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 DECEMBER 31, 2021

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 entities (together, the "**Group**" or "**we**") for the year ended December 31, 2021 (the "**Reporting Period**") together with the comparative figures for the year ended December 31, 2020 as follows:

FINANCIAL RESULTS HIGHLIGHTS

	Year ended December 31,		
	2021	2020	Year-on-year Change
	(RMB in millions, except percentage)		
Revenue	**3,122.49**	2,577.03	21.17%
Gross profit	**218.67**	202.65	7.91%
Profit before income tax	**134.32**	111.14	20.86%
Profit for the year	**117.40**	103.61	13.31%
Adjusted net profit	**146.54**	146.02	0.36%

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	3	**3,122,492**	2,577,026
Cost of sales		**(2,903,822)**	(2,374,376)
Gross profit		**218,670**	202,650
Other income and gains	3	**57,442**	23,245
Selling and distribution expenses		**(15,797)**	(7,032)
Administrative expenses		**(76,857)**	(72,681)
Impairment losses on financial assets, net		**(13,057)**	(7,931)
Research and development expenses		**(7,929)**	(13,309)
Other expenses		**(10,011)**	(2,971)
Finance costs		**(15,912)**	(5,972)
Share of profits and losses of:			
Associates		**(2,225)**	(4,859)
PROFIT BEFORE TAX		**134,324**	111,140
Income tax expense	4	**(16,925)**	(7,532)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**117,399**	103,608
Profit and total comprehensive income attributable to:			
Owners of the parent		**117,399**	103,608
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	6	**RMB14.7 cents**	RMB17.1 cents

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**7,593**	4,669
Right-of-use assets		**7,123**	4,866
Intangible assets		**26,439**	17,249
Prepayments, other receivables and other assets		**4,924**	2,055
Deferred tax assets		**17,559**	14,187
Investments in associates		**5,523**	7,748
Total non-current assets		**69,161**	50,774
CURRENT ASSETS			
Trade receivables	*7*	**1,511,484**	688,150
Prepayments, other receivables and other assets		**241,069**	279,924
Restricted cash		**280,560**	1,964
Cash and cash equivalents		**355,751**	1,018,899
Total current assets		**2,388,864**	1,988,937
CURRENT LIABILITIES			
Trade payables	*8*	**145,634**	212,732
Other payables and accruals		**49,189**	52,590
Interest-bearing bank borrowings		**612,470**	209,947
Lease liabilities		**4,360**	2,457
Contract liabilities		**33,343**	36,811
Tax payable		**26,774**	16,902
Total current liabilities		**871,770**	531,439
NET CURRENT ASSETS		**1,517,094**	1,457,498
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,586,255**	1,508,272

	Notes	**2021**	2020
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Lease liabilities		**1,238**	2,322
Deferred tax liabilities		**1,621**	–
Deferred income		**715**	928
Total non-current liabilities		**3,574**	3,250
NET ASSETS		**1,582,681**	1,505,022
EQUITY			
Equity attributable to owners of the parent			
Share capital		**148**	149
Treasury shares		**(36,670)**	–
Reserves		**1,619,203**	1,504,873
TOTAL EQUITY		**1,582,681**	1,505,022

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2021

	Attributable to owners of the parent							
	Share Capital	**Treasury Shares**	**Share Option Reserve**	**Capital Reserve**	**Statutory surplus reserve**	**Financial assets at fair value through other comprehensive income**	**Retained Profits**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 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 December 31, 2020	149	–	–	1,244,410	32,225	–	228,238	1,505,022
At January 1, 2021	**149**	**–**	**–**	**1,244,410**	**32,225**	**–**	**228,238**	**1,505,022**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(400)**	**117,399**	**116,999**
Share repurchased	**(1)**	**(36,670)**	**–**	**(14,966)**	**–**	**–**	**–**	**(51,637)**
Equity-settled share option arrangements	**–**	**–**	**12,197**	**–**	**–**	**–**	**–**	**12,197**
Capital injection	**–**	**–**	**–**	**100**	**–**	**–**	**–**	**100**
Transfer from retained profits	**–**	**–**	**–**	**–**	**14,234**	**–**	**(14,234)**	**–**
At December 31, 2021	**148**	**(36,670)**	**12,197**	**1,229,544**	**46,459**	**(400)**	**331,403**	**1,582,681**

