and has been its executive director, chief executive officer and chief science officer since then.

Dr. Ru majored in computer science and technology in Tsinghua University (清華大學) and obtained a bachelor's degree in July 2002, a master's degree in July 2005, and a doctoral degree through a program of work in January 2014, respectively. Dr. Ru received several awards and recognitions, including Top 50 of Chinese Business Innovation (中國商業創新50人) and Award of Technology Innovator (技術創新者獎) honored by CBN weekly (第一財經週刊) in February 2013, First Prize of Beijing Science and Technology Award (北京市科學技術獎一等獎) honored by Beijing Municipal People's Government (北京市人民政府) in December 2015 and in November 2017, respectively, and CCF Outstanding Engineer Award (中國計算機學會傑出工程師獎) honored by China Computer Federation (中國計算機學會) in December 2017.

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Ms. Cui Wen (崔雯), aged 58, is an independent non-executive Director of the Company. She is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Ms. Cui has been an independent director of Shanghai Worth Garden Co., Ltd. (上海沃施園藝股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300483) since April 2020. She has spent almost 30 years working at various multinational and domestic corporations dedicating human resources ("**HR**") area. As the founding member, she has been a director, the general manager and a consultant of Xceed OD Consulting Co. Ltd. (惜德組織發展諮詢有限公司) since December 2013. From June 2014 to February 2018, Ms. Cui served as a member of the executive committee and the dean of seeding college (種子院) of Envision Energy (Jiangsu) Co. Ltd. (遠景能源(江蘇)有限公司) (subsequently renamed as Envision Energy Co. Ltd. (遠景能源有限公司). She also served as the chief officer of organizational development of Uniplan (Shanghai) Co., Ltd. (德商優尼博覽諮詢(上海)有限公司) from March 2013 to October 2013, and the chief operational officer of Baixing Net from September 2011 to February 2013. Prior to that, Ms. Cui held HR related positions in certain corporations, including the U.S. headquarter of Nike Inc. as the global HR business partner from December 2009 to June 2011, Nike Sports (China) Co., Ltd. (耐克體育(中國)有限公司) as the greater China HR director from January 2006 to November 2009, Shanghai Roche Pharmaceutical Co. Ltd. (上海羅氏製藥有限公司) as the China HR director from August 2002 to December 2005, Reckitt Benckiser (China) Co. Ltd. (利潔時(中國)有限公司) as the China HR director from April 1997 to July 2002, and Xian-Janssen Pharmaceutical Co. Ltd. (西安楊森製藥有限公司), as the HR supervisor and compensation supervisor from April 1991 to March 1997.

Ms. Cui graduated from Xi'an University (西安大學) majored in industrial electrical automation in July 1984 and obtained a bachelor's degree in industrial electrical automation from Xi'an University of Technology (西安理工大學) (formerly known as Shanxi Institute of Mechanical Engineering (陝西機械學院)) in January 1985. She graduated with a master's degree in philosophy from Nottingham Trent University in March 2015. She was recognised as the China's 15 people in 15 years (中國15年15人) by Wolters Kluwer in 2012. Ms. Cui successfully completed the requirements for the Stakeholders Centered Coaching by Marshall Goldsmith Coaching Certification Program and became a certified coach in October 2012. She has been appointed by Shanghai Vistage Management Consulting Co., Ltd. (上海偉仕達管理諮詢有限公司) as an executive coach since February 2018.

SENIOR MANAGEMENT

Mr. Xu Jiaqing, Chairman of the Board, executive Director, vice president and chief marketing officer of the Company. Please refer to the section headed "Executive Directors" in this section.

Mr. Wang Chen, executive Director and chief executive officer of the Company. For the biographical details of Mr. Wang, please refer to the section headed "Executive Directors" in this section.

Ms. Zha Junling (查俊玲), aged 35, is the financial director of the Company. She is primarily in charge of the financial management, financial strategies and investor relations of the Group.

Ms. Zha has more than 12 years of experience in accounting and financial management. She joined the Group in July 2015 and has been the financial controller of Netjoy Network since then. Prior to joining the Group, Ms. Zha acting as the sales accountant of Shanghai K-Max Healthcare Products Co., Ltd. (上海康麥斯保健品有限公司) from August 2010 to June 2015. Prior to that, Ms. Zha was an accountant of Zhongda Diantong Co., Ltd. (中達電通股份有限公司) from April 2008 to October 2009.

Ms. Zha graduated with a bachelor's degree in accounting from Shanghai Institute of Finance (上海金融學院) (subsequently merged into Shanghai Lixin University of Accounting and Finance (上海立信會計金融學院)) in July 2008. She obtained a Certificate of Accounting Profession issued by Bureau of Finance of Pudong New District of Shanghai (上海市浦東新區財政局) in July 2008. She was certified as an Intermediate Accountant by the Ministry of Human Resources and Social Security (人力資源和社會保障部) and the Ministry of Finance (財政部) of PRC in September 2018.

Ms. Peng Ting (彭婷), aged 43, is a vice president and a joint company secretary of the Company. She is primarily in charge of the corporate governance, compliance matters and regulatory communications of the Group. Ms. Peng Ting is the spouse of Mr. Dai Liqun, one of our non-executive Directors.

Ms. Peng has almost eight years of experience in corporate governance and management. From November 2012 to October 2015, Ms. Peng served as the business manager and the marketing director of Netjoy Network. After that, she has been the secretary to the board and the vice president of public service department of Netjoy Network. Ms. Peng has also held various positions in certain subsidiaries within the Group, including the legal representative and the executive director of Yunxiang Entertainment since August 2018, the supervisor of Qizheng Culture, Letui Information and Guomeng Internet since May 2019, August 2019, and December 2019, respectively. Prior to joining the Group, Ms. Peng worked at Shanghai Chendi Electronic Technology Co., Ltd. (上海辰迪電子科技有限公司), where she acted as the business manager from June 2011 to October 2012, and was primarily responsible for the development of business cooperation and communication and relationship maintenance with business partners.

Ms. Peng graduated with a college's degree in business administration through a long distance learning program from Changsha Industry Employees University (長沙工業職工大學) in January 2019. She was certified as a secretary to board by NEEQ in May 2017 and by Shenzhen Stock Exchange in August 2016, respectively.

SENIOR MANAGEMENT (Continued)

Mr. Han Bin (韓斌), aged 53, is a vice president of the Company. He is primarily in charge of financing and investment management of the Group.

Mr. Han joined the Group in July 2019 and has been our vice president since then. Prior to joining the Group, he served as the vice president of Shanghai Fenghua Education Technology Co., Ltd. (上海楓華教育科技有限公司) from August 2017 to March 2019, and was primarily responsible for financing and investment management. Before that, he served as a counsel and the director of capital market department at Fangda Partners (方達律師事務所) from March 2014 to August 2017. From November 2008 to March 2014, Mr. Han worked at the Stock Exchange as an assistant vice president and its Shanghai vice special representative. Prior to that, he worked at Hubei Huanghe Law Firm (湖北黃鶴律師事務所) as a lawyer from March 2000 to April 2004.

Mr. Han graduated with a bachelor's degree in science from Beijing Normal University (北京師範大學) in July 1990. He obtained master of laws degrees from Wuhan University (武漢大學) in June 1999 and from the University of Toronto in November 2005, respectively. He also obtained a doctor of philosophy degree from the University of Hong Kong in November 2011. Mr. Han was licensed by the Ministry of Justice of the PRC to practice law in the PRC in June 2000.

Mr. Wu Guozhi (吳國治), aged 44, is the software architect of the Group. He is primarily responsible for design of our software systems and overseeing the software development of the Group.

Mr. Wu has more than 15 years of experience in programming and software engineering. He joined the Group in May 2016 and has been our software architect since then. Prior to joining the Group, he held several positions in Microsoft (China) Co., Ltd. Shanghai Branch (微軟(中國)有限公司上海分公司) and Microsoft (China) Co., Ltd. Shanghai Minhang Branch (微軟(中國)有限公司上海閔行分公司) from January 2005 to May 2016, with his last position there as a support engineer.

Mr. Wu studied at Tianjin University (天津大學) in environmental engineering from September 1993 to May 1998. He obtained a number of qualifications certified by Microsoft during his tenure there, including, among others, Microsoft Certified Solution Developer, Microsoft Certified Database Administrator, Microsoft Certified Dynamics Specialist, Microsoft Certified IT Professional, Microsoft Certified Technology Specialist and Microsoft Certified Professional.

SENIOR MANAGEMENT (Continued)

Ms. Dong Ying (董瑩), aged 33, is the operation manager of Xi'an branch of the Group. She is primarily responsible for overseeing the daily management of Xi'an branch.

Ms. Dong is skilled in the management of advertising campaigns. She joined the Group in June 2019 as the operation manager of Xi'an branch. Prior to that, she worked at Xi'an Weiju Information Technology Co., Ltd. (西安微聚信息技術有限公司) as a planner of culture and tourism department from August 2017 to June 2019. Ms. Dong served as a mid-level planner of Beijing Angran Shidai Advertising Co., Ltd. (北京昂然時代廣告有限公司), a wholly-owned subsidiary of Beijing Adsage Technology Co., Ltd. (北京艾德思奇科技有限公司), from September 2016 to May 2017. Before that, she also worked at Beijing Topline Brand Management Co., Ltd. (北京尚誠同力品牌管理股份有限公司).

Ms. Dong graduated with a major in information management and information system from Xi'an University of Technological Information (西安工業大學北方信息工程學院) in July 2011. She also obtained a master of business administration degree from James Cook University in November 2013. Ms. Dong was granted a New Work Award (新銳作品獎) by Toutiao on the vertical screen ad creative competition (豎屏廣告創意大賽) in October 2018.

DIRECTORS' REPORT

The Board of Directors is pleased to present this directors' report and the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company is a limited liability company incorporated in the Cayman Islands on March 29, 2019. The Shares have been listed and traded on the Main Board of the Stock Exchange since December 17, 2020. Details on the use of the net proceeds from the Global Offering are set out in the section headed "Use of the Net Proceeds from the Global Offering" of this directors' report.

PRINCIPAL ACTIVITIES

The Company is a leading short video marketing solutions provider and an online content services provider focusing on pan-entertainment in China. The business analysis of the Group by business segment for the year ended December 31, 2020 is set out in Note 5 to the consolidated financial statements.

RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 89 of this annual report.

FINAL DIVIDEND

The Board did not recommend the payment of any final dividend for the year ended December 31, 2020.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to attend and vote at the AGM held on Monday, May 31, 2021, the register of members of the Company will be closed from Wednesday, May 26, 2021 to Monday, May 31 2021, both days inclusive, during which no transfer of shares will be registered. To qualify for attending and voting at the AGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong no later than 4:30 p.m. on Tuesday, May 25, 2021 for registration of the relevant transfer.

BUSINESS REVIEW

The review of the Group's business during the Reporting Period and the discussion on future business development are set out in the section headed "Management Discussion and Analysis" on pages 6 to 22 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Due to the nature of its business, the Group does not produce any hazardous substances or pollutants in the course of business operation. During the Reporting Period, the Group did not incur any expenses for any failure of compliance with applicable environmental laws and regulations.

The environmental, social and governance report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published on the websites of the Company and the Stock Exchange within three months after the publication of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is subject to various PRC laws and regulations in the course of daily operation. For details, please refer to the section headed "Regulatory Environment" of the Prospectus.

During the Reporting Period, the Group was not involved in any non-compliance incidents that resulted in fines, enforcement actions or other penalties to the Group which, in turn, may individually or as a whole have a material adverse impact on the Group's business, financial conditions or operating results, and the Group had complied with applicable PRC laws and regulations in all material aspects.

MAIN RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that its success depends on the support of key stakeholders, including employees, customers and suppliers.

EMPLOYEES

As of December 31, 2020, the Group had 390 full-time employees, including 254 in Shanghai, 52 in Beijing, 19 in Guangzhou, 60 in Xi'an, and 5 in Xinjiang.

The Group believes that the Group has always maintained a good relationship with its employees. The employees of the Group have not participated in any labor union. As of December 31, 2020, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on the Group's business.

The Group's employees typically enter into standard employment contracts with the Group. The Group places high value on recruiting, training and retaining its employees. The Group maintains high recruitment standards and provides competitive compensation packages. Remuneration packages for the Group's employees mainly comprise base salary and bonus. The Group also provides both in-house and external trainings for its employees to improve their skills and knowledge. For the year ended December 31, 2020, total staff remuneration expenses including Directors' remuneration amounted to RMB55.6 million.

The Group contributes to social security insurance and housing provident funds for its employees in accordance with applicable PRC laws, rules and regulations in all material aspects. We have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development. Details of the Post-IPO Share Option Scheme are set out in the section headed "Post-IPO Share Option Scheme" of this directors' report and Note 27 to the consolidated financial statements.

MAIN RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS (Continued)

CUSTOMERS

The Group's customers primarily include (i) advertisers and advertising agencies for online marketing solutions; and (ii) third-party ad networks and advertisers for advertising spaces on the Group's *Huabian* Platform. As of December 31, 2020, the Group had accumulatively served approximately 2,500 key advertisers. The Group has maintained business relationships with top five customers for 1 to 4 years (as of December 31, 2020). The Group generally grants customers a credit period of 30 to 90 days, and settles with customers by wire transfer. The Group occasionally requires certain advertising customers to prepay for the Group's online marketing solutions.

SUPPLIERS

The Group's suppliers primarily include (i) media partners, consisting of online publishers (namely, owners of content distribution platforms) and media agents which engage with the Group on behalf of online publishers, for traffic acquisition; and (ii) third-party content distribution partners which conduct content marketing for and bring traffic to the Group's *Huabian* Platform. The Group has maintained business relationships with top five suppliers for 1 to 4 years (as of December 31, 2020). The suppliers of the Group generally settle with the Group via wire transfer and grant the Group a credit period of less than 90 days. Certain suppliers also require for prepayment for acquiring traffic.

MAIN RISKS AND UNCERTAINTIES

Some of the main risks faced by the Group included:

- The Group acted as a middleman between advertising customers and Supplier A and relied on Supplier A to acquire user traffic for the Group's advertisers. If the Group fails to maintain its business relationship with Supplier A or if Supplier A loses its leading market position or popularity, the Group's business, financial condition and results of operations could be materially and adversely affected.

- If the Group fails to retain the existing advertising customers, deepen or expand its relationships with the advertising customers, or attract new advertising customers, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

- If the Group fails to retain the existing media partners, deepen or expand its relationships with the media partners, or attract new media partners, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

- If online publishers transact with advertisers directly, the Group may be exposed to the risk of disintermediation.

MAIN RISKS AND UNCERTAINTIES (Continued)

- If the Group fails to acquire new visitors or retain existing visitors for the *Huabian* Platform, or if visitor engagement on the Group's platform declines, the Group's business, results of operations and financial condition may be materially and adversely affected.

- Increased governmental regulation of content platforms may subject the Group to penalties and other administrative actions.

- If the online marketing industry fails to continuously develop and grow, or if the online marketing industry develops or grows at a pace slower than expected, the Group's profitability and prospects may be materially and adversely affected.

- Any discontinuation or change in preferential tax treatment or government grants that currently are or may be available to the Group in the future could materially and adversely affect the Group's business, financial condition and results of operations.

- The Group may face certain risks in collecting its trade receivables, and the failure to collect could have a material adverse effect on the Group's business, financial condition and results of operations.

- The Group has recorded negative cash flow from operating activities and may be subject to liquidity risks, which could constrain the Group's operational flexibility and materially and adversely affect the Group's business, financial condition and results of operations.

FINANCIAL SUMMARY

The summary of the results and assets and liabilities of the Group for the past four financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received from the Global Offering in December 2020, after deducting the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$1,296.93 million. The Company did not receive any of the net proceeds from the sale of the over-allotment shares by the over-allotment option grantors in January 2021. During the period from the Listing Date to December 31, 2020, the net proceeds from the Global Offering was utilized in the manner as follows:

	Approximate percentage of the total net proceeds	Net proceeds from the Global Offering (HKD in millions)	Net proceeds utilized as of December 31, 2020 (HKD in millions)	Remaining net proceeds as of December 31, 2020 (HKD in millions)	Expected time to utilize the remaining net proceeds in full
Enhancing research and development capabilities and upgrading information technology infrastructure					
Upgrading information technology infrastructure	9.1%	118.34	0	118.34	By the end of the year ending December 31, 2023
Upgrading proprietary DMP	3.6%	47.10	0	47.10	By the end of the year ending December 31, 2023
Upgrading full service content production, exchange and distribution platform	0.6%	8.28	0	8.28	By the end of the year ending December 31, 2023
Visual optimization of Huabian Platform	0.2%	2.60	0	2.60	By the end of the year ending December 31, 2023
Expanding business					
Enlarging advertiser and media partner bases	48.4%	627.20	140.11	487.09	By the end of the year ending December 31, 2023
Enhancing content production capabilities	5.5%	71.60	0	71.60	By the end of the year ending December 31, 2023
Expanding domestic and international footprints	3.7%	47.93	0	47.93	By the end of the year ending December 31, 2023
Pursuit of strategic investments and acquisitions	18.8%	244.19	0	244.19	By the end of the year ending December 31, 2023
Working capital and general corporate purposes	10.0%	129.69	0	129.69	By the end of the year ending December 31, 2023
Total		1,296.93	140.11	1,156.82	

As of December 31, 2020, the Group has utilized HK$140.11 million of the net proceeds from the Global Offering, and the remaining net proceeds of HK$1,156.82 million was deposited with licensed banks in Hong Kong or the PRC. The Group will further utilize the net proceeds from the Global Offering in the manner as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

During the Reporting Period, the transaction amount with the top five customers of the Group accounted for 27.5% of the total revenue of the Group as compared to 42.53% in 2019, and the transaction amount with the single largest customer of the Group accounted for 8.0% of the total revenue of the Group as compared to 28.41% in 2019.

Major Suppliers

During the Reporting Period, the transaction amount with the top five suppliers of the Group accounted for 96.6% of the total purchases of the Group during the Reporting Period as compared to 95.29% in 2019, and the transaction amount with the single largest supplier of the Group accounted for 65.5% of the total purchases of the Group as compared to 73.23% in 2019.

