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NETJOY HOLDINGS LIMITED

云想科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2131)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

The board (the “**Board**”) of directors (the “**Directors**”) of Netjoy Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and consolidated affiliated entity (together, the “**Group**” or “**we**”) for the six months ended June 30, 2021 (the “**Reporting Period**”) together with the comparative figures for the six months ended June 30, 2020 as follows:

FINANCIAL RESULTS HIGHLIGHTS

	Six months ended June 30,		
	2021	2020	Change
	<i>(unaudited)</i>	<i>(unaudited)</i>	
	<i>(RMB in millions, except percentage)</i>		
Revenue	1,570.71	796.97	97.09%
Gross profit	149.28	84.38	76.91%
Profit before income tax	113.38	60.76	86.60%
Profit for the period	104.22	57.08	82.59%
Adjusted net profit	119.94	67.97	76.46%

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the six months ended June 30, 2021

		Six months ended June 30,	
		2021	2020
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
REVENUE	3	1,570,714	796,965
Cost of sales		<u>(1,421,433)</u>	<u>(712,584)</u>
Gross profit		149,281	84,381
Other income and gains	3	29,573	11,823
Selling and distribution expenses		(6,536)	(2,274)
Administrative expenses		(30,625)	(21,656)
Impairment losses on financial assets, net		(10,131)	(4,000)
Research and development expenses		(3,531)	(4,370)
Other expenses		(9,563)	–
Finance costs		(4,997)	(3,163)
Share of profits and losses of:			
Associates		<u>(88)</u>	<u>21</u>
PROFIT BEFORE TAX		113,383	60,762
Income tax expense	4	<u>(9,161)</u>	<u>(3,686)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>104,222</u>	<u>57,076</u>
Profit and total comprehensive income attributable to:			
Owners of the parent		<u>104,222</u>	<u>57,076</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	6	<u>RMB13.0 cents</u>	<u>RMB9.6 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2021

		As at June 30, 2021 RMB'000 (unaudited)	As at December 31, 2020 RMB'000 (audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		6,632	4,669
Right-of-use assets		9,623	4,866
Intangible assets		21,681	17,249
Prepayments, other receivables and other assets		1,719	2,055
Deferred tax assets		16,582	14,187
Investments in associates		7,660	7,748
Fair value through other comprehensive income		10	–
Total non-current assets		63,907	50,774
CURRENT ASSETS			
Trade receivables	7	1,556,556	688,150
Prepayments, other receivables and other assets		226,883	279,924
Restricted cash		18	1,964
Cash and cash equivalents		561,256	1,018,899
Total current assets		2,344,713	1,988,937
CURRENT LIABILITIES			
Trade payables	8	252,781	212,732
Other payables and accruals		30,968	52,590
Interest-bearing bank borrowings		419,347	209,947
Lease liabilities		6,420	2,457
Contract liabilities		59,286	36,811
Tax payable		19,657	16,902
Total current liabilities		788,459	531,439
NET CURRENT ASSETS		1,556,254	1,457,498
TOTAL ASSETS LESS CURRENT LIABILITIES		1,620,161	1,508,272

	As at June 30, 2021 <i>RMB'000</i> <i>(unaudited)</i>	As at December 31, 2020 <i>RMB'000</i> <i>(audited)</i>
<i>Notes</i>		
NON-CURRENT LIABILITIES		
Lease liabilities	3,111	2,322
Deferred income	809	928
	<hr/>	<hr/>
Total non-current liabilities	3,920	3,250
	<hr/>	<hr/>
NET ASSETS	1,616,241	1,505,022
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	149	149
Reserves	1,616,092	1,504,873
	<hr/>	<hr/>
TOTAL EQUITY	1,616,241	1,505,022
	<hr/>	<hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2021

	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 2020	–	124,822	27,433	129,422	281,677
Profit and total comprehensive income for the period	–	–	–	57,076	57,076
Capital injection	84	–	–	–	84
Transfer from retained profits	–	–	13,184	(13,184)	–
At 30 June 2020	<u>84</u>	<u>124,822</u>	<u>40,617</u>	<u>173,314</u>	<u>338,837</u>
At 1 January 2021	149	1,244,410	32,225	228,238	1,505,022
Profit and total comprehensive income for the period	–	–	–	104,222	104,222
Equity-settled share-based payment arrangements	–	6,997	–	–	6,997
Transfer from retained profits	–	–	3,966	(3,966)	–
At 30 June 2021	<u>149</u>	<u>1,251,407</u>	<u>36,191</u>	<u>328,494</u>	<u>1,616,241</u>