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended December 31, 2021

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
MIX Technology Co.,Ltd. ("**Heguang Technology**") (合光(寧波)科技有限公司) *(Note (a))*	PRC/Mainland China	USD10,000,000	–	100	software-as-a-service ("**SaaS**")
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	RMB10,000,000	–	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
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) *(Note (b))*	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) *(Note (b))*	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) *(Note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Technical and consultation services
Horgos Large Amount Information Technology Co.,Ltd ("**Large Amount Information Technology**") (霍爾果斯爆量信息技術有限公司) *(Note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Marketing 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
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
Tradeplus (Shanghai) Information Technology Co., Ltd. ("**Tradeplus**") (婕山加(上海)信息技術有限公司) *(Note (b))*	PRC/Mainland China	RMB5,000,000	–	100	SaaS

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 and Tradeplus 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 Tradeplus and their respective registered shareholders. The arrangements of the Contractual Arrangements enable Yunxiang Information to effectively control, recognise and receive substantially all the economic benefits of the business and operations of Netjoy Network and Tradeplus.

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

- receive substantially all of the economic benefits from Netjoy Network and Tradeplus in consideration for the services provided by Yunxiang Information to Netjoy Network and Tradeplus;

- exercise effective control over Netjoy Network and Tradeplus; and

- hold an exclusive option to acquire all or part of the equity interests in and/or the assets of Netjoy Network and Tradeplus when and to the extent permitted by the PRC laws and regulations.

Accordingly, Netjoy Network and Tradeplus 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 Tradeplus.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended December 31, 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 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 current year's financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, provided that the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The Interest Rate Benchmark Reform did not have any significant impact on the financial position and performance of the Group.

    As at December 31, 2021, the Group had certain interest-bearing bank and other borrowings denominated in RMB based on the Loan Prime Rate ("**LPR**") which is released by National Interbank Funding Center ("**NIFC**"). The Group expects LPR will continue to exist and there is no impact on the Group's LPR-based borrowings.

(b) Amendment to IFRS 16 issued in March 2021 provides the 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 by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after April 1, 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the retained profits at the beginning of the current accounting period. Earlier application is permitted.

The Group has early adopted the amendment on January 1, 2021. However, the Group has not received COVID-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**3,122,492**	2,577,026

Revenue from contracts with customers

(i) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of services		
Online marketing solutions services		
– All-in-one services	**2,922,426**	2,502,001
– Advertisement distribution services	**151,102**	64,348
SaaS service	**32,878**	–
Other business	**16,086**	10,677
Total revenue from contracts with customers	**3,122,492**	2,577,026
Timing of revenue recognition		
Marketing services transferred at a point in time	**3,108,083**	2,565,191
Marketing services transferred over time	**14,409**	11,835
Total revenue from contracts with customers	**3,122,492**	2,577,026

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:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	**36,811**	37,353

There is no revenue recognised in the current accounting period from performance obligations satisfied in previous periods for the years ended December 31, 2021 and 2020, 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

The Group provides SaaS service to advertisers and separate service contracts are signed for these 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) or over the subscription period on a straight-line basis.

Other business

Other businesses include the original pan-entertainment business as well as live streaming business. Pan-entertainment business 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). Live streaming business performance obligation is satisfied at a point in time when the live broadcast duration and sale transaction of goods is completed.

The transaction prices allocated to the remaining performance obligations unsatisfied as at December 31, 2021 are RMB33,343,000 (as at December 31, 2020: RMB36,811,000).