During the Reporting Period, none of the Directors, any of their close associates or any Shareholders who, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company, had an interest in the top five customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, details of the changes in the property, plant and equipment of the Company and the Group are set out in Note 13 to the consolidated financial statements in this annual report.

SHARE CAPITAL

During the Reporting Period, the details of the changes in the Company's share capital are set out in Note 25 to the consolidated financial statements in this annual report.

RESERVES

The details of the changes in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 91 of this annual report.

DISTRIBUTABLE RESERVE

During the Reporting Period, the distributable reserve of the Company amounted to approximately RMB1,504.87 million (as at December 31, 2019: RMB281.68 million).

TAX CREDIT

The Directors are not aware of any tax credit available to the Shareholders by reason of their holding of the Company's securities

BANK BORROWINGS AND OTHER BORROWINGS

Details of the bank borrowings and other borrowings of the Company and its subsidiaries during the Reporting Period are set out in Note 23 to the consolidated financial statements in this annual report.

DIRECTORS' REPORT

DIRECTORS

During the Reporting Period and up to the date of this annual report, the Directors are as follows:

Executive Directors:
Mr. Xu Jiaqing *(Chairman)*
Mr. Wang Chen *(Chief Executive Officer)*

Non-Executive Directors:
Mr. Qin Miaomiao
Mr. Dai Liqun
Mr. Zhang Jianguo
Mr. Wang Jianshuo

Independent Non-Executive Directors:
Mr. Chen Changhua
Dr. Ru Liyun
Ms. Cui Wen

Pursuant to Article 109(a) of the Articles of Association, at each AGM 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. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Pursuant to Article 113 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 additional Director, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders in general meeting. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Therefore, Mr. Xu Jiaqing, Mr. Wang Chen, Mr. Qin Miaomiao, Mr. Dai Liqun, Mr. Zhang Jianguo, Mr. Wang Jianshuo, Mr. Chen Changhua, Dr. Ru Liyun and Ms. Cui Wen shall retire as Directors by rotation at the AGM, and are eligible, and offer themselves for re-election.

The details of the Directors subject to re-election at the AGM are set out in the circular to the Shareholders dated April 29, 2021.

DIRECTORS AND SENIOR MANAGEMENT

The details of the biographies of Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 23 to 31 of this annual report.

CHANGE IN DIRECTORS' INFORMATION

For the year ended December 31, 2020, the Directors, including the chief executive officer, confirm that there has been no change in any Director's information, including the chief executive officer's information, that is required to be disclosed in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation from each of the independent non-executive Directors confirming their independence under Rule 3.13 of the Listing Rules, and the Company considers that all independent non-executive Directors are independent from the Listing Date to December 31, 2020 and the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Xu Jiaqing and Mr. Wang, being executive Directors, has entered into a service contract with the Company on November 17, 2020. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

Each of Mr. Qin, Mr. Dai, Mr. Zhang Jianguo and Mr. Wang Jianshuo, being non-executive Directors, and Mr. Chen Changhua, Dr. Ru Liyun and Ms. Cui Wen, being independent non-executive Directors, has entered into a letter of appointment with the Company on November 17, 2020. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with the Memorandum and Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors has entered into or intends to enter into any service contract with any member company of the Group (excluding any agreement expiring within one year or terminable by any member company of the Group within one year without compensation (except for statutory compensation)).

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Contractual Arrangements" of this directors' report and Note 30 to the consolidated financial statements, for the year ended December 31, 2020, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries other than the Company, nor was there any contracts of significance between the Company or any of its subsidiaries and the Controlling Shareholder or any of its subsidiaries other than the Company in relation to provision of services during the Reporting Period.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSATIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Contractual Arrangements" of this directors' report and Note 30 to the consolidated financial statements, for the year ended December 31, 2020, none of the Directors had, directly or indirectly, a material interest in any transaction, arrangement or contract to which the Company, any of its subsidiaries or fellow subsidiaries is a party and is of significance to the business of the Group.

MANAGEMENT CONTRACTS

From the Listing Date to the date of this annual report, the Company has not signed or entered into any contract for the management and administration of all or any important part of its business.

REMUNERATION POLICY

The Remuneration Committee has been established with an aim to review the remuneration policies and remuneration structure of the Group for the Directors and senior management based on the Group's operating results, the personal performance of Directors and senior management of the Company, and comparable market practices.

Details of the remunerations of the Directors and the five highest paid individuals during the Reporting Period are set out in Note 8 and Note 9 to the consolidated financial statements in this annual report.

PENSION AND EMPLOYEE RETIREMENT SCHEMES

Details of the Company's pension and employee benefit schemes are set out in Note 2.4 to the consolidated financial statements in this annual report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at December 31, 2020, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which have been entered in the register required to be kept pursuant to section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules, are as follows:

(i) Interests in the Shares of the Company

Name of Director/ Chief executive	Nature of interest	Number of Shares	Approximate percentage of the total number of the Company's shares(2)
Mr. Wang(3)(7)	Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties	241,519,745 (L)	30.19%
Mr. Xu(4)(7)	Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties	241,519,745 (L)	30.19%
Mr. Qin(5)(7)	Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties	241,519,745 (L)	30.19%
Mr. Dai(6)(9)	Founder of a discretionary trust/ Interest in a controlled corporation	67,140,959 (L)	8.39%
Mr. Wang Jianshuo(8)	Interest in a controlled corporation	74,749,002 (L)	9.34%
Ms. Peng Ting(9)	Interest of spouse	67,140,959 (L)	8.39%

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES (Continued)

(i) Interests in the Shares of the Company (Continued)

Notes:

1. The letter "L" denotes a long position in these shares.

2. As at December 31, 2020, the Company had 800,000,000 issued shares in total.

3. Wang SPV is the Direct Holding SPV of The Longhills Trust, which is set up by Mr. Wang (as the economic settlor and the protector) and Derun Investments (as the settlor). Derun Investments is the Offshore Holding Company wholly owned by Mr. Wang. Therefore, Mr. Wang (as the founder of The Longhills Trust and the sole shareholder of Derun Investments) is deemed to be interested in the Shares directly held by Wang SPV by virtue of the SFO.

4. Xu SPV is the Direct Holding SPV of The FS Trust, which is set up by Mr. Xu (as the economic settlor and the protector) and Quantum Computing (as the settlor). Quantum Computing is the Offshore Holding Company wholly owned by Mr. Xu. Therefore, Mr. Xu (as the founder of The FS Trust and the sole shareholder of Quantum Computing) is deemed to be interested in the Shares directly held by Xu SPV by virtue of the SFO.

5. Qin SPV is the Direct Holding SPV of The MH's Family Trust, which is set up by Mr. Qin (as the economic settlor and the protector) and CareFree Planning (as the settlor). CareFree Planning is the Offshore Holding Company wholly owned by Mr. Qin. Therefore, Mr. Qin (as the founder of The MH's Family Trust and the sole shareholder of CareFree Planning) is deemed to be interested in the Shares directly held by Qin SPV by virtue of the SFO.

6. Dai SPV is the Direct Holding SPV of The RGRGU Trust, which is set up by Mr. Dai (as the economic settlor and the protector) and Global Awesomeness (as the settlor). Global Awesomeness is the Offshore Holding Company wholly owned by Mr. Dai. Therefore, Mr. Dai (as the founder of The RGRGU Trust and the sole shareholder of Global Awesomeness) is deemed to be interested in the Shares directly held by Dai SPV by virtue of the SFO.

7. Pursuant to the acting-in-concert agreement dated March 30, 2020, the Ultimate Controlling Shareholders (i.e. Mr. Wang, Mr. Xu and Mr. Qin), together with their respective Offshore Holding Companies (i.e. Derun Investments, Quantum Computing and CareFree Planning) and the Direct Holding SPVs of their respective Family Trust (i.e. Wang SPV, Xu SPV and Qin SPV), have confirmed that they had and would continue to act in concert by aligning their votes at the board meetings and shareholders' meetings of the members of the Group. As such, Mr. Wang, Mr. Xu and Mr. Qin, together with Derun Investments, Quantum Computing and CareFree Planning, are all deemed to be interested in the total Shares directly held by Wang SPV, Xu SPV and Qin SPV by virtue of the SFO.

8. Kijiji is a wholly-owned subsidiary of Baixing Net. Mr. Wang Jianshuo is entitled to exercise the voting rights attached to approximately 40.84% shares of Baixing Net which are directly held by himself and three entities (i.e. Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi). Each of Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi is a limited partnership established in the PRC, the sole general partner of which is Mr. Wang Jianshuo. Therefore, Baixing Net and Mr. Wang Jianshuo are deemed to be interested in the Shares directly held by Kijiji by virtue of the SFO.

9. Ms. Peng Ting, vice president and joint company secretary of the Company, is the spouse of Mr. Dai. Therefore, Ms. Peng is deemed to be interested in Mr. Dai's interests by virtue of the SFO.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES (Continued)

(ii) Interests in associated corporation

Name of Director/ Chief executive	Nature of interest	Name of associated corporation	Attributable registered capital (RMB)	Approximate percentage
Mr. Wang[(1)]	Beneficial interest/Interest of concert parties	Netjoy Network	21,556,808	40.27%
Mr. Xu[(1)]	Beneficial interest/Interest of concert parties	Netjoy Network	21,556,808	40.27%
Mr. Qin[(1)]	Beneficial interest/Interest of concert parties	Netjoy Network	21,556,808	40.27%
Mr. Dai	Beneficial interest	Netjoy Network	5,992,656	11.20%

Note:

1. Pursuant to the original acting-in-concert agreement dated July 29, 2015, Mr. Wang, Mr. Xu and Mr. Qin have acknowledged and agreed to act in concert by aligning their votes at the board meetings and shareholders' meetings of Netjoy Network. As such, all of Mr. Wang, Mr. Xu and Mr. Qin are deemed to be interested in the total shares directly held by them in Netjoy Network by virtue of the SFO.

Save as disclosed above, during the year ended December 31, 2020, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which shall be entered in the register required to be kept pursuant to section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

Except as disclosed in this annual report, the Company or its subsidiaries or Consolidated Affiliated Entity did not enter into any arrangement at any time during the Reporting Period to enable the Directors to acquire benefits by purchasing the shares or debentures of the Company or any other corporation, and no directors or their spouses or children under the age of 18 had been granted any right to subscribe for the equity or debt securities of the Company or any other corporation, or had exercised any such right.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at December 31, 2020, to the knowledge of the Directors, the following persons (not being Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of shares	Approximate percentage of the total number of the Company's shares[2]
PraxisIFM Nerine Fiduciaries (Hong Kong) Limited[3][4][5][6][7]	Trustee	332,638,070 (L)	41.58%
Mr. Wang[4][7]	Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties	241,519,745 (L)	30.19%
Derun Investments[4][7]	Founder of a discretionary trust/Interest of concert parties	241,519,745 (L)	30.19%
Wang SPV[4][7]	Beneficial owner/Interest of concert parties	241,519,745 (L)	30.19%
Derun International[4]	Interest in a controlled corporation	113,796,307 (L)	14.22%
Mr. Xu[5][7]	Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties	241,519,745 (L)	30.19%
Quantum Computing[5][7]	Founder of a discretionary trust/Interest of concert parties	241,519,745 (L)	30.19%
Xu SPV[5][7]	Beneficial owner/Interest of concert parties	241,519,745 (L)	30.19%
FSS Investment[5]	Interest in a controlled corporation	96,149,153 (L)	12.02%
Mr. Qin[6][7]	Founder of a discretionary trust/Interest in a controlled corporation/Interest of concert parties	241,519,745 (L)	30.19%
CareFree Planning[6][7]	Founder of a discretionary trust/Interest of concert parties	241,519,745 (L)	30.19%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES (Continued)

Name of Shareholder	Nature of interest	Number of shares	Approximate percentage of the total number of the Company's shares[2]
Qin SPV[6][7]	Beneficial owner/Interest of concert parties	241,519,745 (L)	30.19%
Mr. Dai[8]	Founder of a discretionary trust/Interest in a controlled corporation	67,140,959 (L)	8.39%
Global Awesomeness[8]	Founder of a discretionary trust	67,140,959 (L)	8.39%
Dai SPV[8]	Beneficial owner	67,140,959 (L)	8.39%
Baxter Investment[8]	Interest in a controlled corporation	67,140,959 (L)	8.39%
Kijiji[9]	Beneficial interest	74,749,002 (L)	9.34%
Baixing Net[9]	Interest in a controlled corporation	74,749,002 (L)	9.34%
Mr. Wang Jianshuo[9]	Interest in a controlled corporation	74,749,002 (L)	9.34%
Wutong Holding	Beneficial interest	60,144,666(L)	7.52%
Guzon Asset[10]	Beneficial interest	57,627,795(L)	7.20%
Mr. Chen Shengfei[10]	Interest in a controlled corporation	57,627,795(L)	7.20%
Jingheng Jianyong[11] (as defined below)	Beneficial interest	40,468,390 (L)	5.06%
Beijing Jingheng[11] (as defined below)	Interest in a controlled corporation	40,468,390 (L)	5.06%
Mr. Song Lingjie[11]	Interest in a controlled corporation	40,468,390 (L)	5.06%
Ms. Liu Yongyan[11]	Interest in a controlled corporation	40,468,390 (L)	5.06%
Schroders Plc[12]	Investment manager	89,829,000 (L)	11.23%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

1. The letter "L" denotes a long position in these shares.

2. As at December 31, 2020, the Company had 800,000,000 issued shares in total.

3. PraxisIFM Nerine Fiduciaries (Hong Kong) Limited is the trustee of the Family Trusts, the discretionary family trusts set up by our Ultimate Controlling Shareholders, Mr. Dai, and Mr. Ru respectively. Therefore, PraxisIFM Nerine Fiduciaries (Hong Kong) Limited is deemed to be interested in the Shares directly held by Wang SPV, Xu SPV, Qin SPV, Dai SPV, and Ru SPV by virtue of the SFO.

4. Wang SPV is wholly owned by Derun International, which is in turn the holding vehicle of the Trustee of The Longhills Trust. The Longhills Trust is set up by Mr. Wang (as the economic settlor and the protector) and Derun Investments (as the settlor). Derun Investments is the Offshore Holding Company wholly owned by Mr. Wang. Therefore, each of Mr. Wang (as the founder of The Longhills Trust and the sole shareholder of Derun Investments), Derun Investments (as the founder of The Longhills Trust), Derun International (as the sole shareholder of Wang SPV) is deemed to be interested in the Shares directly held by Wang SPV by virtue of the SFO.

5. Xu SPV is wholly owned by FSS Investment, which is in turn the holding vehicle of the Trustee of The FS Trust. The FS Trust is set up by Mr. Xu (as the economic settlor and the protector) and Quantum Computing (as the settlor). Quantum Computing is the Offshore Holding Company wholly owned by Mr. Xu. Therefore, each of Mr. Xu (as the founder of The FS Trust and the sole shareholder of Quantum Computing), Quantum Computing (as the founder of The FS Trust), FSS Investment (as the sole shareholder of Xu SPV) is deemed to be interested in the Shares directly held by Xu SPV by virtue of the SFO.

6. Qin SPV is wholly owned by SpringRain Planning, which is in turn the holding vehicle of the Trustee of The MH's Family Trust. The MH's Family Trust is set up by Mr. Qin (as the economic settlor and the protector) and CareFree Planning (as the settlor). CareFree Planning is the Offshore Holding Company wholly owned by Mr. Qin. Therefore, each of Mr. Qin (as the founder of The MH's Family Trust and the sole shareholder of CareFree Planning), CareFree Planning (as the founder of The MH's Family Trust), SpringRain Planning (as the sole shareholder of Qin SPV) is deemed to be interested in the Shares directly held by Qin SPV by virtue of the SFO.

7. Pursuant to the acting-in-concert agreement dated March 30, 2020, our Ultimate Controlling Shareholders (i.e. Mr. Wang, Mr. Xu and Mr. Qin), together with their respective Offshore Holding Companies (i.e. Derun Investments, Quantum Computing and CareFree Planning) and the Direct Holding SPVs of their respective Family Trust (i.e. Wang SPV, Xu SPV and Qin SPV), have confirmed that they had and would continue to act in concert by aligning their votes at the board meetings and shareholders' meetings of the members of the Group. As such, Mr. Wang, Mr. Xu and Mr. Qin, together with Derun Investments, Quantum Computing and CareFree Planning, are all deemed to be interested in the total Shares directly held by Wang SPV, Xu SPV and Qin SPV by virtue of the SFO.

8. Dai SPV is wholly owned by Baxter Investment, which is in turn the holding vehicle of the Trustee of The RGRGU Trust. The RGRGU Trust is set up by Mr. Dai (as the economic settlor and the protector) and Global Awesomeness (as the settlor). Global Awesomeness is the Offshore Holding Company wholly owned by Mr. Dai. Therefore, Mr. Dai (as the founder of The RGRGU Trust and the sole shareholder of Global Awesomeness), Global Awesomeness (as the founder of The RGRGU Trust), Baxter Investment (as the sole shareholder of Dai SPV) is deemed to be interested in the Shares directly held by Dai SPV by virtue of the SFO.

9. Kijiji is a wholly-owned subsidiary of Baixing Net. Mr. Wang Jianshuo, a non-executive Director, is entitled to exercise the voting rights attached to approximately 40.84% shares of Baixing Net which are directly held by himself and three entities (i.e. Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi). Each of Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi is a limited partnership established in the PRC, the sole general partner of which is Mr. Wang Jianshuo. Therefore, Baixing Net and Mr. Wang Jianshuo are deemed to be interested in the Shares directly held by Kijiji by virtue of the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES (Continued)

Notes: (Continued)

10. Guzon Asset is wholly owned by Mr. Cheng Shengfei (陳聖飛). Therefore, Mr. Cheng Shengfei is deemed to be interested in the Shares directly held by Guzon Asset by virtue of the SFO.