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2021

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 %	
Hekuang (Ningbo) Technology Co., Ltd. (“ Hekuang Technology ”) (合光(寧波) 科技有限公司) (Note (a))	PRC/ Mainland China	USD10,000,000	–	100	Technical and consultation services
Netjoy International Limited	British Virgin Islands	USD50,000	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
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
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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
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) (<i>Note (b)</i>)	PRC/ Mainland China	RMB1,000,000	–	100	Marketing services
Guangzhou Guomeng Network Technology Co., Ltd. (“ Guomeng Internet ”) (廣州果盟網絡科技有限公司) (<i>Note (b)</i>)	PRC/ Mainland China	RMB1,000,000	–	100	Technical and consultation services
Qizheng (Shanghai) Culture Communication Co., Ltd. (“ Qizheng Culture ”) (啟征(上海)文化傳播有限公司) (<i>Note (b)</i>)	PRC/ Mainland China	RMB1,000,000	–	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
Netjoy International (Hong Kong) Limited	Hong Kong, China	HKD1	–	100	Technical and consultation services
<i>Indirectly controlled by the Company pursuant to the contractual agreements</i>					
Netjoy (Shanghai) Network Technology Co., Ltd. (“ Netjoy Network ”) (嗨皮(上海)網絡科技有限公司) (<i>Note (b)</i>)	PRC/ Mainland China	RMB53,528,203	–	100	Entertainment – oriented content platform operation
Yuntu (Shanghai) Video Technology Co., Ltd. (“ Yuntu Video ”) (雲圖(上海)視頻技術有限公司) (<i>Note (b)</i>)	PRC/ Mainland China	RMB5,000,000	–	100	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 period 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 provides value added telecommunications services and radio and TV program production and operation services to customers. As of the date of this announcement, Yuntu Video provided 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 Yuntu Video 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 and Yuntu Video.

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

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

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

2.1 BASIS OF PREPARATION

These condensed consolidated 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 condensed consolidated 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 condensed consolidated financial statements of the Group for the six months ended June 30, 2021. 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 condensed consolidated 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 following revised IFRSs for the first time for the financial statements of the current year.

Amendments to IFRS 9, IAS 39, IFRS 7,
IFRS 4 and IFRS 16
Amendment to IFRS 16

Interest Rate Benchmark Reform -Phase 2

Covid-19-Related Rent Concessions (early adopted)

- (a) 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.
- (b) The Group has elected not to apply lease modification accounting for all rent concessions granted by the lessors as a result of the Covid-19 pandemic for the six months ended June 30, 2021. 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 period.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers	1,570,714	796,965

Revenue from contracts with customers

(i) *Disaggregated revenue information*

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Types of services		
Online marketing solutions services		
– All-in-one services	1,466,376	760,114
– Advertisement distribution services	80,638	28,215
SaaS service	16,069	–
Other business	7,631	8,636
	<u>1,570,714</u>	<u>796,965</u>
Total revenue from contracts with customers		
	<u>1,570,714</u>	<u>796,965</u>
Timing of revenue recognition		
Marketing services transferred at a point in time	1,570,714	785,861
Marketing services transferred over time	–	11,104
	<u>1,570,714</u>	<u>796,965</u>
Total revenue from contracts with customers		
	<u>1,570,714</u>	<u>796,965</u>

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:	<u>36,811</u>	<u>37,353</u>

There is no revenue recognised in the current accounting period from performance obligations satisfied in previous periods for the six months ended June 30, 2020 and June 30, 2021, 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).

SaaS service

Tradeplus generates revenue by charging customers subscription fees for the platform or a commission calculated as a percentage of the total consumption of advertisement placed by customers on the platform.

Other business

It includes the original pan-entertainment business as well as the newly expanded exhibition business and live streaming businesses.

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 June 30, 2021 are RMB59,286,000 (June 30, 2020: RMB36,811,000).

All the remaining performance obligations unsatisfied as at June 30, 2021 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:

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income and gains		
Bank interest income	3,197	46
Investment income from financial assets at fair value through profit or loss	–	534
Government grants	26,376	10,493
Others	–	750
	<u>29,573</u>	<u>11,823</u>

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 six months ended June 30, 2021 (2020: 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. 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.

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

	Six months ended June 30,	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Current – Mainland China		
Charge for the period	11,556	4,071
Deferred	(2,395)	(385)
	<u>9,161</u>	<u>3,686</u>

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:

	Six months ended June 30,			
	2021 RMB'000 (unaudited)	%	2020 RMB'000 (unaudited)	%
Profit before tax	<u>113,587</u>		<u>60,762</u>	
Tax at the statutory tax rate	28,397	25	15,191	25
Preferential tax rates enacted by local authority	(23,101)	(20)	(13,325)	(22)
Additional deduction on research and development expenses	(495)	–	(814)	(1)
Effect on deferred tax of changes in tax rates	–	–	–	–
Income not subject to tax	13	–	(5)	–
Tax losses not recognised	3,584	3	2,605	4
Group reorganisation related tax	–	–	–	–
Expenses not deductible for tax	<u>763</u>	<u>1</u>	<u>34</u>	<u>–</u>
Tax charge at the effective rate	<u>9,161</u>	<u>8</u>	<u>3,686</u>	<u>6</u>

5. DIVIDENDS

No dividends had been declared for the six months ended June 30, 2021.