All the remaining performance obligations unsatisfied as at December 31, 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:

	2021 ***RMB'000***	2020 *RMB'000*
Other income and gains		
Bank interest income	**6,297**	105
Investment income from financial assets at fair value through profit or loss	**–**	656
Government grants	**51,145**	21,734
Others	**–**	750
	57,442	23,245

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 December 31, 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. Preferential tax treatment is available to Netjoy Network, since it is certified as a High and New Technology Enterprise, and is subject to a preferential income tax rate of 15%. For the year ended December 31, 2021, the applicable income tax rate for Netjoy Network was 15%. According to the Several Opinions of the State Council on Supporting the Construction of Kashgar and Horgors Economic Development Zones (國務院關於支持喀什霍爾果斯經濟開發區建設的若干意見), promulgated on September 30, 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 Taxation Administration of the PRC (中國國家稅務總局) on November 30, 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 beginning from 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 January 1, 2017 to December 31, 2021. According to Notice of the Preferential Policies for Income Tax on Newly-established Enterprises in the Poverty Areas in Xinjiang and Two Special Economic Development Zones of Kashgar and Horgors in Xinjiang (財政部稅務總局關於新疆困難地區及喀什、霍爾果斯兩個特殊經濟開發區新辦企業所得稅優惠政策的通知) promulgated by the Ministry of Finance of the PRC and the State Taxation Administration of the PRC on May 18, 2021, from 2021 to 2030, the newly established enterprises in Kashgar and Horgors within the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Tax Treatment shall be granted the preferential tax treatment of five-year EIT exemption beginning from the first taxable year after becoming profitable. Explosive obtained the approval from the PRC tax bureau for entitlement of EIT exemption from January 1, 2022 to December 31, 2026.

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

	2021	2020
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**18,676**	8,802
Deferred	**(1,751)**	(1,270)
	16,925	7,532

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:

	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**134,324**		111,140	
Tax at the statutory tax rate	**33,581**	**25**	27,785	25
Preferential tax rates enacted by local authority	**(24,084)**	**(18)**	(32,099)	(29)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**1,621**	**1**	–	–
Additional deduction on research and development expenses	**(1,419)**	**(1)**	(2,355)	(2)
Income not subject to tax	**–**	**–**	(27)	–
Tax losses utilised from previous periods	**(4,276)**	**(3)**	–	–
Tax losses and temporary differences not recognised	**7,894**	**6**	14,102	13
Expenses not deductible for tax	**3,608**	**3**	126	–
Tax charge at the effective tax rate	**16,925**	**13**	7,532	7

5. DIVIDENDS

	2021	2020
	HKD'000	*HKD'000*
Proposed final – HK5 cents (2020: Nil) per ordinary share	**39,783**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. This proposed dividend is not reflected as dividend payable as at the end of the reporting period but will be reflected as an appropriation of the retained earnings for the year ending December 31, 2022.

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 797,932,452 (2020: 607,622,699) 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 December 31, 2021 and 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended December 31, 2021 and 2020.

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

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent	**117,399**	103,608

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation*	**797,932,452**	607,622,699

* 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 December 31, 2021 and also included in the EPS calculation of the year ended December 31, 2020 presented so as to give a comparable result.

7. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**1,567,595**	731,204
Impairment	**(56,111)**	(43,054)
	1,511,484	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 210 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.

Included in the Group's trade receivables are amounts due from the Group's related party of RMB425,000 (2020: Nil), which the credit terms are similar to those offered to the major customers of the Group.

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:

	2021	2020
	RMB'000	*RMB'000*
Less than 1 year	**1,510,197**	685,621
1 to 2 years	**1,287**	2,529
	1,511,484	688,150

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**43,054**	35,123
Impairment losses, net	**13,057**	7,931
At end of year	**56,111**	43,054

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 December 31, 2021

	Expected credit loss rates	**Gross carrying amounts** *RMB'000*	**Impairment** *RMB'000*
Defaulted receivables	**100.00%**	**29,925**	**29,925**
Less than 1 year	**1.06%**	**1,526,302**	**16,104**
1 to 2 years	**72.64%**	**4,701**	**3,415**
2 to 3 years	**100.00%**	**4,275**	**4,275**
Over 3 years	**100.00%**	**2,392**	**2,392**
	3.58%	**1,567,595**	**56,111**

As at December 31, 2020

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

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:

	2021 ***RMB'000***	2020 *RMB'000*
Within 90 days	**142,742**	211,608
91 to 365 days	**2,306**	408
Over 1 year	**586**	716
	145,634	212,732

Included in the trade and bills payables are trade payables of RMB1,601,000 (2020: Nil) due to related parties which are repayable within 90 days, which represents credit terms similar to those offered by the related parties to their major customers.