11. Hangzhou Jingheng Jianyong Equity Investment Partnership (Limited Partnership) (杭州靜衡堅勇股權投資合夥企業（有限合夥）) ("**Jingheng Jianyong**") is controlled by its general partner Beijing Jingheng Investment Management Co., Ltd. (北京靜衡投資管理有限公司) ("**Beijing Jingheng**"), which is in turn owned by Ms. Liu Yongyan (劉勇燕) as to 90%. Mr. Song Lingjie (宋靈潔) is a limited partner of Jingheng Jianyong holding approximate 41.96% (more than one third) interests therein. Therefore, Beijing Jingheng, Mr. Song Lingjie and Ms. Liu Yongyan are deemed to be interested in the Shares directly held by Jingheng Jianyong by virtue of the SFO.

12. These Shares are directly held by Schroder Investment Management (Hong Kong) Limited as to 81,923,000 and Schroder Investment Management (Singapore) Ltd as to 7,906,000. Each of Schroder Investment Management (Hong Kong) Limited and Schroder Investment Management (Singapore) Ltd is direct wholly-owned by Schroder International Holdings Limited, which is indirect wholly-owned by Schroder Administration Limited. Schroder Administration Limited is indirect wholly-owned by Schroders Plc, therefore Schroders Plc is deemed to be interested in these Shares by virtue of the SFO.

Save as disclosed above, as at December 31, 2020, to the knowledge of the Directors, no other persons (not being Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or which shall be entered in the register referred to in section 336 of the SFO.

POST-IPO SHARE OPTION SCHEME

The Company has adopted a post-IPO share option scheme approved by a written resolution passed by the then shareholders on November 17, 2020 and has taken effect from the Listing Date (the "**Post-IPO Share Option Scheme**").

(a) Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Selected participants to the Post-IPO Share Option Scheme

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options.

POST-IPO SHARE OPTION SCHEME (Continued)

(c) Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 80,000,000, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "**Option Scheme Mandate Limit**") (excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme (or any other share option schemes of the Company) shall not be counted for the purpose of calculating the Option Scheme Mandate Limit. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of the Company (or our Subsidiaries) if this will result in the Option Scheme Limit being exceeded. The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post-IPO Share Option Scheme and any other share option schemes of the Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit. The Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identify selected participant and is first approved by Shareholders in general meeting.

(d) Maximum entitlement of a grantee

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, canceled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the Shareholders (with such selected participant and his associates abstaining from voting).

(e) Subscription price

The amount payable for each Share to be subscribed for under an option (the "**Subscription Price**") in the event of the option being exercised shall be determined by the Board in its absolute discretion but shall be not less than the higher of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

POST-IPO SHARE OPTION SCHEME (Continued)

(f) Options granted to Directors or substantial shareholders

Each grant of options to any director, chief executive or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options shall be subject to prior approval of the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, the Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. The relevant selected participants, their associates, and all core connected persons of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(g) Grant offer letter and notification of grant of options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, which must be received by the Company within 20 business days from the date on which the offer letter is delivered to the grantee.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 business days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

POST-IPO SHARE OPTION SCHEME (Continued)

(h) Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(i) Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme.

During the period from the Listing Date to December 31, 2020, the Company did not grant or agree to grant any share options pursuant to the Post-IPO Share Option Scheme. The total number of Shares that may be issued under the Post-IPO Share Option Scheme is 80,000,000 Shares, representing 10% of the total number of issued Shares (i.e. 800,000,000 shares) as at the date of this annual report. Immediately after the Reporting Period, the Company granted a total of 8,808,000 share options on January 15, 2021, and the exercise price per share option was HK$7.68. For details, please refer to the announcement of the Company dated January 17, 2021.

EQUITY-LINKED AGREEMENT

Except as disclosed in the section headed "Post-IPO Share Option Scheme" above, there was no equity-linked agreement entered into by the Company or subsisting during the year ended December 31, 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to December 31, 2020, none of the Company or any of its subsidiaries or its Consolidated Affiliated Entity had purchased, sold or redeemed any of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders (collectively, the "**Covenantors**" and each, a "**Covenantor**") entered into a deed of non-competition (the "**Deed of Non-competition**") in favor of the Company on November 17, 2020, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with the Company that, at any time during the period commencing from the Listing Date and expiring on the earlier of (i) the date when the Covenantors and, as the case may be, any of their close associates, cease to hold, or otherwise control or be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of the Company; or (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares), the Covenantor shall not, and shall procure that his/its close associates (other than members of the Group) will not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC, Hong Kong and other territories where the Company carries out business which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time. Please refer to the section headed "Non-Competition Undertaking" in the Prospectus for details.

The Company has received an annual confirmation from each of the Covenantors that they have complied with the Deed of Non-competition during the period from the Listing Date to December 31, 2020, for disclosure in this annual report.

The independent non-executive Directors have reviewed the performance of the Deed of Non-competition during the Reporting Period based on the information and confirmation provided or given by the Controlling Shareholders, and are satisfied that the Covenantors have complied with the Deed of Non-competition.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of the date of this annual report, (i) Mr. Zhang Jianguo was a director and the president of Wutong Holding, a leading communications intelligent manufacturing company and internet information service provider in the PRC primarily engaging in provision of mobile information service, digital marketing service and communication intelligent manufacturing services; and (ii) Mr. Wang Jianshuo was the chairman of the board of Baixing Net, and together with the persons acting in concert with him, held approximately 40.84% of the registered capital of Baixing Net, which primarily operates one of the largest classified information internet platforms in the PRC (i.e. www.baixing.com) that enables local merchants and consumers to exchange information and conduct business with each other.

As disclosed in the Prospectus, (i) Wutong Holding carries out data marketing business at its subsidiary level, including advertising agency services; and (ii) Baixing Net engages in information stream business with a focus on traffic distribution as an advertising agency, both of which are similar to the online marketing solutions business of the Group. For details of the delineation of the business of the Group and those of Wutong Holding and Baixing Net, please refer to the section headed "Directors and Senior Management" of the Prospectus.

Save as disclosed above, as of the date of this annual report, none of the Directors or their associates has any interest in any business that directly or indirectly competes with or may compete with the business of the Group.

CONNECTED TRANSACTIONS

For the year ended December 31, 2020, certain related party transactions described in Note 30 to the consolidated financial statements in this annual report constituted connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed above and in the section headed "Contractual Arrangements" of this directors' report, during the Reporting Period, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

Reasons for Entering into Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the Catalog and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition) (the "**Negative List**", together with the Catalog, the "**Relevant PRC Regulations**"), promulgated and amended from time to time jointly by the Ministry of Commerce of the People's Republic of China and the National Development and Reform Commission of the People's Republic of China. Pursuant to the Relevant PRC Regulations, foreign investments in certain industries are subject to restriction or prohibition.

Below table sets out a summary of our businesses and the corresponding business sectors which are subject to foreign investment restriction or prohibition carried out by our PRC operating company under the Relevant PRC Regulations as confirmed by our PRC Legal Advisors:

Operating company of the Group	Description of business	Business sector under the Relevant PRC Regulations	Category under the Relevant PRC Regulations
Netjoy Network	Operating a pan entertainment-oriented content platform	Value-added telecommunications services	Restricted
	Planning and production of short video (the businesses carried out by Netjoy Network are collectively referred to herein as the "**Relevant Businesses**")	Radio and TV programs production and operation services	Prohibited

CONTRACTUAL ARRANGEMENTS (Continued)

Reasons for Entering into Contractual Arrangements (Continued)

We also have minority interest in three companies through Netjoy Network, namely Shanghai Buwei, Horgos Buwei Culture Media Co., Ltd. (霍爾果斯不維文化傳媒有限公司) ("**Horgos Buwei**") (the wholly-owned subsidiary of Shanghai Buwei), and Yunlin (Tianjin) Culture Media Co., Ltd. (韻林（天津）文化傳媒有限公司) ("**Yunlin Culture**", together with Shanghai Buwei and Horgos Buwei, the "**Relevant Entities**"). Our PRC Legal Advisors are of the view that the businesses carried on by the Relevant Entities are also subject to foreign investment prohibition under the Relevant PRC Regulations. The table below sets out the Group's equity interest in the Relevant Entities and their businesses and categories:

Name of entities	Equity interest held by the Group	Description of business	Business sector under the Relevant PRC Regulations	Category under the Relevant PRC Regulations
Shanghai Buwei	20% equity interests held by Netjoy Network	Planning, production and distribution of internet short videos	Radio and TV programs production and operation services	Prohibited
Horgos Buwei	20% equity interest held by Netjoy Network through Shanghai Buwei	Planning, production and distribution of internet short videos	Radio and TV programs production and operation services	Prohibited
Yunlin Culture	30% equity interests held by Netjoy Network	Production and distribution of internet videos for internet content marketing	Radio and TV programs production and operation services	Prohibited

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our business operations, we determined that it was not viable for the Company to hold Netjoy Network directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over Netjoy Network through the Contractual Arrangements.

Furthermore, as illustrated above, given the fact that the businesses carried on by the Relevant Entities are also subject to foreign investment prohibition under the current PRC laws and regulations, we determined that it was not viable for the Company to hold the minority interest in the Relevant Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment prohibition, we would hold the minority interest in the Relevant Entities through Netjoy Network under the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS (Continued)

Reasons for Entering into Contractual Arrangements (Continued)

We, through Yunxiang Information, entered into the Contractual Arrangements with the Registered Shareholders and the Consolidated Affiliated Entity on March 30, 2020, pursuant to which, Yunxiang Information has acquired effective control over the financial and operational policies of Netjoy Network and has become entitled to all the economic benefits derived from its operations.

Given that the Consolidated Affiliated Entity has obtained the necessary radio and television program production license and value-added telecommunication business license for all our business operations, the Board believes that the Consolidated Affiliated Entity is of great significance to the Group.

Summary of the Material Terms of Contractual Arrangements

(a) Exclusive Business Cooperation Agreement

Yunxiang Information and Netjoy Network entered into an exclusive business cooperation agreement on March 30, 2020 (the "**Exclusive Business Cooperation Agreement**"), pursuant to which, in exchange for a service fee, Yunxiang Information agreed to provide Netjoy Network with technical support, consultation and other services, including but not limited to:

- the use of any relevant intellectual property rights and software legally owned by the Yunxiang Information;
- development, maintenance and updating of software in respect of the Netjoy Network's business;
- design, installation, daily management, maintenance and updating of network systems, hardware and database;
- providing technical support and staff training services to relevant employees of Netjoy Network;
- providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under the PRC laws);
- providing corporate management consultation;
- providing corporate strategy and development consultation;
- providing financial consultation and management services;
- providing business operation related information consultation;

CONTRACTUAL ARRANGEMENTS (Continued)

Summary of the Material Terms of Contractual Arrangements (Continued)

(a) Exclusive Business Cooperation Agreement (Continued)

- providing marketing and promotional services;
- providing customer order management and customer services;
- transfer, leasing and disposal of equipment or properties; and
- other relevant services requested by Netjoy Network from time to time to the extent permitted under the PRC laws.

The service fee under the Exclusive Business Cooperation Agreement shall consist of 100% of the total consolidated profits of Netjoy Network under IFRSs, after offset by any accumulated deficit in respect of the preceding financial year(s) (if any) and deducting relevant operating costs, expenses, taxes, statutory surplus reserves legally to be withdrawn and other statutory contributions. Notwithstanding the foregoing, Yunxiang Information may adjust the scope and amount of services fees according to PRC tax law and tax practices and with reference to the need of the working capital of Netjoy Network, and Netjoy Network will accept such adjustments.

(b) Exclusive Option Agreement

Yunxiang Information, Netjoy Network and the Registered Shareholders entered into an exclusive option agreement on March 30, 2020 (the "**Exclusive Option Agreement**"), pursuant to which Yunxiang Information (or its designee(s)) was granted an irrevocable and exclusive right (the "**Exclusive Option Rights**") to purchase from the Registered Shareholders all or any part of their equity interests in Netjoy Network, at any time and from time to time, at the amount of the registered capital of Netjoy Network multiply by the proportion of the purchased equity interests in the total equity interests of Netjoy Network or a lowest price legally permissible under the applicable laws of PRC, in which case the purchase price shall be the lowest amount under such request. Upon receiving all the duly executed share transfer documents and approvals and after deducting necessary tax expenses, Yunxiang Information or its designee(s) shall pay the purchase price within 10 business days to the designated bank accounts of the Registered Shareholders. Subject to relevant PRC laws and regulations, the Registered Shareholders shall return any amount of the purchase price within 10 business days after they have received relevant remedies from Yunxiang Information or its designee(s). Upon receiving the notice issued by Yunxiang Information (or its designee(s)) to exercise their Exclusive Option Rights (the "**Notice**"), the Registered Shareholders and Netjoy Network, within 30 days, shall execute all other contracts, agreements or documents with relevant parties, and shall take all necessary actions to engage in, complete, or obtain the approval, filing, registration procedures and consent with regulatory authorities without any delay, so that the relevant equity interests in Netjoy Network as set out in the Notice, without any security interest attached to them, can be effectively transferred to and registered under the name of Yunxiang Information (or its designee(s)).

CONTRACTUAL ARRANGEMENTS (Continued)

Summary of the Material Terms of Contractual Arrangements (Continued)

(c) Equity Pledge Agreement

Yunxiang Information, Netjoy Network and the Registered Shareholders entered into an equity pledge agreement on March 30, 2020 (the "**Equity Pledge Agreement**"), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in Netjoy Network as the first sequence to guarantee the payment of the secured debts of, the performance of the obligations of, and the representations, undertakings, and warrants provided by, Netjoy Network and the Registered Shareholders under the Contractual Arrangements.

(d) Powers of Attorney

Yunxiang Information, Netjoy Network and the Registered Shareholders entered into a powers of attorney on March 30, 2020 (the "**Powers of Attorney**"), pursuant to which the Registered Shareholders unconditionally and irrevocably appoint Yunxiang Information or its designee(s) (including but not limited to directors of Yunxiang Information and the Company and their successors and liquidators replacing the directors but excluding those non-independent or who may give rise to conflict of interests) as their attorney-in-fact, to exercise on their behalf, pursuant to the instructions of Yunxiang Information, all the rights that they have as the shareholders of Netjoy Network as set out in the then-valid articles of association of Netjoy Network.

(e) Spouse Undertakings

The spouse of each of the individual Registered Shareholders, where applicable, has signed an undertaking (collectively, the "**Spouse Undertakings**") to the effect that, among others, (i) the equity interests (together with any other interests therein) of Netjoy Network held and to be held by each of the Registered Shareholders do not fall within the scope of communal properties; (ii) she unconditionally and irrevocably waives any rights or interests that may be granted to her under the applicable laws of any jurisdictions in respect of equity interests in Netjoy Network, and she undertakes not to claim such rights or interests; (iii) no authorization or consent of her is required when performance, modification or termination of the Contractual Arrangements or execution of other documents in place of any agreements under the Contractual Arrangements; (iv) she will execute all necessary documents and take all necessary actions to ensure the appropriate performance of the Contractual Arrangements; (v) she will not, at any time, take any actions in conflict with the Spouse Undertakings and the Contractual Arrangements; and (vi) she will not take any actions to prevent the performances under the Contractual Arrangements in any circumstances, including but not limited to divorce of him or her with spouse.

(f) Confirmation from Registered Shareholders

Each of the individual Registered Shareholders undertakes to Yunxiang Information that, in the event of death, incapacity, divorce, or other circumstances regarding the Registered Shareholders which may affect the exercise of his direct or indirect equity interests (together with any other interests therein) in Netjoy Network, the Registered Shareholder's respective spouse, successor, custodian, creditor, and any other person/entity which may as a result of the above events claim rights or other benefits on the equity interests (together with any other interests therein) in Netjoy Network directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS (Continued)

Summary of the Material Terms of Contractual Arrangements (Continued)

For further details of the Contractual Arrangements, please refer to the "Contractual Arrangements" section of the Prospectus.

Save as disclosed above, during the Reporting Period, the Group did not enter into, renew and/or re-enter into other new contractual arrangements with the Consolidated Affiliated Entity. During the Reporting Period, there were no significant changes in the Contractual Arrangements and/or the adoption of Contractual Arrangements.

During the Reporting Period, as there were no restrictions which, if eliminated, would lead to the adoption of Contractual Arrangements, none of the Contractual Arrangements were lifted. As of December 31, 2020, the Company did not encounter any interference or hindrance by any PRC regulatory authority when operating its business through the Consolidated Affiliated Entity according to the Contractual Arrangements.

Accounting Aspects of the Contractual Arrangements

As a result of the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, the Company has obtained control of the Consolidated Affiliated Entity through Yunxiang Information and, at the Company's sole discretion, can receive all of the economic interest returns generated by the Consolidated Affiliated Entity. Accordingly, the Consolidated Affiliated Entity' results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

Qualification Requirements

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. On August 1, 2019, the Ministry of Industry and Information Technology (the "**MIIT**") issued guidance on the application requirements for establishing foreign-invested value-added telecommunications enterprises in the PRC (the "**2019 MIIT Guidance**"). Pursuant to the FITE Regulations and the 2019 MIIT Guidance, a foreign investor who invests in value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas with good performance (the "**Qualification Requirements**").

Our PRC legal adviser informed that as of December 31, 2020, no applicable laws, regulations or rules provided clear guidance or interpretation on the qualification requirements, and there was no update in the qualification requirements.

CONTRACTUAL ARRANGEMENTS (Continued)

PRC Laws on Foreign Investment

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force on January 1, 2020 (the "**FIL 2019**"). The FIL 2019 is intended to replace the current foreign investment legal foundation in the PRC consisting of three laws: 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 Enterprise Law (《外資企業法》).

Our PRC Legal Advisors are of the view that since Contractual Arrangements are not specified as "foreign investments" under the FIL 2019 and if there is no applicable law or regulation that explains "other means" of foreign investment under the FIL 2019, or if "other means" of foreign investment are specified under applicable laws or regulations not to include Contractual Arrangements, it is unlikely that our Contractual Arrangements will be deemed as "foreign investments" under the FIL 2019 and therefore (i) the Contractual Arrangements shall neither be subject to the "negative list" nor be regulated by relevant authorities in accordance with the requirements of the "negative list;" and (ii) the FIL 2019 would not apply to the Contractual Arrangements as it does not substantially change the principle of recognition and treatment of Contractual Arrangements as compared with the current PRC laws and regulations, and the legality and validity of the Contractual Arrangements would not be affected.