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 800,000,000 (June 30, 2020: 599,902,665) 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 six months ended June 30, 2020 and 2021 in respect of a dilution as the Group had no potentially ordinary dilutive ordinary shares in issue during the six months ended June 30, 2020 and 2021.

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

	Six months ended June 30,	
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parent	104,222	57,706
	Number of shares	
	Six months ended June 30,	
	2021	2020
	(unaudited)	(unaudited)
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	800,000,000	599,902,665

7. TRADE RECEIVABLES

	As at	As at
	June 30,	December 31,
	2021	2020
	RMB'000	RMB'000
	(unaudited)	(audited)
Trade receivables	1,609,741	731,204
Impairment	(53,185)	(43,054)
	1,556,556	688,150

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:

	As at June 30, 2021 <i>RMB'000</i> <i>(unaudited)</i>	As at December 31, 2020 <i>RMB'000</i> <i>(audited)</i>
Less than 1 year	1,555,315	685,621
1 to 2 years	<u>1,241</u>	<u>2,529</u>
	<u>1,556,556</u>	<u>688,150</u>

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

	As at June 30, 2021 <i>RMB'000</i> <i>(unaudited)</i>	As at December 31, 2020 <i>RMB'000</i> <i>(audited)</i>
At beginning of period	43,054	35,123
Impairment losses, net	<u>10,131</u>	<u>7,931</u>
At end of period	<u>53,185</u>	<u>43,054</u>

The increase in the loss allowance was due to the following change in the gross carrying amount:

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.

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

As at June 30, 2021

	Expected credit loss rates	Gross carrying amounts <i>RMB'000</i>	Impairment <i>RMB'000</i>
Defaulted receivables	100.00 %	28,917	28,917
Less than 1 year	0.99 %	1,570,804	15,490
1 to 2 years	66.69 %	3,727	2,485
2 to 3 years	100.00 %	4,900	4,900
Over 3 years	100.00 %	<u>1,393</u>	<u>1,393</u>
	3.30 %	<u>1,609,741</u>	<u>53,185</u>

As at December 31, 2020

	Expected credit loss rates	Gross carrying amounts <i>RMB'000</i>	Impairment <i>RMB'000</i>
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%	<u>731,204</u>	<u>43,054</u>

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:

	As at June 30, 2021 <i>RMB'000</i> (<i>unaudited</i>)	As at December 31, 2020 <i>RMB'000</i> (<i>audited</i>)
Within 90 days	251,636	211,608
91 to 365 days	211	408
Over 1 year	934	716
	<u>252,781</u>	<u>212,732</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS HIGHLIGHTS FOR THE FIRST HALF OF 2021

We focus on the field of short videos and strive to become a short video marketing solutions platform service provider with leading technological strength in the industry. We provide integrated services, comprising creative design, production, programmatic precise distribution, performance tracking and data analysis of short video marketing content, to our fast-growing and diversified customers, and assist the customers we serve to further reduce costs on various major short video media platforms, enhance marketing efficiency and optimize the effectiveness of advertisement placement through our self-developed cloud service platform, being an integrated service system comprising Tradeplus, a one-stop short video programmatic advertising and data management platform, and hepai.video, a video matchmaking trading platform. Meanwhile, we also speed up the implementation of online marketing full cycle service and full link data management with higher levels of automation and standardization through the platform.

With the stabilization of the COVID-19 pandemic in 2021 across the globe, economic development confronted with pressure and opportunities in the post-pandemic era, among which the online economy welcomed a larger room for growth. During this period, the Company accelerated the transformation and upgrade of business layout and technological capabilities to adapt to the evolving changes in market demand and sustained remarkable growth in the first half of 2021. On the basis of the large-scale development of the core online marketing business, the Company also realized the structural optimization as well as transformation and upgrade of businesses capitalizing on the innovative research and development in cloud service technologies. Currently, our major businesses include online marketing solutions, short video marketing cloud service and other business, including but not limited to new business sectors which have undergone rapid development such as maker economy and brand live streaming operation.

During the Report Period, the net profit of the Company increased by 82.59% to RMB104.22 million. Our total revenue increased from RMB0.797 billion in the first half of 2020 to RMB1.571 billion in the first half of 2021. The gross billing increased by 122.18% period on period from RMB1.578 billion in the first half of 2020 to RMB3.506 billion in the first half of 2021. The gross profit increased from RMB84.38 million in the first half of 2020 to RMB149.28 million in the first half of 2021. As of June 30, 2021, our cash and cash equivalents amounted to RMB0.561 billion, indicating that we have abundant cash reserves and a healthy financial structure.