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

MANAGEMENT DISCUSSION AND ANALYSIS

2021 RESULTS HIGHLIGHTS

We are a leading one-stop short video marketing solutions platform services provider in the PRC that empowers global clients to efficiently connect with Chinese audiences with cutting-edge marketing technology. We provide integrated services covering the entire industry chain, including content creation for short video marketing, programmatic cross-channel target marketing, real-time performance tracking and data analysis for diversified and growing clientele. Through our self-developed cloud service platform, which includes our integrated service systems such as "連山+(Tradeplus)", a one-stop cross-platforms programmatic advertising and data management platform, and "合拍視頻 (hepai.video)", a commercial video matchmaking and trading platform, we help our clients further reduce marketing costs, improve marketing efficiency and optimize advertising effectiveness on major short-video platforms. In parallel, we also accelerate the realization of full-cycle online marketing services and full-chain data management with higher degree of mechanization and standardization through these platforms.

2021 is a year of opportunities and challenges. As the world has entered the post-pandemic era, the development of digital economy has accelerated significantly, and the demand for high-quality online marketing services from a wide range of industries has become increasingly strong. We firmly grasped this "opportunity" to accelerate the expansion of our business and promote the upgrading of technical capabilities, aiming to quickly meet the evolving market demand. However, during the second half of 2021, the overall domestic advertising market was under temporary pressure from macroeconomic uncertainties and tightening industry regulatory. Under these "challenges", we still strove to strengthen our technology, product and service capabilities, and adhered to the development principle of "Stable Development, Sustainable Profitability". As such, the Company still maintained steady business growth and healthy profitability throughout the year despite the challenging market environment. We continued to scale up our core online marketing solutions business, accelerate the development of our short-video marketing cloud services, and further enrich our revenue streams by expanding our business into new areas such as the fast-growing brand live-streaming operations, brand cross-border services and maker economy through consistent technology research and development.

During the Reporting Period, the net profit of the Company increased by 13.31% to RMB117.4 million. Adjusted net profit increased to RMB146.54 million. The total revenue reached RMB3.122 billion, representing an increase of 21.17% compared to RMB2.577 billion in 2020. The gross billing increased by 61.29% year on year from RMB4.079 billion in 2020 to RMB6.579 billion in 2021. The gross profit increased by 7.91% year on year from RMB202.65 million in 2020 to RMB218.67 million in 2021. As of December 31, 2021, our cash and bank balances amounted to RMB0.636 billion, indicating that we have abundant cash reserve and a healthy financial structure.

The customer base of our services is growing and has a more diversified and balanced structure. As of December 31, 2021, we have served over 6,914 advertisers in 222 sub-sectors of industry verticals. Our services mainly include internet services and tools, online gaming, financial services and e-commerce. During the Reporting Period, the number of direct advertisers served by us increased by 2.44% from 861 in 2020 to 882 in 2021.

As a technological innovation-driven technology company, we have been committed to seeking breakthroughs in our technology, products and service capabilities. As of the date of this announcement, our leading technology and platform services have been recognized by a wide range of sectors, which is evidenced by our continuous receipt of numerous awards and accolades from customers, media and the industry. Such awards and accolades mainly include "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, the "Best SaaS Company" of the 6th Golden Hong Kong Stock (第六屆金港股「最佳SaaS公司」), "The 14th Golden Investment Award Gold Award 2021" (2021第十四屆金投賞金獎), the "Best Martech Company" of the 16th iResearch marketing Awards (第十六屆金瑞營銷獎「最佳Martech企業」), "2021 TopDigital Innovative Marketing Award – Product of the Year" (2021年TopDigital創新營銷獎年度產品獎), "Top 20 New Engines of 2021 Pipeline" (2021管道新引擎20強) of the Engine Conference (引擎大會) by ByteDance's Ocean Engine (巨量引擎), "Brand Service Provider 2022" of Douyin E-Commerce (抖音電商2022年品牌服務商), "KA Effect 2021 Outstanding Partners" by Kuaishou – Magnetic Engine (快手磁力引擎KA效果2021年度優秀合作夥伴), 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.