If the operation of our Relevant Businesses is not on the "negative list" and we can legally operate such businesses under PRC laws, Yunxiang Information will exercise the option under the Exclusive Option Agreement to acquire the equity interests of Netjoy Network and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of our Relevant Businesses is on the "negative list," unless applicable laws or regulations define Contractual Arrangements are one of the "other means" of foreign investment, the probability that Contractual Arrangements will be deemed as "foreign investment" under the FIL 2019 and be regulated by relevant authorities in accordance with the requirements of the "negative list," which could result in the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the "negative list," is low. In addition, considering that a number of existing entities are operating under Contractual Arrangements and some of which have obtained listing status abroad, our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of Contractual Arrangements and the enactment of laws and regulations impacting them, and will make decisions according to different situations in practice.

CONTRACTUAL ARRANGEMENTS (Continued)

Details of Consolidated Affiliated Entity

Netjoy Network, a limited liability company established in the PRC on November 15, 2012, is the Consolidated Affiliated Entity indirectly controlled by the Company through the Contractual Arrangements. Netjoy Network principally engages in (i) operating our Huabian Platform, a pan entertainment-oriented content platform; and (ii) planning and production of short video.

As of December 31, 2020, Netjoy Network is 100% held by the following Registered Shareholders:

Shareholder	Attributable registered capital (RMB)	Approximate percentage of shareholding
Mr. Wang	10,156,872	18.97%
Mr. Xu	8,581,778	16.03%
Kijiji	6,956,880	13.00%
Mr. Dai	5,992,656	11.20%
Wutong Holding	5,368,203	10.03%
Guzon Asset	5,143,560	9.61%
Jingheng Jianyong	3,612,000	6.75%
Mr. Qin	2,818,158	5.26%
Mr. Ru	2,140,096	4.00%
Aofa Management	1,372,000	2.56%
Qipu Xinzhe	700,000	1.31%
Wideview Asset	686,000	1.28%
Total	53,528,203	100.00%

Earnings and assets under the Contractual Arrangements

According to the Contractual Arrangements, during the Reporting Period, the revenue of Netjoy Network was approximately RMB12.81 million, accounting for approximately 0.5% of the total revenue of the Group. As of December 31, 2020, the total assets of Netjoy Network was approximately RMB279.88 million, accounting for approximately 1.73% of the total assets of the Group.

CONTRACTUAL ARRANGEMENTS (Continued)

Implications under Listing Rules and Exemption from Stock Exchange

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entity will be treated as our wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entity and their respective associates will be treated as connected persons of the Company (excluding, for this purpose, the Consolidated Affiliated Entity), and transactions between these connected persons and the Group (including, for this purpose, the Consolidated Affiliated Entity), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

Since certain parties to the Contractual Arrangements (namely Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai, Kijiji and Wutong Holding) are the Registered Shareholders and connected persons of the Company, according to the Listing Rules, the transactions contemplated under the Contractual Arrangements constitute the continuing connected transactions of the Company.

In respect of the Contractual Arrangements, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders' approval under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval;

(b) No change without independent Shareholders' approval;

(c) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entity;

(d) On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and our subsidiaries in which the Company has direct shareholding, on one hand, and the Consolidated Affiliated Entity, on the other hand, that framework may be renewed and/or reproduced 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 the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and

(e) We will disclose details relating to the Contractual Arrangements on an on-going basis.

CONTRACTUAL ARRANGEMENTS (Continued)

Annual Review by Independent Non-executive Directors and Auditor

During the Reporting Period, the independent non-executive Directors have reviewed the above Contractual Arrangements and confirmed that the Contractual Arrangements have:

(i) been entered into in the usual and ordinary course of business of the Group;

(ii) been conducted based on normal or better commercial terms; or been entered into based on the terms no less favorable than those available from or provided by independent third parties; and

(iii) been carried out according to the agreements for related transactions with terms that are fair and reasonable and in line with the interests of the shareholders as a whole.

During the Reporting Period, independent non-executive Directors have also reviewed the above Contractual Arrangements and confirmed that:

(1) the transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(2) no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

(3) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entity during the Reporting Period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company carried out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements in compliance 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, and provided a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by the Consolidated Affiliated Entity to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

CONTRACTUAL ARRANGEMENTS (Continued)

Risks relating to Contractual Arrangements and Measures Taken to Mitigate Such Risks

The following are some of the risks involved in Contractual Arrangements. For details, please refer to the section headed "Risk Factors" in the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our businesses in the PRC do not comply with applicable PRC laws and regulations, or if these laws or 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 the Consolidated Affiliated Entity.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Netjoy Network and its shareholders may fail to perform their obligations under our Contractual Arrangements.

- We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by the Consolidated Affiliated Entity that are material to our business operations if the Consolidated Affiliated Entity declares bankruptcy or become subject to a dissolution or liquidation proceeding.

- The shareholders of Netjoy Network may have conflicts of interest with us, which may materially and adversely affect our business.

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

- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

- our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;

- the Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;

- the Company and the Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our plan and progress in acquiring the relevant experience to meet the Qualification Requirement, (b) our status of compliance with the FIL 2019, and (c) the latest regulatory development in relation with the FIL 2019;

CONTRACTUAL ARRANGEMENTS (Continued)

Risks relating to Contractual Arrangements and Measures Taken to Mitigate Such Risks (Continued)

- the Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of Yunxiang Information and the Consolidated Affiliated Entity to deal with specific issues or matters arising from the Contractual Arrangements;

- the company seals, financial seals, contract seals and crucial corporate certificates of Netjoy Network are kept by the Group's finance and legal departments, respectively. Any employee of the Group who wishes to use the seals will have to obtain internal approval from the head of the business, legal and/or finance department(s) (as the case may be) of the Group, as well as approval from relevant superior departments;

- because the Contractual Arrangements will constitute continuing connected transactions of the Group upon Listing, the Company has applied to the Stock Exchange, and the Stock Exchange has granted a waiver, details of which is set out in "Connected Transactions." The Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given;

- our Board (including the independent non-executive Directors) will ensure that Netjoy Network shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Yunxiang Information or any other legally held member of the Group shall be the registered owner of any other newly developed trademarks which will be material to the business of the Group; and

the Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of the Company without such arrangements in place.

CHARITABLE DONATIONS

During the Reporting Period, the Group did not make any charitable donations or other contributions.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, the Company was not involved in any material legal proceeding or arbitration. To the knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

PERMITTED INDEMNITY PROVISIONS

From the Listing Date up to the date of this annual report, there were no permitted indemnity provisions which were or are currently in force, and are beneficial to the Directors (whether they were entered into by the Company or others) or any directors of the Company's related companies (if they were entered into by the Company). The Company has purchased appropriate director and officer liability insurance for its Directors and officers to provide appropriate protection for its Directors and officers.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining a high standard of corporate governance practices. Information about the corporate governance practices adopted by the Company is set out in the corporate governance report on pages 65 to 83 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public at any time from the Listing Date up to the date of this annual report.

AUDIT COMMITTEE

The Audit Committee has, together with the senior management and the external auditor of the Company, reviewed the accounting principles and practices adopted by the Group, and the audited consolidated financial statements for the year ended December 31, 2020.

AUDITOR

Ernst & Young is the auditor of the Company for the year ended December 31, 2020. Ernst & Young has audited the accompanying consolidated financial statements which were prepared in accordance with the IFRS. The Company has engaged Ernst & Young since the date it began to prepare for the Listing.

Ernst & Young is subject to retirement as auditor of the Company at the conclusion of the forthcoming AGM, and, being eligible, offers itself for re-appointment. A resolution for re-appointment of Ernst & Young as auditor of the Company will be proposed at the AGM.

SUBSEQUENT EVENTS

Details of the significant events after the Reporting Period are set out in Note 27 and Note 34 to the consolidated financial statements in this annual report.

By order of the Board
XU Jiaqing
Chairman of the Board
Shanghai • China, March 31, 2021

CORPORATE GOVERNANCE REPORT

The Board is pleased to present this corporate governance report set out in this annual report of the Company for the year ended December 31, 2020.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its Shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code as its corporate governance code. During the period from the Listing Date to the date of this announcement, the Company has always complied with the principles and code provisions set out in the Corporate Governance Code. The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Nomination Committee and the Remuneration Committee (collectively, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

CORPORATE GOVERNANCE REPORT

COMPOSITION OF THE BOARD

From the Listing Date to the date of this annual report, the Board comprises two executive Directors, four non-executive Directors and three independent non-executive Directors as detailed below:

Executive Directors:

Mr. Xu Jiaqing
Mr. Wang Chen

Non-executive Directors:

Mr. Qin Miaomiao
Mr. Dai Liqun
Mr. Zhang Jianguo
Mr. Wang Jianshuo

Independent non-executive Directors:

Mr. Chen Changhua
Dr. Ru Liyun
Ms. Cui Wen

The biographies of the Directors are set out in section headed "Directors and Senior Management" in this annual report.

COMPOSITION OF THE BOARD (Continued)

From the Listing Date to December 31, 2020, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board. Each of the independent non-executive Directors has confirmed his/her independence during the period from the Listing Date to December 31, 2020 pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contributions that the selected candidates will bring to the Board. Details of the board diversity policy are available on the website of the Company.

The Directors have a balanced mix of knowledge and skills, including overall management and strategic development, product operation, accounting and financial management, information technology and human resources. They obtained degrees in various majors, including in science and engineering, printing technology, Chinese language and literature, computer science and technology, marketing, and economics. Three independent non-executive Directors have different industry backgrounds, representing one-third of the Board. In addition, our Board has a wide range of age, ranging from 33 years old to 58 years old. We have also taken and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. In particular, one of our independent non-executive Directors, three of our existing senior management and our two joint company secretaries are female upon Listing. Taking into account our existing business mode and specific needs as well as the different background of the Directors, we are of the view that the composition of our Board satisfies the Company's board diversity policy.

The Company has reviewed the members, structure and composition of the Board, and believes that the structure of the Board is reasonable, and the Directors possess experience and skills in various aspects and fields, which can enable the Company to maintain operation at a high standard.

COMPOSITION OF THE BOARD (Continued)

Since each of the independent non-executive Directors has confirmed his/her independence during the period from the Listing Date to the date of this annual report pursuant to Rule 3.13 of the Listing Rules, the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge, and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Board Committees including Audit Committee, Remuneration Committee and Nomination Committee.

As regards to the code provisions under the Corporate Governance Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules, and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position, and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The joint company secretaries of the Company update and provide the Directors with written training materials in relation to their roles, functions, and duties from time to time.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

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

Name of Director	Nature of continuous professional development courses
Executive Directors:	
Mr. Xu Jiaqing	A, C, D
Mr. Wang Chen	A, C, D
Non-executive Directors:	
Mr. Qin Miaomiao	A, C, D
Mr. Dai Liqun	A, C, D
Mr. Zhang Jianguo	A, C, D
Mr. Wang Jianshuo	A, C, D
Independent Non-executive Directors:	
Mr. Chen Changhua	A, C, D
Dr. Ru Liyun	A, C, D
Ms. Cui Wen	A, C, D

Notes:

A: Attended at seminars and/or meetings and/or forums and/or briefings

B: Made speeches at seminars and/or meetings and/or forums

C: Attended at trainings provided by lawyers and trainings related to the Company's business

D: Read materials regarding various topics, including corporate governance, duties as a director, Listing Rules and other relevant laws

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision A.2.1 of the Corporate Governance Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. Mr. Xu Jiaqing is the chairman of the Board, Mr. Wang Chen is the chief executive officer, and the two different positions are clearly defined by their respective functions. The chairman is responsible for providing strategic recommendations and advice in respect of the Group's development, while the chief executive officer is responsible for the day-to-day operations of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of Mr. Xu and Mr. Wang, being executive Directors of the Company, has entered into a service contract with the Company on November 17, 2020. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

Each of Mr. Qin, Mr. Dai, Mr. Zhang Jianguo and Mr. Wang Jianshuo, being non-executive Directors, and Mr. Chen Changhua, Dr. Ru Liyun and Ms. Cui Wen, being independent non-executive Directors, has entered into a letter of appointment with the Company on November 17, 2020. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with the Memorandum and Articles of Association and the applicable laws, rules and regulations.

Save as disclosed above, none of the Directors has entered into any service contract with the Company which is terminable by the Company within one year with compensation (except for statutory compensation)).

According to the Articles of Association, at each AGM 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. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

The procedures and process of appointment, re-election, and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations and advices to the Directors on the appointment, re-election, and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

Since the Company was listed on December 17, 2020, which is less than one month away from December 31, 2020, the Board had no matters that needed to be discussed from the Listing Date to December 31, 2020, and the Company did not hold board meetings or general meetings during the said period. For the same reason, the chairman of the Board did not hold a meeting with the independent non-executive Directors without the presence of other Directors from the Listing Date to December 31, 2020. The Company will comply with code provision A.1.1 of the Corporate Governance Code to hold at least four Board meetings each year, about once every quarter, and code provision A.2.7 of the Corporate Governance Code for chairman of the Board to hold at least one meeting with the independent non-executive Directors without the presence of other Directors each year.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code as its code of conduct regarding the securities transactions by Directors and relevant employees (as defined in the Model Code). Specific enquiry has been made to all the Directors, and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code from the Listing Date to December 31, 2020.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors, and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration, and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board confirmed that corporate governance is a collective responsibility of the Directors, whose corporate governance functions includes:

(a) review and monitor the Company's policies and practices in complying with legal and regulatory requirements;

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

(c) develop, review, and monitor the code of conduct and compliance manual applicable to employees and the Directors;

(d) develop and review the Company's corporate governance policies and practices, and make recommendations and report on related issues to the Board;

(e) review the Company's compliance with the corporate governance code and disclosures in the Corporate Governance Report; and

(f) review and monitor the Company's compliance with its whistleblowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three members, namely, two independent non-executive Directors, Mr. Chen Changhua (chairman) and Dr. Ru Liyun, and one non-executive Director, Mr. Dai Liqun.

The main duties of the Audit Committee include, among others, the following:

1. conducting inspections on our compliance, accounting policies, financial reporting procedures as well as our financial wellbeing;

2. organizing and leading our annual audit work;

3. advising on the engagement or change of external auditors;

4. ensuring the truthfulness, accuracy and completeness of the financial reports during the audit process and submitting them to the Board of Directors for review;

5. conducting inspections on our internal control system;

6. performing other responsibilities in accordance with applicable laws and regulations; and

7. performing other responsibilities as authorized by the Board.

The responsibilities and rules of procedure of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Since the Company was listed on December 17, 2020, which is less than one month away from December 31, 2020, the Audit Committee did not hold any meeting from December 17, 2020 to December 31, 2020. Code provision C.3.3.(e)(i) of the Corporate Governance Code stipulates that the terms of reference of the audit committee should contain clauses that require members of the audit committee to liaise with directors and senior management, and that the audit committee must hold at least two meetings with the auditors of the company every year. The Company has included this clause in the relevant terms of reference and therefore has complied with code provision C.3.3(e)(i) of the Corporate Governance Code during the relevant period.

BOARD COMMITTEES (Continued)

Nomination Committee

The Nomination Committee consists of three members, namely, one executive Director, Mr. Xu Jiaqing (chairman), and two independent non-executive Directors, Mr. Chen Changhua and Dr. Ru Liyun.

The main duties of the Nomination Committee include, among others, the following:

1. reviewing the structure, size and composition of the Board annually, and advising on any changes of the Board proposed in accordance with the strategies of the Company;

2. formulating the criteria and procedures for selecting Directors and senior management members, and making recommendations to the Board;

3. extensively identifying qualified candidates for Directors and senior management members, and making recommendations to the Board;

4. conducting the preliminary examination of qualifications of candidates for directorships and senior management positions, and making recommendations to the Board on the selection;

5. assessing the independence of independent non-executive Directors; and

6. reviewing the Board diversity policy.

The Nomination Committee evaluates candidates or incumbents based on the criteria such as integrity, experience, skills, and the time and effort devoted to performing their duties. The recommendations of the Nomination Committee will be subsequently submitted to the Board for decision.

The responsibilities and rules of procedure of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

Since the Company was listed on December 17, 2020, which is less than one month away from December 31, 2020, the Nomination Committee did not hold any meeting from December 17, 2020 to December 31, 2020. The Nomination Committee will comply its terms of reference in all aspects.

BOARD COMMITTEES (Continued)

Remuneration Committee

The Remuneration Committee consists of three members, namely, two independent non-executive Directors, Dr. Ru Liyun (chairman) and Mr. Chen Changhua, and one non-executive Director, Mr. Dai Liqun.

The main duties of the Remuneration Committee include, among others, the following:

1. contemplating the criteria for appraising Directors and senior management members, conducting the appraisal, and submitting the appraisement reports to the Board;

2. reviewing the system and policy of our remuneration management, contemplating and reviewing the policy and plan for all Directors' and senior management's remuneration and contemplating the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board;

3. reviewing and approving compensations payable to executive Directors and senior management members 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; and

4. reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate.

The responsibilities and rules of procedure of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Since the Company was listed on December 17, 2020, which is less than one month away from December 31, 2020, the Remuneration Committee did not hold any meeting from December 17, 2020 to December 31, 2020. The Remuneration Committee will comply its terms of reference in all aspects.

Remunerations of Directors and Senior Management

The remuneration of Directors and senior management of the Company (whose biographies are set out on pages 23 to 31 of this annual report) during the Reporting Period falls under the following bands:

Band of Remuneration (RMB)	Number
1-200,000	8
200,001-500,000	4
500,001-800,000	2

DIRECTION NOMINATION POLICY

The Company has adopted a Director nomination policy. The Nomination Committee will recommend to the Board for the appointment of Directors in accordance with the following procedures and process:

i. The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

ii. The Nomination Committee may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third party agency firm and proposals from the Shareholders with due consideration given to the criteria which include but are not limited to:

    (a) Diversity in the aspects of, amongst others, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

    (b) Commitment for responsibilities of the Board in respect of available time and relevant interest;

    (c) Qualifications, including accomplishment and experience in the relevant industries in which the Group's business is involved;

    (d) Independence of the candidates for a position of independent non-executive Director;

    (e) Reputation for integrity;

    (f) Potential contributions that the individual can bring to the Board; and

    (g) Plan(s) in place for the orderly succession of the Board.