We serve a fast-growing, diversified and balanced customer base. As of June 30, 2021, we provided services, mainly including internet services and tools, online gaming, e-commerce, financial services, etc., to over 5,618 customers in 199 sub-sectors of industry verticals. The number of advertising customers served by us increased 17.02% period on period from 470 in the first half of 2020 to 550 in the first half of 2021.

As the rapid and sound development of our business gained recognition from the international capital markets, we were officially admitted to the MSCI China Small Cap Index in May 2021. Meanwhile, through continuous innovation in technology, creativity and service capability, we won a number of honors and awards from our customers, the media and the industry in 2021, mainly including the “2021 TopDigital Innovative Marketing Award – Product of the Year (2021年TopDigital創新行銷獎年度產品獎)” of Tradeplus, the recognition as the “KA Effect 2021 Outstanding Partners (KA效果2021年度優秀合作夥伴)”, “KA Star 2021 Outstanding Partners (KA聚星2021年度優秀合作夥伴)” and “2021 Top 10 New Partners (2021年度十佳新銳合作夥伴)” by Kuaishou-Magnetic Engine, the “Innovation Power Award for the Year (年度變革力量獎)” at the 2021 Channel Award Ceremony (2021年度管道榮耀大典) by Tencent Advertisement, and the recognition as the “2021 Top 50 Leading Enterprises with Technological Strength (2021最具科技力量領軍企業TOP 50)” by Frost & Sullivan, a globally renowned growth consultancy firm.

BUSINESS REVIEW

With the arrival of the big data era and the popularization of the fifth-generation mobile communication (“5G”) technology of the operators in Mainland China, the application of short videos is expected to further penetrate into every aspect of people’s life. Accordingly, short video marketing has been gaining greater importance rapidly in the online marketing market. The short video market sustained tremendous growth in the first half of 2021 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. We seized the opportunity offered by programmatic advertising to forge a platform with comprehensive short video marketing eco-chain and technical services by way of extending our business coverage to sectors including short video marketing SaaS service, brand live streaming operation and maker economy.

Our short video commercialization business is a business with two drivers, being big data management ability and large-scale short video production capacity driven by data. Meanwhile, we recognize the enormous demand for marketing data management and full link cost reduction and efficiency enhancement in the online marketing industry driven by data, including but not limited to short video commercialization business. Under the support of our technology platform and service capabilities, we empower our customers to attain scale expansion with quantifiable indicators, real-time tracking methods and low marketing costs, thereby helping them to achieve tremendous business growth, and bringing benefits to ourselves. This is also our intention for developing such cloud platforms as the Tradeplus platform and the deciding factor for the speeding up of commercialization in the first half of 2021.

On the back of market insight and exploration, we extended its reach to the short video marketing cloud service business, providing paid services of programmatic advertising and data management to the first batch of registered advertisers and service providers. The services provided, included but not limited to, cross-platform and cross-account advertising placement, material management and intelligent derivation, data report analysis and generation and other functions. As of June 30, 2021, Tradeplus generated income from subscription fees received from customers or commission fees calculated based on a certain percentage of the total advertising expenditure on the platform by customers. During the Report Period, the platform generated a SaaS service income of approximately RMB16.07 million, making a preliminary contribution to the Company's profit in the first half of the year.

With the rapid development of the short video industry, there has emerged an ever-growing demand for premium performance-based short video content creation, and its supply has always fallen short of demand. Meanwhile, hepai.video, a video content trading platform developed and operated by us, has achieved programmatic settlement with video suppliers, and is expediting the enhancement of video production capacity and speeding up the automatic video production process. Firstly, the finished short video advertisements delivered online by the video suppliers on hepai.video are promptly and accurately presented to the users of the short video platforms with which we have established connection through the Tradeplus programmatic trading system, and programmatic settlement with video suppliers has been achieved. Secondly, quality video producers across the nation had joined our hepai.video trading platform to provide us and our partners with finished videos. The demand for short videos on hepai.video extended from information-based advertisements to such areas as e-commerce and local life. Meanwhile, hepai.video has employed our AI video auxiliary processing technologies such as scene replacement, audio subtitle conversion, automatic editing, etc., which facilitates the application of AI technologies in the automatic video production sector, enhances the level of mechanization in video production and expands our video production capacity and scale.

As of the date of this announcement, we had a production capacity of over 18,000 short videos per month, and hepai.video has established connections with over 380 video creators and institutions, allowing us to achieve capacity expansion, cost reduction and efficiency enhancement in short video production through the empowerment by the platform-based content creation and the application of AI technological research and development. As of June 30, 2021, the short videos we delivered and distributed programmatically had accumulated approximately over 619 billion impressions and over 153.2 billion video views.

Given our expectation that the short video industry will develop across sectors and platforms, we partnered directly with the top five short video platforms covering key markets and established business cooperation with Ali Group and Xiaohungshu to form a comprehensive coverage in the short video media and channel market. At the same time, leveraging on our constantly upgraded platform technical service capabilities, large-scale video production capacity and extensive experience in content creation, we seized the opportunity to promote these short videos in more sectors.

