NETJOY HOLDINGS LIMITED
云想科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2131)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of Netjoy Holdings Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries and consolidated affiliated entity (together, the "**Group**" or "**we**") for the year ended December 31, 2020 (the "**Reporting Period**") together with the comparative figures for the year ended December 31, 2019 as follows:

FINANCIAL RESULTS HIGHLIGHTS

	Year ended 31 December		
	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%

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	3	**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	3	**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	4	**(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	6	**RMB17.1 cents**	RMB12.2 cents

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020

	Notes	**2020** **RMB'000**	2019 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**4,669**	2,125
Right-of-use assets		**4,866**	4,707
Intangible assets		**17,249**	8,293
Prepayments, other receivables and other assets		**2,055**	2,738
Deferred tax assets		**14,187**	12,917
Investments in associates		**7,748**	9,607
Total non-current assets		**50,774**	40,387
CURRENT ASSETS			
Trade receivables	*7*	**688,150**	457,025
Prepayments, other receivables and other assets		**279,924**	106,709
Restricted cash		**1,964**	–
Cash and cash equivalents		**1,018,899**	34,840
Total current assets		**1,988,937**	598,574
CURRENT LIABILITIES			
Trade payables	*8*	**212,732**	179,633
Other payables and accruals		**52,590**	24,897
Interest-bearing bank borrowings		**209,947**	91,547
Lease liabilities		**2,457**	4,037
Contract liabilities		**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

	Notes	**2020**	2019
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**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		**149**	–
Reserves		**1,504,873**	281,677
TOTAL EQUITY		**1,505,022**	281,677

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 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	–	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	**84**	**–**	**–**	**–**	**84**
Issuance of shares of Initial Public Offering	**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**

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 and consolidated affiliated entity (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

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 the PRC law.

(b) The entity is registered as a limited liability company under the 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 (the "**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 benefit of the business and operations of Netjoy Network.

In summary, the Contractual Arrangements enable our 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 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.

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.

(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.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

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

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	RMB'000	*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	2019
	RMB'000	*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.

(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 contracts that have an original expected duration of one year or less.

An analysis of other income and gains is as follows:

	2020	2019
	RMB'000	*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

4. 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).

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 Enterprise, 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 (財政部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 29 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 (財政部國家稅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稅優惠政策的通知), promulgated by the Ministry of Finance of the PRC (中國財政部) and the State Administration of Taxation of the PRC (中國國家稅務總局) 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稅優惠目錄) 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 (企業所得稅優惠事項備案表), Quantum Culture Media obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2017 to 31 December 2020.

The income tax expense of the Group for the relevant periods is analysed as follows:

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

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		2019	
	RMB'000	***%***	*RMB'000*	*%*
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 a part of the group reorganisation in the Group's IPO process, 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.

5. DIVIDENDS

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

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

The calculations 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 ordinary 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	2019
	RMB'000	*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 capitalisation 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 capitalisation 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.

7. TRADE RECEIVABLES

	2020	2019
	RMB'000	*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	2019
	RMB'000	*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	2019
	RMB'000	*RMB'000*
At beginning of year	**35,123**	5,493
Impairment losses, net	**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 aging 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.

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**	**Impairment**
		RMB'000	***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	Gross carrying amounts *RMB'000*	Impairment *RMB'000*
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

8. 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.

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

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 of the Company (the "**Shares**") have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since December 17, 2020 (the "**Listing Date**").

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 cash equivalents 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.

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 international regional markets. Mainland China is currently ahead of other international 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 international 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.

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.

FINANCIAL REVIEW

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

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	3	**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	3	**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	4	**(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	6	**RMB17.1 cents**	RMB 12.2 cents

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.

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.

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.

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

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 gaming industry (online gaming developers and/or distributors) was our largest group of advertising customers. Our revenue generated from the 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.

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.

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.

Other Income and Gains

Our other income and gains increased from RMB15.6 million for the year ended December 31, 2019 to RMB23.3 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.

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 RMB2.5 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.

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**	0.00
Income tax expense	**7.53**	6.16
Adjusted net profit	**146.02**	87.92

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 shareholders of the Company (the "**Shareholders**"). In 2019 to 2020, our cash and bank balances significantly increased from RMB34.8 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	2019
	RMB'000	*RMB'000*
Cash and bank balance	**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

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.

Employees

As of December 31, 2020, we had 390 full-time employees, including 254 in Shanghai, 52 in Beijing, 19 in Guangzhou, 60 in Xi'an, and 5 in Xinjiang. As of December 31, 2020, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

Our employees typically enter into standard employment contracts with us. We place high value on recruiting, training and retaining our employees. We maintain high recruitment standards and provide competitive compensation packages. Remuneration packages for our employees mainly comprise base salary and bonus. We also provide both in-house and external trainings for our 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.

We contribute to social security insurance and housing provident funds for our 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.

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.

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received from the global offering of the Company in December 2020 (the "**Global Offering**"), 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 of the Company dated December 7, 2020.

SUBSEQUENT EVENTS

As of the date of this announcement, the Group had no material events subsequent to the Reporting Period.

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 annual general meeting ("**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.

CORPORATE GOVERNANCE CODE

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 (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its governance code.

During the period from the Listing Date to the date of this announcement, the Company has always complied with all the applicable 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.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. 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 the date of this announcement.

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.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), consisting of two independent non-executive Directors, namely, Mr. CHEN Changhua (Chairman) and Dr. RU Liyun, and one non-executive Director, namely Mr. Dai Liqun. Written terms of reference have been adopted for the Audit Committee, which clearly specify its duties and responsibilities and are available for inspection on the websites of the Company and the Stock Exchange.

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 reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2020.

This annual results announcement is based on the Group's audited consolidated financial statements for the year ended December 31, 2020 as agreed with the external auditors of the Company.

AUDITOR'S SCOPE OF WORK

The figures in respect of the Group's consolidated statements of financial position, consolidated statements of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2020 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.netjoy.com). The annual report of the Company for the year ended December 31, 2020 containing all the information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the above websites in due course.

By order of the Board
Netjoy Holdings Limited
XU Jiaqing
Chairman of the Board

Shanghai • China, March 31, 2021

As at the date of this announcement, the Board comprises Mr. XU Jiaqing and Mr. WANG Chen as executive Directors, Mr. QIN Miaomiao, Mr. DAI Liqun, Mr. ZHANG Jianguo and Mr. WANG Jianshuo as non-executive Directors and Mr. CHEN Changhua, Dr. RU Liyun and Ms. CUI Wen as independent non-executive Directors.