DIRECTION NOMINATION POLICY (Continued)

iii. The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third party reference checks;

iv. The Nomination Committee will consider a broad range of candidates who are in and outside of the Board's circle of contacts;

v. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

vi. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;

vii. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration;

viii. The Board may arrange for the selected candidate to be interviewed by the members of the Board, who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and

ix. All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Company for the Reporting Period which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's audited consolidated financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors regarding their reporting responsibilities on the audited consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 84 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an annual basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The Board was satisfied with the internal audit function.

We have established risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. In particular, we have adopted and implemented risk management policies in various aspects of our business operations such as financial reporting, information system, regulatory compliance and human resources.

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and finance department and staff management policies. We have various procedures in place to implement these accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular trainings to our finance department staff to ensure that they understand our accounting policies.

Information System Risk Management

We have implemented various measures to ensure our compliance with the relevant laws and regulations on data privacy and security in the PRC. We have designated personnel responsible for data protection and monitoring the operation of our information technology infrastructure, who has over 20 years of experience in information technology industry.

Our data assets are encrypted and stored on our firewall-protected cloud-based servers in Shanghai and Zhejiang Province and we back-up our data assets on a daily basis. We conduct data restore tests to examine the status of the backup system on a regular basis. We strictly restrict the range of data each employee is authorized to access based on his/her seniority and function. We keep detailed records of access log, which are subject to our regular auditing. We provide trainings on data protection to our employees from time to time and have entered into confidential agreements with our employees to prevent improper use or disclosure of data.

In addition to data security, we have several information system risk management measures in place to ensure the reliability and security of our information system. Firstly, we require our employees to update their power-on password every two months which shall contain at least a total of eight numbers, characters and special symbols to prevent code breaking. We also require responsible employees to encrypt confidential data and documents during their respective daily operations, and heads of each department are responsible for managing the passwords of such encrypted data and documents. We designate specific employees to examine and update such passwords every quarter. Secondly, we conduct regular health check of our software to protect them from computer viruses. We utilize anti-virus software built-in our operating system that delivers comprehensive, ongoing and real-time protection, to protect our information system from software threats, such as computer viruses, malware and spyware. Lastly, for details regarding our data protection and measures to safeguard against system hacking, please refer to section headed "Our Information Technology Infrastructure" in the Prospectus.

As of December 31, 2020, we did not experience any material information leakage or loss of data, nor did we experience any material infringement and/or unauthorized use of our copyrighted software intellectual properties.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Regulatory Compliance Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal and compliance department performs the basic function of reviewing and updating the form of contracts we enter into with our suppliers and customers. Our legal and compliance department also works with our external legal counsel to ensure that we have obtained and maintained all the necessary permits and licenses required for our operations. We continually improve our internal policies according to changes in laws, regulations and industry standards to ensure ongoing compliance.

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, negligence and corruption. We provide employees with regular trainings and resources to explain the guidelines contained in the employee handbook.

Credit Risk Management

Our credit risk is primarily attributable to trade receivables, financial assets included in prepayments, other receivables and other assets, and cash deposits at banks. We manage credit risks primarily through the following measures:

- we have established risk management committee, consisting of chief executive officer, financial controller, vice president at sales and marketing department, and risk management director, primarily responsible for designing risk management structure and strategies, reviewing and monitoring the implementation of risk management policies, identifying risks, approving trading limit and credit limit, and updating our risk management policies in response to changes;

- we have implemented "know-your-customer" procedures and credit check to ascertain the background of our potential customers;

- we perform credit assessment on potential customers, and require them to prepay for our services before reaching certain threshold to minimize our credit risk exposure;

- we closely monitor the level of our trade receivables and other financial assets and take appropriate action to recover or minimize our loss where we foresee that our customer may default in its obligation;

- we have credit policy with respect to the transaction limit and credit period granted to our customers, which are subject to our on-going review and revision; and

- we use a provision matrix to calculate the expected credit losses in respect of our trade receivables and other financial assets to assess our exposure to credit risks.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

We have established the Audit Committee to monitor the implementation of our risk management policies on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

Our finance department is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee on any issues identified. Members of finance department hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The finance department reports to the Audit Committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board if necessary.

In relation to the handling of inside information in compliance with the SFO, the Board and the senior management will hold meetings to discuss and ascertain whether the relevant information constitutes inside information of the Group and are responsible for the dissemination of those inside information, if any.

The Board, through the review made by the Audit Committee, has reviewed the effectiveness of the financial reporting system, risk management system and internal control system of the Group for the year ended December 31, 2020. The review covered all material aspects, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions. The Board believes the risk management and internal control systems of the Group are adequate and effective for the year ended December 31, 2020.

DIVIDEND POLICY

The Company had adopted an overall dividend policy subject to the following conditions.

The declaration and payment of dividends shall be determined at the absolute discretion of the Board and subject to all applicable requirements (including but not limited to the restrictions on dividend declaration and payment) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Articles of Association and the applicable law of Cayman Islands.

In proposing any dividend payout, the Board shall also consider, among other things:

- the actual and expected financial results of the Group;
- shareholders' interests;
- general business conditions and strategies;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- levels of the Group's debt to equity ratio and return on equity, and any financial restrictions imposed on the Group;

DIVIDEND POLICY (Continued)

- any contractual restriction on the distribution and payment of dividends by the Company to the Shareholders or the distribution and payment of dividends by the Company's subsidiaries to the Company;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- possible effects on the Group's creditworthiness;
- legal and compliance restrictions;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The Board will propose the payment of dividend per share of the Company, if any.

Except for interim dividends (see below), any dividends declared by the Company must be approved by an ordinary resolutions of the Shareholders at the AGM, and shall not exceed the amount of dividends recommended by the Board.

When the Directors verify that the Company has profit available for distribution, the Board may pay interim dividends to the Shareholders from time to time. In addition to cash, dividends may be distributed in the form of Shares if it does not contravene and follow the procedures of the Articles of Association.

The Company will continue to review this policy and reserve its sole and absolute discretion to update, revise, and (or) modify this policy at any time, and this policy shall, in no event, constitute a legally binding covenant of the Company on any specific amount of dividends to be declared by the Company, and the Company has no obligation to declare dividends at any time or from time to time.

AUDITOR'S REMUNERATION

The auditor's approximate remuneration in respect of the audit and non-audit services provided to the Company during the Reporting Period is as follows:

Type of services	Amount (RMB)
Audit services	2,600,000.00
Non-audit services	–
Total	**2,600,000.00**

JOINT COMPANY SECRETARIES

Ms. Peng Ting ("**Ms. Peng**") is the one of the Company's joint company secretaries, responsible for making recommendations to the Board on corporate governance matters, and ensuring compliance with the Board's policies and procedures, applicable laws, rules and regulations.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Leung Shui Bing ("**Ms. Leung**"), manager of TMF Hong Kong Limited (a global corporate service provider), as the other of joint company secretaries to assist Ms. Peng in performing her duties as the company secretary of the Company. Her primary contact person in the Company is Ms. Peng.

During the Reporting Period, Ms. Leung has completed no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules. Since the Company was listed on the Stock Exchange on December 17, 2020, which is less than one month away from the Reporting Period, Ms. Peng has received less than 15 hours of relevant professional training during the Reporting Period, but will comply with Rule 3.29 of the Listing Rules in the coming year.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance, and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The AGMs provide opportunity for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies, and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a Shareholders' communication policy and maintains a website (www.netjoy.com), where the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS BY SHAREHOLDERS

According to the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to make enquiries to the Board on matters regarding the Company may send their enquiries to the Investor Relations Department of the Company through email at ir@netjoy.com.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The Company has adopted the revised and restated Memorandum of Association and Articles of Association on November 17, 2020, which has become effective on November 17, 2020 and the Listing Date, respectively. There has been no significant change in the Memorandum of Association and Articles of Association from the Listing Date to December 31, 2020.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Netjoy Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Netjoy Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 89 to 148, 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, the consolidated statement of changes in equity and the 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 ("**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 ("**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 judgement, were of most significance in our audit of the consolidated financial statements of 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of online marketing solutions services	
For the year ended 31 December 2020, the Group recognised revenue of RMB2,566,349,000 from the provision of online marketing solutions services. The determination of whether revenue should be reported on a gross or net basis is based on the assessment of whether the Group acts as a principal or an agent in the transactions, taking into account the nature of specified services and whether the Group obtains controls of the specified services before transferring to advertisers. We focused on this area due to the judgements involved in determining the Group's role as a principal or an agent in recognising online marketing solutions service revenue which will impact the presentation of revenue and related cost in the consolidated financial statements. The accounting policies, significant accounting judgements and estimates and disclosures about revenue recognition of online marketing solutions services are included in notes 2.4, 3 and 5 to the financial statements.	We performed the following procedures to address this key audit matter: 1. We understood, evaluated and tested the key controls in place over management's assessment of revenue recognition, including management approval and review of sales contracts. 2. We discussed with management and understood the indicators and judgement management considered when assessing the revenue recognition on a gross or net basis under each different circumstance. 3. We selected sales contracts, on a sampling basis, reviewed the relevant contract terms and corroborated with management explanations and other supporting documents regarding the judgement applied for the selected sales contracts. 4. We conducted interviews with different advertisers, on a sampling basis, to corroborate management's explanations of the Group's business arrangements with them.
Impairment of trade receivables	
The Group had trade receivables amounting to approximately RMB688,150,000 as at 31 December 2020. Impairment losses of RMB7,931,000 were recognised for the year ended 31 December 2020. Management recognises a loss allowance for lifetime expected credit losses (ECLs) on the trade receivables. Lifetime ECLs are estimated based on a number of factors which include the ageing of overdue trade receivables, customers' repayment history, customers' financial position, current market conditions and forecast of future economic conditions. Such assessment involves a significant degree of management judgement and estimation. We focused on this area because the assessment of the loss allowance for trade receivables is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias. The accounting policies, significant accounting judgements and estimates and disclosures about impairment of trade receivables are included in notes 2.4, 3 and 17 to the financial statements.	We performed the following procedures to address this key audit matter: 1. We tested the design and operation of internal control over the Group's processes of credit assessment. 2. We examined management's calculation of expected credit losses in respect of trade receivable and tested the accuracy of the ageing of trade receivables on a sampling basis. 3. We assessed the rationality of management's measurement of expected credit losses by examining subsequent settlements on a sampling basis, taking into account the customers' credit history, business performance and financial capability, and the industry trend and market development.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will 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.

RESPONSIBILITIES OF THE DIRECTORS 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 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 of the Company 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.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

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. Our report is made solely to you, as a body, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism 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.

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

We communicate with the Audit Committee 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.

We also provide the Audit Committee 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 the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of 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 this independent auditor's report is Shun Lung Wai.

Certified Public Accountants
Hong Kong
31 March 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	**2020 RMB'000**	2019 RMB'000
REVENUE	5	**2,577,026**	2,313,036
Cost of sales		**(2,374,376)**	(2,153,747)
Gross profit		**202,650**	159,289
Other income and gains	5	**23,245**	15,600
Selling and distribution expenses		**(7,032)**	(7,793)
Administrative expenses		**(72,681)**	(41,561)
Impairment losses on financial assets, net		**(7,931)**	(29,630)
Research and development expenses		**(13,309)**	(9,923)
Other expenses		**(2,971)**	(750)
Finance costs	7	**(5,972)**	(6,524)
Share of profits and losses of:			
Associates	16	**(4,859)**	381
PROFIT BEFORE TAX	6	**111,140**	79,089
Income tax expense	10	**(7,532)**	(6,155)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**103,608**	72,934
Profit and total comprehensive income attributable to:			
Owners of the parent		**103,608**	72,934
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For profit for the year		**RMB17.1 cents**	RMB12.2 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	4,669	2,125
Right-of-use assets	14	4,866	4,707
Intangible assets	15	17,249	8,293
Prepayments, other receivables and other assets	18	2,055	2,738
Deferred tax assets	24	14,187	12,917
Investments in associates	16	7,748	9,607
Total non-current assets		50,774	40,387
CURRENT ASSETS			
Trade receivables	17	688,150	457,025
Prepayments, other receivables and other assets	18	279,924	106,709
Restricted cash	20	1,964	–
Cash and cash equivalents	20	1,018,899	34,840
Total current assets		1,988,937	598,574
CURRENT LIABILITIES			
Trade payables	21	212,732	179,633
Other payables and accruals	22	52,590	24,897
Interest-bearing bank borrowings	23	209,947	91,547
Lease liabilities	14	2,457	4,037
Contract liabilities	19	36,811	37,353
Tax payable		16,902	18,773
Total current liabilities		531,439	356,240
NET CURRENT ASSETS		1,457,498	242,334
TOTAL ASSETS LESS CURRENT LIABILITIES		1,508,272	282,721
NON-CURRENT LIABILITIES			
Lease liabilities	14	2,322	756
Deferred income		928	288
Total non-current liabilities		3,250	1,044
NET ASSETS		1,505,022	281,677
EQUITY			
Equity attributable to owners of the parent			
Share capital	25	149	–
Reserves	26	1,504,873	281,677
Total equity		1,505,022	281,677

Wang Chen
Director

Xu Jiaqing
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2020

	Attributable to owners of the parent				
	Share capital RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Retained profits* RMB'000	Total RMB'000
At 1 January 2019	–	124,302	14,467	69,454	208,223
Profit and total comprehensive income for the year	–	–	–	72,934	72,934
Capital contributions *(note (i))*	–	360	–	–	360
Share of contributions to the associates from an unrelated investor	–	160	–	–	160
Transfer from retained profits	–	–	12,966	(12,966)	–
At 31 December 2019	–	124,822	27,433	129,422	281,677
At 1 January 2020	**–**	**124,822**	**27,433**	**129,422**	**281,677**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**103,608**	**103,608**
Capital injection *(note 25(b))*	**84**	**–**	**–**	**–**	**84**
Issuance of shares of Initial Public Offering *(note 25(e))*	**65**	**1,119,588**			**1,119,653**
Transfer from retained profits	**–**	**–**	**4,792**	**(4,792)**	**–**
At 31 December 2020	**149**	**1,244,410**	**32,225**	**228,238**	**1,505,022**

Note:

i. On 30 December 2019, Zheng Han Bio-tech Research Co., Ltd. contributed RMB360,000 into Letui (Shanghai) Culture Broadcast Co., Ltd.

* These reserve accounts comprise the consolidated reserves of RMB1,496,250,000 (2019: RMB281,677,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**111,140**	79,089
Adjustments for:			
Share of (profits)/losses of associates	*16*	**4,859**	(381)
Interest income	*5*	**(105)**	(78)
Investment income from financial assets at fair value through profit or loss	*5*	**(656)**	(1,300)
Finance costs	*7*	**5,972**	6,524
Impairment losses on financial assets, net	*6*	**7,931**	29,630
Depreciation of property, plant and equipment	*13*	**2,073**	938
Depreciation of right-of-use assets	*14*	**5,715**	3,206
Amortisation of intangible assets	*15*	**1,385**	470
Loss on disposal of items of non-current assets		**8**	–
Effect of foreign exchange rate changes, net		**2,509**	–
		140,831	118,098
Increase in trade receivables		**(239,056)**	(106,343)
Increase in prepayments, other receivables and other assets		**(172,532)**	(72,730)
Increase in restricted cash		**(1,964)**	–
Increase in trade payables		**33,099**	31,862
Increase in other payables and accruals		**28,333**	9,574
(Increase)/decrease in contract liabilities		**(542)**	21,034
Cash (used in)/generated from operations		**(211,831)**	1,495
Interest received	*5*	**105**	78
Interest paid	*7*	**(360)**	(267)
Income tax paid		**(10,673)**	(5,274)
Net cash used in operating activities		**(222,759)**	(3,968)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(4,619)	(2,511)
Additions to intangible assets		(10,341)	(7,230)
Investments in associates		(3,000)	(2,328)
Investment income received from financial assets at fair value through profit or loss	5	656	1,300
Net cash flows used in investing activities		(17,304)	(10,769)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		341,000	115,500
Repayment of bank loans		(223,450)	(52,800)
Loans from related parties		3,710	112,890
Repayment of loans from related parties		(3,710)	(113,340)
Principal portion of lease payments		(5,894)	(3,183)
Capital injection from non-controlling shareholders		1,119,737	360
Interest paid		(4,762)	(5,177)
Dividends paid		–	(10,973)
Net cash flows used in financing activities		1,226,631	43,277
NET INCREASE IN CASH AND CASH EQUIVALENTS		986,568	28,540
Cash and cash equivalents at the beginning of year		34,840	6,300
Effect of foreign exchange rate changes, net		(2,509)	–
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,018,899	34,840
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	20	1,018,899	34,840

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

1. CORPORATE AND GROUP INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "**Group**") were principally involved in the business of providing online advertising services in the People's Republic of China (the "**PRC**").