BUSINESS OUTLOOK

Maintain our diversified media partner base, continue to deepen our cooperation with top online publishers, and explore more forms of cooperation in respect of short video technical services.

We will continue to invest more resources, expand our professional team, and seek to diversify our media partner base while continuing to strengthen business and data cooperation with current top short video platforms in order to serve our customers with technologies and creatives in a larger scale and of higher efficiency.

We pay close attention to the new business opportunities brought about by changes in domestic and international market trends. For instance, having the Partner (電商優質服務商) qualification of the largest short video platform in China, we proactively provide live streaming operation services for e-commerce advertisers, help them establish and manage brand live streaming events, and achieve more effective online sales for their products. On one hand, we extend our scope of services for advertisers and further expand our business through the emerging business form. On the other hand, through the launch of new business, we strengthen and consolidate our online marketing and cloud service capabilities to develop more targeted and customized solutions, so as to seek in-depth development in our existing industry verticals and hasten the expansion and accumulation of eco-partner base which is more diversified and covers more vertically integrated industries.

Enhance big data analytics and the research and development and application of AI technologies, facilitate the commercialization of short video marketing SaaS service, and accelerate the upgrade to platform service provider.

We have preliminary realised our deployment for the commercialization of short video marketing SaaS service, as evidenced by the open-up of our one-stop short video programmatic advertising and data management platform, Tradeplus, 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. During the process, we will continue to put great emphasis on the long term accumulation of data and technological assets and further improve the platform's big data analytics capability in the course of commercialization of our short video marketing service through close connection with the bidding systems of the top media partners in this field. Together with further enhancement of accurate cross-platform placement, statement data analysis, material management and derived intelligence as well as the level of automation, we will speed up our upgrade from a technology and creative service provider to a platform service provider. Moreover, we will develop the marketing SaaS service capabilities in emerging or specific industry verticals with a focus on short video marketing cloud service technologies, as well as create a more comprehensive marketing SaaS service platform and facilitate its commercialization, aiming at providing premium technologies and services to more industries and business partners while contributing to our own business growth.

Meanwhile, we recognise the tremendous value brought to the short video industry by the empowerment of AI technologies. We will continue to enhance the AI algorithm to improve the quality and frequency of the training of crowd modeling strategy and the accuracy of crowd labeling. At the same time, we will also continue to seek cooperation in the industrialized research and development in this field with more domestic AI technology companies, further exploring the application and innovation of AI video processing technologies in short video production, such as short video smart editing, virtual face replacement, etc. The revolutionary improvement of video production capabilities enables us and our partners to realize automatic production of short videos, further expanding our business scale and increasing our revenue, while supporting our video production on a larger scale. To this end, we will continue to expand our technology research and development team, and recruit more research and development personnel to take part in the research and innovation of short video marketing cloud service.

Grasp industry opportunities, expedite the expansion into new business sectors, and consolidate the short video marketing eco-service layout.

We recognize our leading strengths in platform infrastructure, large-scale data accumulation and processing capabilities, and large-scale production of video creatives. We endeavour to bring these strengths into play in the upstream and downstream industry chain and derived industry chain of short video marketing and other related eco-industries, seeking a more diversified business model and remarkable growth in business scale driven by technologies in such areas as e-commerce live streaming operation, maker economy and local life.

In face of fast-changing needs of customers and the rapid upgrade of market environment, we recognize the opportunity for growth in brand e-commerce live streaming operation sector, and the potential demand for marketing technical services. Leveraging on our platform capabilities in such aspects as big data analytics, content production and full cycle operation, we plan to accelerate the establishment of our presence in tier-two and tier-three cities to drive the rapid growth in scale and diversify our service offerings and income model. Meanwhile, we plan to deepen our cooperation with existing customers through these businesses and bring in new important customer bases, so as to strive for further business achievements.

Selectively pursue strategic collaboration, investment and acquisition opportunities.

We are proactively 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 SaaS service, big data analytics and AI capabilities, content development and production, upstream and downstream collaboration and other strategic resources.

FINANCIAL REVIEW

Six months ended June 30, 2021 as compared with six months ended June 30, 2020:

		Six months ended June 30,	
		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(unaudited)</i>	<i>(unaudited)</i>
REVENUE	3	1,570,714	796,965
Cost of sales		<u>(1,421,433)</u>	<u>(712,584)</u>
Gross profit		149,281	84,381
Other income and gains	3	29,573	11,823
Selling and distribution expenses		(6,536)	(2,274)
Administrative expenses		(30,625)	(21,656)
Impairment losses on financial assets, net		(10,131)	(4,000)
Research and development expenses		(3,531)	(4,370)
Other expenses		(9,563)	–
Finance costs		(4,997)	(3,163)
Share of profits and losses of:			
Associates		<u>(88)</u>	<u>21</u>
PROFIT BEFORE TAX		113,383	60,762
Income tax expense	4	<u>(9,161)</u>	<u>(3,686)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>104,222</u>	<u>57,076</u>
Profit and total comprehensive income attributable to:			
Owners of the parent		<u>104,222</u>	<u>57,076</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	6	<u>RMB13.0 cents</u>	<u>RMB9.6 cents</u>

KEY OPERATING DATA

The following table sets forth our key operating data for the six months ended/as of June 30, 2021 and 2020.