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Netjoy International Limited	British Virgin Islands	USD50,000	100	–	Investment holding
Netjoy International (Hong Kong) Limited	Hong Kong, China	HKD1	–	100	Technical and consultation services
Zheng Han Bio-tech Research Co., .Limited ("**Zheng Han**") ("**正漢生物科技研發有限公司**")	Hong Kong, China	HKD20,000,000	100	–	Investment holding
Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. ("**Yunxiang Information**") (雲想數科(上海)信息技術有限公司) *(note (a))*	PRC/Mainland China	RMB50,000,000	–	100	Technical and consultation services
Letui (Shanghai) Culture Broadcast Co., Ltd. ("**Letui Culture**") (樂推(上海)文化傳播有限公司) *(note (b))*	PRC/Mainland China	RMB10,101,010	–	100	Marketing services
Horgos Quantum Dynamic Culture Media Co., Ltd. ("**Quantum Culture Media**") (霍爾果斯量子動態文化傳媒有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Marketing services
Yunxiang Entertainment (Shanghai) Co., Ltd. ("**Yunxiang Entertainment**") (雲想娛樂(上海)有限公司) *(note (b))*	PRC/Mainland China	RMB5,000,000	–	100	Technical and consultation services
Guangzhou Guomeng Network Technology Co., Ltd. ("**Guomeng Internet**") (廣州果盟網絡科技有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Technical and consultation services

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Qizheng (Shanghai) Culture Communication Co., Ltd. ("**Qizheng Culture**") (啟征(上海)文化傳播有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Technical and consultation services
Letui Chuanshi (Shanghai) Information Technology Co., Ltd. ("**Letui Information**") (樂推傳視(上海)信息技術有限公司) *(note (b))*	PRC/Mainland China	RMB5,000,000	–	100	Technical and consultation services
Letui Zhixiao (Shanghai) Cultural Communication Co., Ltd. ("**Letui Zhixiao**") (樂推智效(上海)文化傳播有限公司) *(note (b))*	PRC/Mainland China	RMB5,000,000	–	100	Marketing services
Indirectly controlled by the Company pursuant to the contractual agreements –					
Netjoy (Shanghai) Network Technology Co., Ltd. ("**Netjoy Network**") (嗨皮(上海)網絡科技有限公司) *(note (b))*	PRC/Mainland China	RMB53,528,203	–	100	Entertainment – oriented content platform operation

Notes:

(a) The entity is registered as a wholly-foreign-owned enterprise under PRC law.

(b) The entity is registered as a limited liability company under PRC law.

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

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

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the Conceptual Framework for Financial Reporting 2018 and the following revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 3	*Definition of a Business*
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to IAS 1 and IAS 8	*Definition of Material*

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(b) Amendments to IFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to IFRS 9, IAS 39 and IFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to IFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively.

The adoption of the amendments to IFRS 16 *covid-19-Related rent concessions* has had no significant impact on the financial position and/or financial performance of the Group because there are no changes to the terms of the leases during the year.

(e) Amendments to IAS 1 and IAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

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*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*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*[2]
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]
Annual Improvements to IFRS Standards 2018-2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021

2 Effective for annual periods beginning on or after 1 January 2022

3 No mandatory effective date yet determined but available for adoption

While the adoption of some of the new and revised IFRSs may result in changes in accounting policies, none of these IFRSs is expected to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its equity investments at fair value at the end of the reporting period. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of the reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group, or of a parent of the Group;

or

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties (Continued)

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Office equipment	20% to 33⅓%
Leasehold improvements	Over the shorter of the lease terms and 20%
Furniture and fixtures	20% to 33⅓%

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software and use right of a website

Software and use right of a website are stated at cost less any impairment losses and are amortised on the straight-line basis over the shorter of the lease terms and their estimated useful lives of 10 years. The Group determines the useful life of software and use right of a website with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the assets.

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold properties	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent it, has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, interest-bearing bank borrowings and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

The Group's main revenue generating activity is the provision of online advertising services. Revenues are recognised when relevant services are provided to which the Group is entitled pursuant to the advertising contracts.

The following is a description of the principal activities from which the Group generates its revenue:

(1) Online marketing solutions services

All-in-one services

The Group provides one-stop online marketing solutions, including traffic acquisition from top online publishers, content production, raw data analysis and advertisement campaign optimisation, to advertisers. The Group charges the advertisers mainly based on optimised Cost Per Mille ("**oCPM**") or optimised Cost Per Click ("**oCPC**"). In some circumstances, the Group offers rebates to the advertisers as part of its promotion activities. Online publishers grant to the Group rebates in the form of payments for the media publishers' services or cash mainly based on the gross spend of the advertisers.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(1) Online marketing solutions services (Continued)

All-in-one services (Continued)

While none of the factors individually are considered presumptive or determinative, in this arrangement the Group is the primary obligor and is responsible for (i) identifying and contracting with third-party advertisers which the Group views as customers, the Group is primarily responsible for delivering the specified service to the advertisers; (ii) identifying online publishers to provide online spaces where the Group views the online publishers as suppliers; and (iii) bearing the sole responsibility for advertising content integrated and fulfilment of the advertising, the Group acts as the principal of these arrangements and therefore recognises revenue earned and costs incurred related to these transactions on a gross basis. Under this arrangement, the rebates earned from the media publishers are recorded as a reduction of cost of sales.

Advertisement distribution service

The advertisers provide their own produced distribution contents and formulate their own advertisement campaign. The Group only provides distribution services to advertisers by publishing the contents on the targeted social media platforms which are determined by advertisers. The Group charges the advertisers mainly based on an oCPM or oCPC or CPC.

The Group is not the principal in this arrangement as it does not control the specified service before that service is transferred to the advertiser, because (i) the Group does not provide integrated service. Online publisher, rather than the Group, is primarily responsible for providing the media publishing service; (ii) the online publisher is identified and determined by the advertisers, not the Group. Therefore, the Group is not the principal in executing these transactions. The Group reports the amount received from the advertisers and the amounts paid to the media publishers related to these transactions on a net basis.

Rebates offered to the advertisers under both business models above are recognised as a deduction of revenue at the time the incentives are granted.

(2) Pan-entertainment content services

The Group provides pan-entertainment content services to advertising customers directly through a self-operated website and its mobile terminal. The Group also provides pan-entertainment content services to advertising customers through online publishers by produced a short video program. The Group recognises revenue on a gross basis when relevant services are provided to which the Group is entitled pursuant to the advertising contracts because the Group bears the sole responsibility for the transaction. The Group charges advertising customers for pan-entertainment content services primarily based on CPM, cost per time ("**CPT**") or on specified action such as download, installation or registration of the mobile device user ("**cost per action" or "CPA**").

For the customers which the Group charges based on CPT, revenue is recognised over time on a ratable basis over the contract term beginning on the date that the service is made available to the customers. For the customers which the Group charges based on oCPM, CPM, CPC, oCPC or CPA, revenue is recognised at the point in time when specified actions are achieved.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the Group's financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contractual arrangements

Netjoy Network provides value added telecommunications services and radio and TV program production and operation services to customers. Due to regulatory restrictions on foreign ownership in providing value added telecommunications services and prohibition on foreign ownership in providing radio and TV program production and operation services in the PRC, the Group exercises control over Netjoy Network and enjoys all economic benefits of Netjoy Network through the Contractual Arrangements.

The Group considers that it controls Netjoy Network, notwithstanding the fact that it does not hold a direct equity interest in Netjoy Network, as it has power over the financial and operating policies of Netjoy Network and receives substantially all of the economic benefits from the business activities of Netjoy Network through the Contractual Arrangements. Accordingly, Netjoy Network has been accounted for as a subsidiary for the year ended 31 December 2020.

Principal versus agent considerations – revenue from the provision of online advertising services

In determining whether the Group is acting as a principal or as an agent in the provision of online advertising services, judgements and considerations of all relevant facts and circumstances are required. The determination of whether revenue should be reported on a gross or net basis is based on the assessment of whether the Group acts as a principal or an agent in the transactions, taking into account the nature of specified services and whether the Group obtains controls of the specified services before transferring to advertisers. Management considers in combination whether (a) the Group is primarily responsible for fulfilling the promise to provide the target marketing service; (b) the Group bears certain inventory risk, and (c) the Group has discretion in establishing the price. The Group is primarily obligated in a transaction, and has latitude in establishing prices and selecting publishers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from the services provided.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (Continued)

Judgements (Continued)

Current and deferred tax

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to enterprise income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expense in the period that such determination is made. Further details of the current and deferred tax are set out in note 10 to the financial statements.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing analysis of customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 17 to the financial statements.

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in providing online marketing solutions services and pan-entertainment content services to customers in Mainland China.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the year ended 31 December 2020, the Group operated within one geographical area because all of its revenue was generated in Mainland China and all of its non-current assets/capital expenditure were located/incurred in Mainland China. Accordingly, no geographical information is presented.

The non-current asset information above is based on the locations of the assets and excludes financial instruments, prepayments and deferred tax assets.

Information about one major customer

Revenue of approximately RMB206,129,000 (2019: RMB657,125,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	**2,577,026**	2,313,036

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Types of services		
Online marketing solutions services		
– All-in-one services	**2,502,001**	2,243,548
– Advertisement distribution services	**64,348**	38,756
Pan-entertainment content services	**10,677**	30,732
Total revenue from contracts with customers	**2,577,026**	2,313,036
Timing of revenue recognition		
Marketing services transferred at a point in time	**2,565,191**	2,304,858
Marketing services transferred over time	**11,835**	8,178
Total revenue from contracts with customers	**2,577,026**	2,313,036

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

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	**37,353**	16,319

There is no revenue recognised in the current reporting period from performance obligations satisfied in previous periods for the years ended 31 December 2020 and 2019, respectively.

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

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

Online marketing solutions services

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

Pan-entertainment content services

The performance obligation is satisfied on a pro-rata basis over the contractual term for cost per time advertising arrangements, commencing on the start date of the display of the advertisement or on the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (CPM).

The transaction prices allocated to the remaining performance obligations unsatisfied as at 31 December 2020 are RMB36,811,000 (31 December 2019: RMB37,353,000).

All the remaining performance obligations unsatisfied as at 31 December 2020 are expected to be recognised within one year as the performance obligations are part of the contracts that have an original expected duration of one year or less.

An analysis of other income and gains is as follows:

	2020 RMB'000	2019 RMB'000
Other income and gains		
Bank interest income	**105**	78
Investment income from financial assets at fair value through profit or loss	**656**	1,300
Government grants	**21,734**	13,278
Others	**750**	944
	23,245	15,600

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2020** **RMB'000**	2019 RMB'000
Cost of services provided		**2,374,376**	2,153,747
Depreciation of property, plant and equipment	*13*	**2,073**	938
Depreciation of right-of-use assets	*14*	**5,715**	3,206
Amortisation of intangible assets	*15*	**1,385**	470
Research and development costs (excluding amortisation of intangible assets, depreciation of property, plant and equipment and employee benefit expense)		**6,435**	2,481
Lease payments not included in the measurement of lease liabilities		**501**	572
Auditors' remuneration		**6,089**	1,479
Listing expenses		**81,601**	9,321
Less: Amount capitalised		**(52,717)**	(1,973)
Government grants	*5*	**(21,734)**	(13,278)
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8))*:			
Wages and salaries		**25,129**	21,259
Pension scheme contributions		**666**	1,895
Impairment losses on trade receivables	*17*	**7,931**	29,630
Bank interest income	*5*	**(105)**	(78)
Investment income from financial assets at fair value through profit or loss	*5*	**(656)**	(1,300)
Interest on lease liabilities	*7*	**360**	267
Interest on interest-bearing bank borrowings	*7*	**5,612**	3,260
Foreign exchange differences, net		**2,509**	32

7. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2020 RMB'000	2019 RMB'000
Interest on interest-bearing bank and other borrowings	**5,612**	3,260
Interest on lease liabilities	**360**	267
Other finance costs	**–**	2,997
	5,972	6,524

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executives' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Other emoluments:		
Salaries, allowances and benefits in kind	**1,422**	1,143
Pension scheme contributions	**12**	142
	1,434	1,285

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Mr. Chen Changhua	**8**	–
Dr. Ru Liyun	**6**	–
Ms. Cui Wen	**6**	–
	20	–

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Year ended 31 December 2020

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors and non-executive directors

	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2020			
Executive Directors:			
Mr. Wang Chen*	**700**	**4**	**704**
Mr. Xu Jiaqing	**664**	**4**	**668**
	1,364	**8**	**1,372**
Non-executive directors:			
Mr. Qin Miaomiao	**38**	**4**	**42**
Mr. Dai Liqun	**–**	**–**	**–**
Mr. Zhang Jianguo	**–**	**–**	**–**
Mr. Wang Jianshuo	**–**	**–**	**–**
	1,402	**12**	**1,414**
Year ended 31 December 2019			
Executive Directors:			
Mr. Wang Chen*	548	49	597
Mr. Xu Jiaqing	535	49	584
	1,083	98	1,181
Non-executive directors:			
Mr. Qin Miaomiao	56	43	99
Mr. Dai Liqun	4	1	5
Mr. Zhang Jianguo	–	–	–
Mr. Wang Jianshuo	–	–	–
	1,143	142	1,285

* Mr. Wang Chen is appointed as the chief executive officer of the Company on 16 June 2020.

No bonuses and directors' fees have been paid to the Company's executive directors and non-executive directors for the years ended 31 December 2020 and 2019.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2019: two), details of whose remuneration are set out in note 8 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:

	2020 **RMB'000**	2019 RMB'000
Salaries, allowances and benefits in kind	**2,904**	1,535
Pension scheme contributions	**20**	85
	2,924	1,620

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2020	2019
Nil to HKD1,000,000	**3**	3

No bonuses have been paid to the Company's five highest paid employees for the years ended 31 December 2020 and 2019.

10. INCOME TAX

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2020 (2019: Nil).

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

10. INCOME TAX (Continued)

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to Enterprise Income Tax ("**EIT**") at a rate of 25% on the taxable income. Preferential tax treatment is available to Netjoy Network, since it is certified as a Software Enterprise and is exempted from income tax for two years, followed by a 50% reduction in the applicable income tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generated in prior years. For the years ended 31 December 2019, the applicable income tax rate for Netjoy Network was 12.5%. Certain subsidiaries of the Group in the PRC were approved as High and New Technology Enterprises, and are subject to a preferential income tax rate of 15% in certain years. According to the Several Opinions of the State Council on Supporting the Construction of Kashgar and Horgors Economic Development Zones (國務院關於支持喀什霍爾果斯經濟開發區建設的若干意見), promulgated on 30 September 2011, and the Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgors in Xinjiang (財政部、國家税務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得税優惠政策的通知), promulgated by the Ministry of Finance of the PRC (中國財政部) and the State Administration of Taxation of the PRC (中國國家税務總局) on 29 November 2011, from 2010 to 2020, the newly established enterprises in Kashgar and Horgors within the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Tax Treatment (新疆困難地區重點鼓勵發展產業企業所得税優惠目錄) shall be granted the preferential tax treatment of five-year EIT exemption since the first taxable year after becoming profitable. According to Preferential Filing Record of EIT (企業所得税優惠事項備案表), Quantum Culture Media obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2017 to 31 December 2020.

	2020 **RMB'000**	2019 RMB'000
Current – Mainland China		
Charge for the year	**8,802**	17,665
Deferred *(note 24)*	**(1,270)**	(11,510)
	7,532	6,155

10. INCOME TAX (Continued)

Mainland China (Continued)

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

	2020 RMB'000	2020 %	2019 RMB'000	2019 %
Profit before tax	**111,140**		79,089	
Tax at the statutory tax rate	**27,785**	**25**	19,772	25
Preferential tax rates enacted by local authority	**(32,099)**	**(29)**	(18,804)	(24)
Additional deduction on research and development expenses	**(2,355)**	**(2)**	(1,571)	(2)
Effect on deferred tax of changes in tax rates	**–**	**–**	(683)	(1)
Income not subject to tax	**(27)**	**–**	(63)	–
Tax losses not recognised	**14,102**	**13**	894	1
Group reorganisation related tax	**–**	**–**	6,410*	8
Expenses not deductible for tax	**126**	**–**	200	–
Tax charge at the effective rate	**7,532**	**7**	6,155	8

* On 6 December 2019, as part of the group reorganisation, Yunxiang Information acquired equity interest in Letui Culture from Netjoy Network with consideration of RMB35,640,000. As a result, Netjoy Network need to pay income tax on the difference between this equity transfer income and the equity acquisition cost of RMB10,000,000.

11. DIVIDENDS

No dividends had been declared for the years ended 31 December 2020 and 2019.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 607,622,699 (2019: 599,723,205) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

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

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**103,608**	72,934

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	**607,622,699***	599,723,205*

* Adjusted for capitalization issue of 64,470,917 shares credited as fully paid at par value to the shareholders on the register of members of the Company at the close of business on the date immediately preceding the date on which the Initial Public Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalisation of the sum of USD3,223.55 standing to the credit of the share premium account of the Company. For this capitalization issue, the additional shares should be treated as having been in issue for the whole year ended 31 December 2020 and also included in the EPS calculation of the year ended 31 December 2019 presented so as to give a comparable result.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2020				
At 1 January 2020:				
Cost	**11**	**1,621**	**1,961**	**3,593**
Accumulated depreciation	**(10)**	**(533)**	**(925)**	**(1,468)**
Net carrying amount	**1**	**1,088**	**1,036**	**2,125**
At 1 January 2020, net of accumulated depreciation	**1**	**1,088**	**1,036**	**2,125**
Additions	**65**	**1,889**	**2,665**	**4,619**
Disposals	**–**	**(2)**	**–**	**(2)**
Depreciation provided during the year	**(6)**	**(607)**	**(1,460)**	**(2,073)**
At 31 December 2020, net of accumulated depreciation	**60**	**2,368**	**2,241**	**4,669**
At 31 December 2020:				
Cost	**76**	**3,465**	**4,626**	**8,167**
Accumulated depreciation	**(16)**	**(1,097)**	**(2,385)**	**(3,498)**
Net carrying amount	**60**	**2,368**	**2,241**	**4,669**
31 December 2019				
At 1 January 2019:				
Cost	11	626	445	1,082
Accumulated depreciation	(9)	(243)	(278)	(530)
Net carrying amount	2	383	167	552
At 1 January 2019, net of accumulated depreciation	2	383	167	552
Additions	–	995	1,516	2,511
Depreciation provided during the year	(1)	(290)	(647)	(938)
At 31 December 2019, net of accumulated depreciation	1	1,088	1,036	2,125
At 31 December 2019:				
Cost	11	1,621	1,961	3,593
Accumulated depreciation	(10)	(533)	(925)	(1,468)
Net carrying amount	1	1,088	1,036	2,125

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold properties and office equipment used in its operations. Leases of leasehold properties generally have lease terms between 2 and 5 years. Office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options, which are further discussed below.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold properties RMB'000
As at 1 January 2019	1,460
Additions	6,453
Depreciation charge	(3,206)
As at 31 December 2019 and 1 January 2020:	**4,707**
Additions	**7,479**
Depreciation charge	**(5,715)**
Termination	**(1,605)**
At 31 December 2020	**4,866**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 RMB'000	2019 RMB'000
Carrying amount at 1 January	**4,793**	1,523
New leases	**7,479**	6,453
Accretion of interest recognised during the year	**360**	267
Payments	**(6,254)**	(3,450)
Termination	**(1,599)**	–
Carrying amount at 31 December	**4,779**	4,793
Analysed into:		
Current portion	**2,457**	4,037
Non-current portion	**2,322**	756

The maturity analysis of lease liabilities is disclosed in note 33 to the financial statements.

14. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	**360**	267
Depreciation charge of right-of-use assets	**5,715**	3,206
Expense relating to short-term leases (included in administrative expenses)	**501**	572
Loss on lease termination	**6**	–
Total amount recognised in profit or loss	**6,582**	4,045

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 28(c) and 29, respectively, to the financial statements.

15. INTANGIBLE ASSETS

	Use right of a website RMB'000	Software RMB'000	Total RMB'000
31 December 2020			
Cost at 1 January 2020, net of accumulated amortisation	**6,553**	**1,740**	**8,293**
Additions	**–**	**10,341**	**10,341**
Amortisation provided during the year	**(713)**	**(672)**	**(1,385)**
At 31 December 2020	**5,840**	**11,409**	**17,249**
At 31 December 2020:			
Cost	**7,021**	**12,096**	**19,117**
Accumulated amortisation	**(1,181)**	**(687)**	**(1,868)**
Net carrying amount	**5,840**	**11,409**	**17,249**
31 December 2019			
Cost at 1 January 2019:			
Cost	46	–	46
Accumulated amortisation	(13)	–	(13)
Net carrying amount	33	–	33
Cost at 1 January 2019, net of accumulated amortisation	33	–	33
Additions	6,975	1,755	8,730
Amortisation provided during the year	(455)	(15)	(470)
At 31 December 2019	6,553	1,740	8,293
At 31 December 2019 and at 1 January 2020:			
Cost	7,021	1,755	8,776
Accumulated amortisation	(468)	(15)	(483)
Net carrying amount	6,553	1,740	8,293

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16. INVESTMENTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Share of net assets	**7,748**	9,607

The Group's contract liabilities balances with the associates are disclosed in note 19 to the financial statements.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associates' profit/(loss) for the year	**(4,859)**	381
Share of the associates' total comprehensive income	**(4,859)**	381
Aggregate carrying amount of the Group's investments in the associates	**7,748**	9,607

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of equity attributable to the Group	Principal activities
Shanghai Buwei Information Technology Co., Ltd. ("**Buwei**") (上海不維信息技術有限公司)	Ordinary shares	Shanghai	20%*	Marketing services
Tianjin Yunlin Culture Broadcast Co., Ltd. ("**Yunlin**") (韵林(天津)文化傳媒有限公司)	Ordinary shares	Tianjin	30%	Radio and TV programs production and operation services
Shanju (Shanghai) Culture Broadcast Co., Ltd. ("**Shanju Culture**") (閃劇(上海)文化傳媒有限公司)	Ordinary shares	Shanghai	30%	Radio and TV programs production and operation services

* In 2017, the Group invested RMB1,000,000 in Buwei and accounted for 9.91% of the total equity interest. In 2019, the Group invested an additional RMB2,328,000 and the equity interest percentage increased from 9.91% to 20%.

During the reporting period, the board of directors of Buwei consisted of 3 directors, of which 1 director who has substantive voting rights in daily operations was nominated by the Group. As a result, Buwei was classified as an associate over which the Group has significant influence since the first investment was made.

The Group's shareholdings in the associates all comprise equity shares held by Netjoy Network and Yunxiang Entertainment.

17. TRADE RECEIVABLES

	2020 **RMB'000**	2019 RMB'000
Trade receivables	**731,204**	492,148
Impairment	**(43,054)**	(35,123)
	688,150	457,025

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentrations of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

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

	2020 **RMB'000**	2019 RMB'000
Less than 1 year	**685,621**	455,621
1 to 2 years	**2,529**	1,404
	688,150	457,025

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

	2020 **RMB'000**	2019 RMB'000
At beginning of year	**35,123**	5,493
Impairment losses, net *(note 6)*	**7,931**	29,630
At end of year	**43,054**	35,123

The increase in the loss allowance was due to the following change in the gross carrying amount: increase in the loss allowance of RMB5,259,000 in 2020 (2019: RMB24,918,000) as a result of certain defaulted trade receivables.

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

17. TRADE RECEIVABLES (Continued)

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

As at 31 December 2020

	Expected credit loss rates	Gross carrying amounts RMB'000	Impairment RMB'000
Defaulted receivables	**100.00%**	**28,917**	**28,917**
Less than 1 year	**1.03%**	**692,723**	**7,102**
1 to 2 years	**65.83%**	**7,402**	**4,873**
2 to 3 years	**100.00%**	**1,128**	**1,128**
Over 3 years	**100.00%**	**1,034**	**1,034**
	5.89%	**731,204**	**43,054**

As at 31 December 2019

	Expected credit loss rates RMB'000	Gross carrying amounts RMB'000	Impairment
Defaulted receivables	100.00%	24,918	24,918
Less than 1 year	1.10%	460,674	5,053
1 to 2 years	74.38%	5,481	4,077
2 to 3 years	100.00%	565	565
Over 3 years	100.00%	510	510
	7.14%	492,148	35,123

18. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2020 RMB'000	2019 RMB'000
Included in non-current assets:		
Prepayments	**2,055**	2,738
Included in current assets:		
Prepayments	**220,607**	82,095
Prepayments for investment in film	**5,000**	5,000
Other receivables	**5,063**	–
Value-added tax recoverable	**34,688**	11,516
Deposits	**14,566**	8,098
	279,924	106,709

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2020 and 2019, the loss allowance was assessed to be minimal.

19. CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Included in current liabilities		
Online marketing solutions services	**36,811**	37,353

Included in the contract liabilities are contract liabilities of RMB4,000 (2019: RMB3,000,000) due from associates, details of which are included in note 30(b) to the financial statements.

Contract liabilities include short-term advances received to provide online marketing solutions services. The increase in contract liabilities in 2020 and 2019 was mainly due to the increase in short-term advances received from customers in relation to the provision of online marketing solutions services at the end of the year.

Contract liabilities primarily consist of the unrecognised revenue on online marketing services from the amount prepaid by customers, where there is still an implied obligation to be provided by the Group.

20. CASH AND BANK BALANCES

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**1,020,863**	34,840
Denominated in RMB	**140,311**	34,474
Denominated in HKD	**253,540**	361
Denominated in USD	**627,012**	5
	1,020,863	34,840
Cash and bank balances	**1,020,863**	34,840
Less: judicial frozen bank deposits	**(1,964)**	–
Cash and cash equivalents	**1,018,899**	34,840

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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21. TRADE PAYABLES

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

	2020 **RMB'000**	2019 RMB'000
Within 90 days	**211,608**	179,229
91 to 365 days	**408**	315
Over 1 year	**716**	89
	212,732	179,633

There is no amount due to an associate (2019: RMB23,000) which is repayable within 90 days, details of which are included in note 30(b) to the financial statements.

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

22. OTHER PAYABLES AND ACCRUALS

	Notes	**2020** **RMB'000**	2019 RMB'000
Payroll and bonus payables		**8,564**	5,784
Other tax payables		**13,342**	5,106
Collections from customers	*(a)*	**8,574**	7,006
Other payables	*(b)*	**22,110**	7,001
		52,590	24,897

(a) Collections from customers are collections from customers seeking for advertisement distribution services.

(b) Other payables are non-interest-bearing and repayable on demand.

23. INTEREST-BEARING BANK BORROWINGS

	2020 RMB'000	2019 RMB'000
Current		
Bank loans – guaranteed	**153,893**	91,547
Bank loans – unguaranteed	**56,054**	–
	209,947	91,547
Analysed into:		
Bank loans repayable:		
Within one year	**209,947**	91,547

The Group's bank borrowings bore interest at effective interest rates as follows:

	2020	2019
Effective interest rates – guaranteed	**3.85%-6.00%**	5.22%-6.20%
Effective interest rates – unguaranteed	**4.78%-5.59%**	N/A

As at 31 December 2020, the Group's overdraft facilities amounted to RMB145,600,000 (2019: RMB67,500,000), of which RMB145,600,000 had been utilised as at 31 December 2020 (2019: RMB67,500,000).

Certain of the Group's bank loans are guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties as at 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Mr. Wang Chen, Ms. Zhao Xia, Mr. Xu Jiaqing, Ms. Zhong Wenjuan, Mr. Dai Liqun and Ms. Peng Ting	**–**	23,013
Mr. Wang Chen, Mr. Xu Jiaqing and Mr. Dai Liqun	**–**	20,286
Mr. Wang Chen, Mr. Xu Jiaqing, Mr. Dai Liqun and Netjoy Network	**–**	33,226
Mr. Wang Chen, Ms. Zhao Xia and Netjoy Network	**–**	15,022
Netjoy Holdings Limited and Netjoy (Shanghai) Network Technology Co., Ltd.	**45,753**	–
Netjoy (Shanghai) Network Technology Co., Ltd.	**83,074**	–
Netjoy (Shanghai) Network Technology Co., Ltd. and Horgos Quantum Dynamic Culture Media Co., Ltd.	**10,044**	–
Netjoy (Shanghai) Network Technology Co., Ltd. and Yunxiang Shuke (Shanghai) Information Technology Co., Ltd.	**15,022**	–

Year ended 31 December 2020

24. DEFERRED TAX

The movements in deferred tax assets during the years ended 31 December 2020 and 2019 are as follows:

	Deferred income RMB'000	Provision for trade receivables RMB'000	Accrued expense RMB'000	Total RMB'000
At 1 January 2020	**43**	**8,649**	**4,225**	**12,917**
Deferred tax credited to profit or loss during the year	**96**	**1,851**	**(677)**	**1,270**
Deferred tax assets at 31 December 2020	**139**	**10,500**	**3,548**	**14,187**
At 1 January 2019	55	1,352	–	1,407
Deferred tax credited to profit or loss during the year	(12)	7,297	4,225	11,510
Deferred tax assets at 31 December 2019	43	8,649	4,225	12,917

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

As of 31 December 2020, no deferred tax liability has been recognised for withholding taxes that would be payable on unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China (2019: Nil). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings to foreign entities in the foreseeable future. As of 31 December 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB318,368,000 (2019: RMB185,110,000).

As of 31 December 2020, the amount of tax losses for which deferred tax assets have not been recognised totalled approximately RMB56,015,000 (2019: RMB3,576,000). Deferred tax assets have not been recognised in respect of certain tax losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

25. SHARE CAPITAL

Shares

	2020 RMB'000	2019 RMB'000
Issued and fully paid::		
438,386,430 (2019: 238,386,430) ordinary shares of USD0.00005 each	149	–

A summary of movements in the Company's ordinary shares in issue is as follows:

	Notes	Number of shares in issue
At 1 January 2019		–
Incorporation of the Company	*a*	1
Share sub-division and allotment	*b*	535,282,029
At 31 December 2019 and 1 January 2020		535,282,030
Share swap	*c*	247,053
Capitalisation	*d*	64,470,917
Issuance of shares of Initial Public Offering	*c*	200,000,000
At 31 December 2020		800,000,000

Note:

(a) On 29 March 2019, the Company was incorporated as an exempted company with limited liability in the Cayman Islands with authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1.00 each. On the same day, one share was allotted and issued for cash at par to the initial subscriber, and was subsequently transferred to Derun Investments Limited, a company wholly owned by Mr. Wang Chen.

(b) On 8 November 2019, the authorised share capital of the Company of USD50,000 was subdivided from 50,000 shares with a par value of USD1.00 each to 1,000,000,000 shares with a par value of USD0.00005 each. On the same date, the one share previously issued to Derun Investments Limited was cancelled and 535,282,030 ordinary shares were allotted and issued, of which 238,386,430 shares were paid in cash in 2020, representing share capital of approximately RMB84,000, and 296,895,600 shares have not been paid at 31 December 2020.

(c) On 5 March 2020, a share swap agreement was entered into between the Company and the then sole shareholder of Zheng Han, pursuant to which the then sole shareholder of Zheng Han agreed to subscribe for 247,053 newly issued ordinary shares of the Company as the consideration in exchange for his entire equity interest in Zheng Han.

(d) On 17 December 2020, 64,470,917 ordinary shares were allotted and issued, credited as fully paid at par value to the shareholders on the register of members of the Company at the close of business on the date immediately preceding the date on which the Initial Public Offering becomes unconditional (or as they may direct) in proportion to their respective shareholdings in the Company (as nearly as possible without fractions) by way of capitalisation of the sum of USD3,223.54585 standing to the credit of the share premium account of the Company, and the shares to be allotted and issued pursuant to the capitalisation issue shall rank pari passu in all respects with the then existing issued shares.

(e) On 17 December 2020, the Company issued 200,000,000 shares through Initial Public Offering at the price of HKD6.98 per ordinary share, whose share capital has been fully paid in cash of approximately RMB65,000 on the same date.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

26. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting periods are presented in the consolidated statement of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the sum of capital reserves of the entities now comprising the Group, after elimination of intra-group balances, attributable to the controlling shareholder.

Statutory surplus reserve

In accordance with the Company Law of the PRC, the subsidiaries of the Group which are domestic enterprises, are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC GAAP, to their statutory surplus reserve until the reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

27. POST-IPO SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Post-IPO Share Option Scheme**") for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and encouraging eligible participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. The Post-IPO Share Option Scheme will also provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to eligible participants. Eligible participants of the Post-IPO Share Option Scheme include any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the board of directors of the Company or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options.

The total number of shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme is 80,000,000, being no more than 10% of the shares in issue on the date the shares commence trading on the Stock Exchange (excluding any shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme). The overall limit on the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme of the Company at any time must not exceed 30% of the shares of the Company in issue from time to time.

Unless approved by shareholders, the total number of shares of the Company issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme to each eligible participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares of the Company in issue.

27. POST-IPO SHARE OPTION SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HKD5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 20 business days from the date of offer letter delivered, upon payment of a nominal consideration of HKD1 in total by the grantee.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

The Post-IPO Share Option Scheme is passed by the resolutions in writing of the shareholders of the Company on 17 November 2020 and adopted by the Company. At the end of the reporting period, on 31 December 2020, no share option has been ever granted under the Post-IPO Share Option Scheme.

Subsequent to the end of the reporting period, on 15 January 2021, a total of 8,808,000 share options were granted to a total of ninety-five (95) eligible participants in the forthcoming year. The share options granted vest by approximately 1/3, 1/3 and 1/3 of the total number of share options granted on 14 January 2022, 14 January 2023 and 14 January 2024, respectively. The share options granted have an exercise price of HKD7.680 per share. The price of the Company's shares at the date of grant was HKD7.600 per share. The share options granted shall be valid for a period of 10 years from the date of grant.

At the date of approval of these financial statements, the Company had 8,808,000 share options outstanding under the Post-IPO Share Option Scheme, which represented approximately 1.10% of the Company's shares in issue as at that date.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB7,479,000 (2019: RMB6,453,00) and RMB7,479,000 (2019: RMB6,453,00), respectively, in respect of lease arrangements for leasehold properties.

(b) Changes in liabilities arising from financing activities

	Loan from related parties RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000	Dividend payables RMB'000
At 1 January 2020	**–**	**91,547**	**4,793**	**–**
Changes from financing cash flows	**–**	**112,788**	**(5,894)**	**–**
New leases	**–**	**–**	**7,479**	**–**
Terminated	**–**	**–**	**(1,599)**	
Interest expense	**–**	**5,612**	**360**	**–**
Interest paid classified as operating cash flows	**–**	**–**	**(360)**	**–**
At 31 December 2020	**–**	**209,947**	**4,779**	**–**
At 1 January 2019	450	27,800	1,523	10,973
Changes from financing cash flows	(520)	57,523	(3,183)	(10,973)
New leases	–	–	6,453	–
Interest expense	70	6,224	267	–
Interest paid classified as operating cash flows	–	–	(267)	–
At 31 December 2019	–	91,547	4,793	–

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**861**	839
Within financing activities	**5,894**	3,183
	6,755	4,022

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

29. COMMITMENTS

(a) The Group had the following capital commitments at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Contracted, but not provided for:		
Leasehold improvements	**696**	–

(b) The Group has a lease contract that has not yet commenced as at 31 December 2020. The future lease payments for this non-cancellable lease contract is RMB762,300 due within one year.

30. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2020 RMB'000	2019 RMB'000
Services provided to related parties:		
Shanju (Shanghai) Culture Media Co., Ltd	**611**	–
Baixing Net Co., Ltd.	**290**	139
Shanghai Kijiji Information Technology Co., Ltd.	**–**	4,616
Services provided by related parties:		
Shanghai Buwei Information Technology Co., Ltd	**5,120**	–
Baixing Net Co., Ltd.	**501**	–
Yunling (Tianjin) Culture Media Co., Ltd	**–**	1,567
Borrowings from:		
Mr. Dai Liqun	**3,710**	17,490
Baixing Net Co., Ltd.	**–**	8,000
Mr. Xu Jiaqing	**–**	86,750
Mr. Wang Chen	**–**	650
Repayment of borrowings to:		
Mr. Dai Liqun	**3,710**	17,490
Baixing Net Co., Ltd.	**–**	8,000
Mr. Xu Jiaqing	**–**	86,750
Mr. Wang Chen	**–**	650

The Group has no guaranteed bank loans granted by shareholders (2019: RMB91,547,000) as at 31 December 2020.

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

30. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

	2020 RMB'000	2019 RMB'000
Amounts due from related parties		
Baixing Net Co., Ltd.	**10**	–
Amounts due to related parties		
Shanghai Kijiji Information Technology Co., Ltd.	**263**	237
Tianjin Shangzequn Business Information	**70**	70
Baixing Net Co., Ltd.	**11**	38
Shanju (Shanghai) Culture Media Co., Ltd	**4**	–
Horgos Buwei Culture Media Co., Ltd	**–**	1,600
Shanghai Buwei Information Technology Co., Ltd	**–**	1,400
Yunling (Tianjin) Culture Media Co., Ltd	**–**	23

Amounts due to related parties were interest-free and unsecured and had no fixed repayment terms.

(c) Compensation of key management personnel of the Group:

	2020 RMB'000	2019 RMB'000
Short-term employee benefits	**1,821**	1,270
Pension scheme contributions	**16**	148
Total compensation paid to key management personnel	**1,837**	1,418

Further details of directors' emoluments are included in note 8 to the financial statements.

No bonuses have been paid to the Company's key management personnel for the years ended 31 December 2020 and 2019.

Certain related party transactions in respect of item 30(a) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

31 December 2020

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	688,150
Financial assets included in prepayments, other receivables and other assets	19,629
Cash and cash equivalents	1,018,899
Total	1,726,678

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	212,732
Lease liabilities	4,779
Financial liabilities included in other payables and accruals	30,684
Interest-bearing bank borrowings	209,947
Total	458,142

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

31. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2019

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	457,025
Financial assets included in prepayments, other receivables and other assets	8,098
Cash and cash equivalents	34,840
Total	499,963

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	179,633
Lease liabilities	4,793
Financial liabilities included in other payables and accruals	14,007
Interest-bearing bank borrowings	91,547
Total	289,980

32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, interest-bearing bank borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At each reporting date, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The Group did not have any financial assets and liabilities measured at fair value as at 31 December 2020 and 2019.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group has various financial assets and liabilities such as cash and cash equivalents, trade receivables, trade payables and other payables, which arise directly from its operations.

The main risks faced by the Group are foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

Foreign currency risk

Foreign currency risk is the risk of loss resulting from changes in foreign currency exchange rates. The Group has currency exposures from its cash and cash equivalents. The Group seeks to limit its exposure to foreign currency risk by minimising its net foreign currency position and by using foreign exchange options.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in foreign currency exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to changes in the fair value of forward currency contracts).

	Increase/ (decrease) in rate of foreign currency %	**Increase/ (decrease) in profit before tax RMB'000**	**Increase/ (decrease) in equity RMB'000**
2020			
If the RMB weakens against the USD	**(5)**	**31,351**	**31,351**
If the RMB strengthens against the USD	**5**	**(31,351)**	**(31,351)**
If the RMB weakens against the HKD	**(5)**	**12,677**	**12,677**
If the RMB strengthens against the HKD	**5**	**(12,677)**	**(12,677)**

	Increase/ (decrease) in rate of foreign currency %	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity RMB'000
2019			
If the RMB weakens against the USD	(5)	–	–
If the RMB strengthens against the USD	5	–	–
If the RMB weakens against the HKD	(5)	18	18
If the RMB strengthens against the HKD	5	(18)	(18)

NOTES TO FINANCIAL STATEMENTS

Year ended 31 December 2020

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all debtors who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	**Stage 2 RMB'000**	**Stage 3 RMB'000**	**Simplified approach RMB'000**	**Total RMB'000**
Trade receivables*	**–**	**–**	**–**	**688,150**	**688,150**
Financial assets included in prepayments, other receivables and other assets					
– Normal**	**19,629**	**–**	**–**	**–**	**19,629**
Cash and cash equivalents					
– not yet past due	**1,018,899**	**–**	**–**	**–**	**1,018,899**
	1,038,528	**–**	**–**	**688,150**	**1,726,678**

As at 31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	457,025	457,025
Financial assets included in prepayments, other receivables and other assets					
– Normal**	8,098	–	–	–	8,098
Cash and cash equivalents					
– not yet past due	34,840	–	–	–	34,840
	42,938	–	–	457,025	499,963

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 18 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 17 to the financial statements.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customers. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2020

	On demand RMB'000	Less 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	**212,732**	**–**	**–**	**212,732**
Lease liabilities	**–**	**2,574**	**2,548**	**5,122**
Financial liabilities included in other payables and accruals	**30,684**	**–**	**–**	**30,684**
Interest-bearing bank borrowings	**–**	**213,967**	**–**	**213,967**
	243,416	**216,541**	**2,548**	**462,505**

31 December 2019

	On demand RMB'000	Less 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	179,633	–	–	179,633
Lease liabilities	–	4,229	830	5,059
Financial liabilities included in other payables and accruals	14,007	–	–	14,007
Interest-bearing bank borrowings	–	92,568	–	92,568
	193,640	96,797	830	291,267

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 31 December 2019.

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratio as at the end of each of the years ended 31 December 2020 and 2019 is as follows:

	2020 **RMB'000**	2019 RMB'000
Total liabilities	**534,689**	357,284
Total assets	**2,039,711**	638,961
Debt-to-asset ratios	**26%**	56%

34. EVENTS AFTER THE REPORTING PERIOD

On 9 January 2021 (after trading hours), an aggregate of 28,318,000 Shares (the "**Over-allotment Shares**"), representing approximately 14.16% of the total number of the Offer Shares initially available under the Global Offering before any exercise of the Over-allotment Option, was exercised to facilitate the return to the Over-allotment Option Grantors, Dai SPV and Guzon Asset, of part of the borrowed Shares under the Stock Borrowing Agreement which were used to cover over-allocations in the International Offering.

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSET		
Investment in a subsidiary	**360**	360
CURRENT ASSETS		
Prepayments, other receivables and other assets	**248,437**	–
Cash and cash equivalents	**880,546**	–
Total current assets	**1,128,983**	–
CURRENT LIABILITIES		
Other payables and accruals	**16,351**	–
Total current liabilities	**16,351**	–
NET CURRENT ASSETS	**1,112,632**	–
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,112,992**	360
NET ASSETS	**1,112,992**	360
EQUITY		
Share capital	**149**	–
Reserves *(note)*	**1,112,843**	360
Total equity	**1,112,992**	360

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	**Retained profits RMB'000**	**Total RMB'000**
At 1 January 2019	–	–	–
Capital contributions	360	–	360
At 31 December 2019	360	–	360
At 1 January 2020	**360**	**–**	**360**
Profit and total comprehensive income for the year	**–**	**(7,105)**	**(7,105)**
Issuance of shares for Initial Public Offering	**1,119,588**	**–**	**1,119,588**
At 31 December 2020	**1,119,948**	**(7,105)**	**1,112,843**

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2021.

DEFINITIONS

"AGM"	annual general meeting of the Company
"Aofa Management"	Shanghai Aofa Enterprise Management Co., Ltd. (上海奧發企業管理有限公司), a limited liability company established in the PRC on March 26, 2019 and a Shareholder of the Company
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company conditionally adopted on November 17, 2020 which has become effective on the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Baixing Net"	Baixing Co., Ltd. (百姓網股份有限公司), a joint stock limited liability company established in the PRC on September 30, 2005, the shares of which are listed on NEEQ (stock code: 836012), and the holding company of Kijiji
"Baxter Investment"	Baxter Investment Holding Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Nerine Fiduciaries (Hong Kong) Limited for the administration of The RGRGU Trust and the immediate shareholder of Dai SPV
"Board" or "Board of Directors"	the board of Directors
"BVI"	the British Virgin Islands
"CareFree Planning"	CareFree Planning Technology Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Qin, the settlor of The MH's Family Trust and one of the Controlling Shareholders
"Cayman Companies Law" or "Companies Law"	the Companies Law (2018 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, except where the context requires, references in this annual report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time

DEFINITIONS

"Company"	Netjoy Holdings Limited (云想科技控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 29, 2019
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entity"	the entity we control through the Contractual Arrangements, namely Netjoy Network
"Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Yunxiang Information, Netjoy Network and its Registered Shareholders on March 30, 2020
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context otherwise requires, refers to Mr. Wang, Mr. Xu, Mr. Qin, Derun Investments, Quantum Computing, CareFree Planning, Wang SPV, Xu SPV and Qin SPV
"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Dai SPV"	Blackburn Capitals Holding Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Baxter Investment, and directly holding the relevant Shares on behalf of The RGRGU Trust
"Derun International"	Derun International Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Nerine Fiduciaries (Hong Kong) Limited for the administration of The Longhills Trust and the immediate shareholder of Wang SPV
"Derun Investments"	Derun Investments Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Wang, the settlor of The Longhills Trust and one of the Controlling Shareholders
"Director(s)"	director(s) of the Company
"Family Trust(s)"	the relevant discretionary family trust set up by each of the Ultimate Controlling Shareholders, Mr. Dai and Mr. Ru, namely The Longhills Trust, The FS Trust, The MH's Family Trust, The RGRGU Trust and The Ru Liang's Trust

DEFINITIONS

"FSS Investment"	FSS Investment Holding Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Nerine Fiduciaries (Hong Kong) Limited for the administration of The FS Trust and the immediate shareholder of Xu SPV
"Global Awesomeness"	Global Awesomeness Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Dai, the settlor of The RGRGU Trust
"Global Offering"	the offering by the Company of the Shares for subscription to the public in Hong Kong and the offering of Shares outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act in December 2020
"Group", "we", or "us"	the Company, its subsidiaries and its Consolidated Affiliated Entity from time to time or, where the context so requires, in respect of the period before the Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)
"Guomeng Internet"	Guangzhou Guomeng Network Technology Co., Ltd. (廣州果盟網絡科技有限公司), a limited liability company established in the PRC on May 20, 2019 and an indirectly wholly-owned subsidiary of the Company
"Guzon Asset"	Shanghai Guzon Asset Management Co., Ltd. (上海巨漳資產管理有限公司), a limited liability company established in the PRC on September 9, 2015 and a Shareholder of the Company
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"holding company(ies)"	has the meaning ascribed thereto under the Listing Rules
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Huabian Platform", "Huabian"	Huabian Website (www.huabian.com) and its mobile terminal, our self-operated pan-entertainment oriented content platform
"IFRSs"	International Financial Reporting Standards
"Kijiji"	Shanghai Kijiji Information Technology Co., Ltd. (上海客齊集信息技術股份有限公司), a joint stock limited liability company established in the PRC on June 16, 2005 and a Shareholder of the Company
"Letui Culture"	Letui (Shanghai) Culture Broadcast Co., Ltd. (樂推（上海）文化傳播有限公司), a limited liability company established in the PRC on December 19, 2013 and an indirectly wholly-owned subsidiary of the Company

DEFINITIONS

"Letui Information"	Letui Chuanshi (Shanghai) Information Technology Co., Ltd. (樂推傳視（上海）信息技術有限公司), a limited liability company established in the PRC on August 2, 2019 and an indirectly wholly-owned subsidiary of the Company
"Letui Zhixiao"	Letui Zhixiao (Shanghai) Cultural Communication Co., Ltd. (樂推智效（上海）文化傳播有限公司), a limited liability company established in the PRC on January 26, 2020 and an indirectly wholly-owned subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	December 17, 2020, i.e. the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company, adopted on November 17, 2020 with immediate effect, and as amended from time to time
"Mr. Dai"	Mr. Dai Liqun (戴立群), a non-executive Director
"Mr. Qin"	Mr. Qin Miaomiao (覃渺渺), a non-executive Director and a member of the Controlling Shareholders
"Mr. Ru"	Mr. Ru Liang (茹良), the ultimate controller of The Ru Liang's Trust and a Registered Shareholder of Netjoy Network
"Mr. Wang"	Mr. Wang Chen (王晨), an executive Director, the chief executive officer of the Company, and a member of the Controlling Shareholders
"Mr. Xu"	Mr. Xu Jiaqing (徐佳慶), an executive Director, the chairman of the Board, and a member of the Controlling Shareholders
"NEEQ"	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統) of the PRC

DEFINITIONS

"Netjoy Network"	Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮（上海）網絡科技有限公司) (formerly known as Netjoy (Shanghai) Network Technology Holdings Co., Ltd. (嗨皮（上海）網絡科技股份有限公司)), a limited liability company established in the PRC on November 15, 2012 and the Consolidated Affiliated Entity indirectly controlled by the Company through the Contractual Arrangements
"Nomination Committee"	the nomination committee of the Board
"Prospectus"	the prospectus of the Company dated December 7, 2020
"Qin SPV"	CareFree Technology Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by SpringRain Planning, and directly holding the relevant Shares on behalf of The MH's Family Trust, and one of the Controlling Shareholders
"Qipu Xinzhe"	Hangzhou Qipu Xinzhe Investment Management Partnership (Limited Partnership) (杭州啟浦信喆投資管理合夥企業（有限合夥）), a limited partnership established in the PRC on March 10, 2017 and a Shareholder of the Company
"Qizheng Culture"	Qizheng (Shanghai) Culture Communication Co., Ltd. (啟征（上海）文化傳播有限公司), a limited liability company established in the PRC on May 28, 2019 and an indirectly wholly-owned subsidiary of the Company
"Quantum Computing"	Quantum Computing Power Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Xu, the settlor of The FS Trust and one of the Controlling Shareholders
"Quantum Culture Media"	Horgos Quantum Dynamic Culture Media Co., Ltd. (霍爾果斯量子動態文化傳媒有限公司), a limited liability company established on June 8, 2017 and an indirectly wholly-owned subsidiary of the Company
"Registered Shareholders"	the registered shareholders of Netjoy Network, being Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai, Mr. Ru, Kijiji, Wutong Holding, Guzon Asset, Jingheng Jianyong, Aofa Management, Qipu Xinzhe and Wideview Asset
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2020
"RMB" or "Renminbi"	the lawful currency of the PRC
"Ru SPV"	Jingke Global Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Jingke International, and directly holding the relevant Shares on behalf of The Ru Liang's Trust
"SFC"	the Securities and Futures Commission of Hong Kong

DEFINITIONS

"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanghai Buwei"	Shanghai Buwei Information Technology Co., Ltd. (上海不維信息技術有限公司), a limited liability company established in the PRC on February 6, 2017, the equity interest of which is held as to 20% by Netjoy Network
"Shanghai Fangxi"	Shanghai Fangxi Investment Management Partnership (Limited Partnership) (上海訪溪投資管理合夥企業（有限合夥）), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo
"Shanghai Paisen"	Shanghai Paisen Investment Management Partnership (Limited Partnership) (上海派森投資管理合夥企業（有限合夥）), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo
"Shanghai Xiangnong"	Shanghai Xiangnong Investment Management Partnership (Limited Partnership) (上海香儂投資管理合夥企業（有限合夥）), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00005 each
"Share Option(s)"	the right to subscribe for a specified number of shares pursuant to the Post-IPO Share Option Scheme
"Shareholder(s)"	holder(s) of the Shares
"SpringRain Planning"	SpringRain Planning Technology Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Nerine Fiduciaries (Hong Kong) Limited for the administration of The MH's Family Trust and the immediate shareholder of Qin SPV
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules

DEFINITIONS

"Supplier A"	Beijing Ocean Engine Internet Technology Co., Ltd. (北京巨量引擎網絡技術有限公司) ("**Ocean Engine**", a limited liability company established in the PRC on November 11, 2016), its subsidiaries, its holding company(ies) (including Bytedance), and the fellow subsidiaries of its holding company(ies). Ocean Engine is a marketing brand and platform of Bytedance, which integrates marketing capabilities of Toutiao, Douyin, Xigua Video (西瓜視頻), Dongchedi (懂車帝), Chuanshanjia (穿山甲), and other products of Bytedance, gathering traffic, content and other partners to provide integrated digital marketing solutions for global advertisers
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"The FS Trust"	a discretionary family trust set up by Mr. Xu (as the economic settlor and the protector), Quantum Computing (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Quantum Computing (as the initial beneficiary) and other beneficiaries as nominated by Mr. Xu from time to time
"The Longhills Trust"	a discretionary family trust set up by Mr. Wang (as the economic settlor and the protector), Derun Investments (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Derun Investments (as the initial beneficiary) and other beneficiaries as nominated by Mr. Wang from time to time
"The MH's Family Trust"	a discretionary family trust set up by Mr. Qin (as the economic settlor and the protector), CareFree Planning (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of CareFree Planning (as the initial beneficiary) and other beneficiaries as nominated by Mr. Qin from time to time
"The RGRGU Trust"	a discretionary family trust set up by Mr. Dai (as the economic settlor and the protector), Global Awesomeness (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Global Awesomeness (as the initial beneficiary) and other beneficiaries as nominated by Mr. Dai from time to time
"The Ru Liang's Trust"	a discretionary family trust set up by Mr. Ru (as the economic settlor and the protector), Luminous Stars (as the settlor) and PraxisIFM Nerine Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Luminous Stars (as the initial beneficiary) and other beneficiaries as nominated by Mr. Ru from time to time
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia

DEFINITIONS

"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Wang SPV"	Derun System Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Derun International, and directly holding the relevant Shares on behalf of The Longhills Trust, and one of the Controlling Shareholders
"Wideview Asset"	Shanghai Wideview Asset Management Co., Ltd. (上海寬遠資產管理有限公司), a limited liability company established in the PRC on May 26, 2014 and a Shareholder of the Company
"Wutong Holding"	Wutong Holding Group Co., Ltd. (吳通控股集團股份有限公司), a limited liability company established in the PRC on June 22, 1999, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300292), and a Shareholder of the Company
"Xu SPV"	Magne Core Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by FSS Investment, and directly holding the relevant Shares on behalf of The FS Trust, and one of the Controlling Shareholders
"Yunxiang Entertainment"	Yunxiang Entertainment (Shanghai) Co., Ltd. (雲想娛樂(上海)有限公司), formerly known as Netjoy (Shanghai) Information Technology Co., Ltd. (嗨皮(上海)信息技術有限公司), a limited liability company established in the PRC on August 28, 2018 and an indirectly wholly-owned subsidiary of the Company
"Yunxiang Information"	Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (雲想數科(上海)信息技術有限公司), a limited liability company established in the PRC on August 29, 2019 and an indirectly wholly-owned subsidiary of the Company
"%"	per cent