	Six months ended/As of June 30,	
	2021	2020
Impressions (short videos) (millions) ⁽¹⁾⁽³⁾	127,898.14	80,750.1
Click-throughs (short videos) (millions) ⁽²⁾⁽³⁾	3,568.36	1,643.0
Click-through rate (short videos) (%) ⁽⁴⁾	2.79	2.0
Likes (short videos) (thousands) ⁽⁵⁾	268,586.09	235,305.8

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 clickthrough rate increased by 0.79% from 2.0% for the six months ended June 30, 2020 to 2.79% for the six months ended June 30, 2021, reflecting our efforts and success in further 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

	Six months ended June 30,	
	2021	2020
Gross profit margin (%) ⁽¹⁾	9.50	10.59
Net profit margin (%) ⁽²⁾	6.64	7.16
Current ratio (times) ⁽³⁾	2.97	1.90
Adjusted net profit margin (%) ⁽⁴⁾	7.64	8.53
Debt-to-asset ratio (times) ⁽⁵⁾	0.33	0.49

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; (ii) SaaS service; and (iii) other business. Our total revenue increased by 97.09% from RMB796.97 million for the six months ended June 30, 2020 to RMB1,570.71 million for the six months ended June 30, 2021, 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 periods indicated:

	Six months ended June 30,		2020	
	2021	% of		% of
	(RMB'000)	the total	(RMB'000)	the total
	(unaudited)		(unaudited)	
Online marketing solutions business	1,547,014	98.5	788,329	98.9
SaaS service	16,069	1.0	—	—
Other business	7,631	0.5	8,636	1.1
Total	<u>1,570,714</u>	<u>100.0</u>	<u>796,965</u>	<u>100.0</u>

Note: Other business includes pan-entertainment content services.

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. For the six months ended June 30, 2021, the revenue generated from our online marketing solutions business accounted for 98.5% of our total revenue. We commenced the operation of software as a service (“SaaS”) in the first half of 2021 and achieved key milestones in its gradual commercialization, with the income generated in the first half of 2021 accounting for 1.0% of the 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 periods indicated:

	Six months ended June 30,		2020	
	2021	% of		% of
	(RMB'000)	the total	(RMB'000)	the total
	(unaudited)		(unaudited)	
Advertisers	1,502,530	97.1	728,551	92.4
Advertising agencies	44,484	2.9	59,778	7.6
Total	<u>1,547,014</u>	<u>100.0</u>	<u>788,329</u>	<u>100.0</u>

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 periods indicated:

	Six months ended June 30,			
	2021		2020	
	<i>(RMB'000)</i>	<i>% of</i>	<i>(RMB'000)</i>	<i>% of</i>
	<i>(unaudited)</i>	<i>the total</i>	<i>(unaudited)</i>	<i>the total</i>
Online gaming	332,284	21.5	287,830	36.5
Financial services ⁽¹⁾	253,059	16.4	143,755	18.2
E-commerce	219,650	14.2	146,336	18.6
Internet services	497,245	32.1	60,303	7.6
Advertising	65,428	4.2	95,557	12.1
Culture & media	63,952	4.1	11,313	1.4
Others ⁽²⁾	115,396	7.5	43,235	5.6
Total	<u>1,547,014</u>	<u>100.0</u>	<u>788,329</u>	<u>100.0</u>

Notes:

- (1) Financial services primarily include online insurance, consumer financing and retail banking.
- (2) Others mainly include business services and healthcare.

During the six months ended June 30, 2021, the internet services industry was our largest group of advertising customers. Our revenue generated from the internet services industry accounted for 7.6% and 32.1% of our total revenue derived from online marketing solutions business for the six months ended June 30, 2020 and 2021, respectively.

Cost of Sales

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

	Six months ended June 30,			
	2021		2020	
	<i>(RMB'000)</i>	<i>% of</i>	<i>(RMB'000)</i>	<i>% of</i>
	<i>(unaudited)</i>	<i>the total</i>	<i>(unaudited)</i>	<i>the total</i>
Traffic acquisition cost	1,389,247	97.8	700,584	98.3
Employee benefit expenses	20,354	1.4	9,266	1.3
Others ⁽¹⁾	11,832	0.8	2,734	0.4
Total	<u>1,421,433</u>	<u>100.0</u>	<u>712,584</u>	<u>100.0</u>

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. For the six months ended June 30, 2021, 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 six months ended June 30, 2020 and the six months ended June 30, 2021, our traffic acquisition costs amounted to RMB700.58 million and RMB1,389.25 million, respectively, accounting for approximately 98.3% and 97.8%, respectively, of our total cost of sales for the respective periods, which was in line with our business expansion. For the six months ended June 30, 2020 and the six months ended June 30, 2021, our employee benefit expenses amounted to RMB9.27 million and RMB20.35 million, respectively, accounting for approximately 1.3% and 1.4%, respectively, of our total cost of sales for the respective periods, 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 periods indicated:

	Six months ended June 30,		2020	
	2021	% of	2020	% of
	(RMB'000)	the total	(RMB'000)	the total
	(unaudited)		(unaudited)	
Online marketing solutions business	1,414,583	99.5	705,186	99.0
SaaS service	45	—	—	—
Other business	6,805	0.5	7,398	1.0
Total	<u>1,421,433</u>	<u>100.0</u>	<u>712,584</u>	<u>100.0</u>

Notes: Other business includes pan-entertainment content services.

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 periods indicated:

	Six months ended June 30,		2020	
	2021	Gross profit	2020	Gross profit
	Gross profit	margin	Gross profit	margin
	(RMB'000)	%	(RMB'000)	%
	(unaudited)		(unaudited)	
Online marketing solutions business	132,431	8.6	83,142	10.5
SaaS service	16,024	99.7	—	—
Other business	826	10.8	1,239	14.3
Total	<u>149,281</u>	<u>9.5</u>	<u>84,381</u>	<u>10.6</u>

Notes: Other business includes pan-entertainment content services.

Our gross profit consists of our revenue less cost of sales. The Group recorded gross profit of RMB149.28 million for the six months ended June 30, 2021, representing an increase of 76.91% as compared to the gross profit of RMB84.38 million for the six months ended June 30, 2020.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. Gross profit margin decreased from 10.6% for the six months ended June 30, 2020 to 9.5% for the six months ended June 30, 2021, mainly attributable to an increase in preliminary input cost as a result of the development of new businesses and the exploration of innovative business models, as well as some concessions given to new customers by the Company to speed up the expansion of market size and strengthen the market influence.

OTHER INCOME AND GAINS

Our other income and gains increased from RMB11.82 million for the six months ended June 30, 2020 to RMB29.57 million for the six months ended June 30, 2021, which was mainly attributable to the increase in the additional deduction in value-added tax throughout 2021 as compared to 2020, as well as the receipt of listing subsidy of RMB10.00 million from the industrial park during the period.

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 increased from RMB2.27 million for the six months ended June 30, 2020 to RMB6.54 million for the six months ended June 30, 2021, which was mainly attributable to the expansion of sales personnel as a result of the rapid growth of the Company's business.

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 gradually increased by 41.41% from RMB21.66 million for the six months ended June 30, 2020 to RMB30.63 million for the six months ended June 30, 2021, which was mainly attributable to the increase of RMB9.47 million in labor cost resulting from the increased staff in line with further business expansion, and the expenses of RMB2.72 million as a result of further expansion of office premises.

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 RMB10.13 million for the six months ended June 30, 2021, 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 decreased by 19.2% from RMB4.37 million for the six months ended June 30, 2020 to RMB3.53 million for the six months ended June 30, 2021, which was mainly attributable to the increases in the number and average remuneration level of our research and development staff and the capitalization of cloud service platform during the period.

OTHER EXPENSES

Our other expenses increased from RMBNil for the six months ended June 30, 2020 to RMB9.56 million for the six months ended June 30, 2021, which was mainly attributable to the loss from the translation of listing proceeds resulting from the changes in exchange rates.

FINANCE COSTS

Our finance costs increased from RMB3.16 million for the six months ended June 30, 2020 to RMB5.00 million for the six months ended June 30, 2021. The increase in finance costs was mainly due to the corresponding increase of RMB1.61 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 RMB3.69 million for the six months ended June 30, 2020 to RMB9.16 million for the six months ended June 30, 2021, which was mainly due to the increase in revenue by 97.09% and the increase in net profit resulted in the corresponding increase in income tax expenses for the Reporting Period.

PROFIT FOR THE PERIOD

As a result of the above, our profit for the period increased by 82.59% from RMB57.08 million for the six months ended June 30, 2020 to RMB104.22 million for the six months ended June 30, 2021. Our net profit margin decreased from 7.16% for the six months ended June 30, 2020 to 6.64% for the six months ended June 30, 2021.

NON-IFRS MEASURE: ADJUSTED NET PROFIT

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe that this non-IFRS measure facilitates comparisons of operating performance from period to period and company to company by eliminating potential impacts of items which our management does not consider to be indicative of our operating performance. We believe this measure provides useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management.

However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure 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 periods presented to the most directly comparable financial measures calculated and presented in accordance with IFRS:

	Six months ended June 30,	
	2021	2020
	<i>(RMB in millions)</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit for the period	104.22	57.08
Add:		
One-off income ⁽¹⁾	(10.00)	—
Listing expense	—	7.20
Share-based compensation	7.00	—
Foreign exchange differences	9.56	—
Income tax expense	9.16	3.69
	<hr/>	<hr/>
Adjusted net profit	119.94	67.97
	<hr/>	<hr/>

Notes:

- (1) It represents the listing subsidy given by the industrial park to listing companies during the six months ended June 30, 2021.

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**”). Our cash and bank balances decreased from RMB1,020.86 million as at December 31, 2020 to RMB561.27 million as at June 30, 2021, mainly attributable to the replenishment of working capital with the expansion of business scale.

The table below sets out our liquidity as at December 31, 2020 and as at June 30, 2021, respectively:

	As at June 30, 2021 <i>RMB'000</i> <i>(unaudited)</i>	As at December 31, 2020 <i>RMB'000</i> <i>(audited)</i>
Denominated in RMB	559,916	140,311
Denominated in HKD	453	253,540
Denominated in USD	905	627,012
Cash and bank balance	561,274	1,020,863

As at June 30, 2021, our bank loans amounted to approximately RMB418.5 million (as at December 31, 2020: approximately RMB209.1 million). Our bank loans are denominated in Renminbi. The interest rates on our bank loans ranged from 3.5% to 5.1% (for the year ended December 31, 2020: 3.85% to 5.9%) per annum and the terms of the loans ranged from three months to one year. We will repay the above borrowings in due course on maturity.

CAPITAL EXPENDITURES

Our capital expenditures for the six months ended June 30, 2021 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 June 30, 2021 (<i>unaudited</i>) (RMB in millions)	As at December 31, 2020 (<i>audited</i>)
Property, plant and equipment	3.1	4.6
Intangible assets	5.5	10.3
Total	8.6	14.9

We incurred capital expenditures of approximately RMB8.6 million for the six months ended June 30, 2021, 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 at June 30, 2021 and 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 at June 30, 2021, 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 at June 30, 2021, we had 511 full-time employees, including 307 in Shanghai, 61 in Beijing, 13 in Guangzhou, 125 in Xi'an, and 5 in Xinjiang. As at June 30, 2021, 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 six months ended June 30, 2021, total staff remuneration expenses including Directors' remuneration amounted to RMB47.33 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

During the six months ended June 30, 2021, 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 HKD1,296.93 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. For the six months ended June 30, 2021, 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 June 30, 2021 (HKD in millions)	Remaining net proceeds as of June 30, 2021 (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	8.24	110.10	By the end of the year ending December 31, 2023
Upgrading proprietary DMP	3.6%	47.10	0.00	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	0.00	8.28	By the end of the year ending December 31, 2023
Visual optimization of Huabian Platform	0.2%	2.60	0.00	2.60	By the end of the year ending December 31, 2023
Expanding business					
Enlarging advertiser and media partner bases	48.4%	627.20	545.79	81.41	By the end of the year ending December 31, 2023
Enhancing content production capabilities	5.5%	71.60	0.00	71.60	By the end of the year ending December 31, 2023
Expanding domestic and international footprints	3.7%	47.93	0.00	47.93	By the end of the year ending December 31, 2023
Pursuit of strategic investments and acquisitions	18.8%	244.19	0.00	244.19	By the end of the year ending December 31, 2023
Working capital and general corporate purposes	10.0%	129.69	85.32	44.37	By the end of the year ending December 31, 2023
Total		1,296.93	639.35	657.58	

For the six months ended June 30, 2021, the Group has utilized HKD639.35 million of the net proceeds from the Global Offering, and the remaining net proceeds of HKD657.58 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.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section headed “Use of the Net Proceeds from the Global Offering” in this announcement, the Group did not have any other immediate plans for material investment and capital assets as at the date of this announcement.

SUBSEQUENT EVENTS

From June 30, 2021 and up to the date of this announcement, there were no material events affecting the Group.

INTERIM DIVIDEND

The Board did not declare the payment of any interim dividend for the six months ended June 30, 2021.

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 of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as its governance code.

During the Reporting Period, 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 during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2021, 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.

REVIEW OF INTERIM RESULTS

The interim results for the six months ended June 30, 2021 is unaudited and has not been reviewed by the auditor of the Company, but has been reviewed by the Audit Committee.

The Audit Committee has, together with the management, reviewed the accounting policies adopted by the Group. They also discussed risk management, internal controls of the Group and financial reporting matters, including having reviewed and agreed to the unaudited interim condensed consolidated financial statements during the Reporting Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2021 INTERIM REPORT

This interim results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.netjoy.com). The interim report for the six months ended June 30, 2021 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, August 25, 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.