2021 BUSINESS REVIEW

In the era of big data, with the further commercialization of the fifth-generation mobile communication technology (5G) by Mainland Chinese operators, short video applications have accelerated their penetration into various life scenarios, and the importance and status of short video marketing in the online marketing market has increased rapidly accordingly. During the year of 2021, amid the impact of the uncertainties of the regulatory environment and macro economy on the advertising industry in the PRC, more advertisers started to actively explore the short-video marketing model given their more detail consideration to the cost and effectiveness of online marketing. Capturing this opportunity, the Group has strategically expanded its business landscape with online marketing solutions as the core business and extended its capabilities to short-video marketing software-as-a-service ("**SaaS**") services, brand live-streaming operation, brand cross-border services and maker economy to provide clients a more comprehensive technology and service solutions along the full chain of short-video marketing ecology.

During the Reporting Period, we continued to leverage our corporate strengths as an industry leader, achieving nearly full coverage of the China's short-video media market through direct cooperation with the top five short-video platforms in the market. We also provided clients with all-round and full-cycle technology and services through our short-video commercialization business driven by the twin engines, being big data management capabilities and large-scale data-driven short-video production capabilities, enabling clients to reduce marketing costs, track real time marketing data, and efficiently improving marketing performance, thereby further consolidating our competitive advantage and market leadership position. In 2021, the number of advertisers served by the Company increased by 2.44% year-on-year to 882, the total billings increased by 61.29% year-on-year to RMB6.579 billion, and the revenue of online marketing solutions business increased by 19.8% year-on-year to RMB3.07 billion.

Recognizing the growing demand for marketing data management as well as cost reduction and efficiency enhancement across the entire chain in the overall online marketing market, we initiated the new short-video marketing cloud service business in the first half of 2021, since which we have platformalized our own technological and service capabilities to develop cloud service platforms such as "Tradeplus" and commercialized these platforms in a fast pace. We provided those first advertisers and agencies that joined our platform a wide array of functions covering programmatic, cross-channel and cross-account content delivery, smart video material management and intelligent derivation, real-time data analysis and automatic report generation. We also empowered our clients with technology to achieve massive user increment through quantifiable metrics and real-time data tracking and with low marketing costs, thereby helping them achieve tremendous business growth. "Tradeplus" generates revenue by charging clients subscription fees for the platform or a commission calculated as a percentage of the total consumption of advertisement placed by clients on the platform. During the Reporting Period, the platform generated revenue of approximately RMB32.88 million from SaaS services, which successfully commercialized our cloud services business and contributed to our profit for the year.

While the market size of short-video marketing market continued to grow, the market demand for quality performance-based short video content creation was also increasing with a shortage of supply for all seasons. To promote the large scale and automation of video content production, our self-developed and operated "hepai.video" has realized the programmatic settlement of videos, accelerated the enhancement of our video productivity and the automation of video production. Firstly, the short video advertisements provided online by video creators on "hepai.video" can be quickly and precisely placed to the target users of our connected short-video platforms through "Tradeplus", enabling programmatic settlement between our platform and video providers. Besides, a large number of high-quality video creators across the country have joined our "hepai.video" trading platform to provide ready-to-use videos to us and our partners, while the demand for short videos fulfilled by "hepai.video" has also promoted the rapid expansion from information stream advertising to e-commerce, local lifestyle and other fields. Meanwhile, "hepai.video" has employed our artificial intelligence ("**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, enhances the level of mechanization in video production and expands our video production capability and scale.

As of December 31, 2021, our monthly video production capacity has exceeded 21,000 videos, and our full-time video production team has a monthly production capacity of over 271 videos per person, while our "hepai.video" has established programmatic connections with over 620 individual video creators or video creator institutions. Empowered by the platform-based content production and the research and development and application of AI technology, we have scaled up short-video production capacity, reduced production costs and elevated efficiency. As of December 31, 2021, the short videos we have delivered and distributed through programs have accumulated approximately over 800 billion impressions and over 212.3 billion video views.

In anticipation of the development of short video business on a full range of platforms covering various fields, we formed a direct cooperation with the top five short-video platforms in the market of Mainland China in 2021, and established business cooperation with Alibaba Group and Xiaohungshu to achieve comprehensive coverage in the short video media and channel market. At the same time, leveraging on our constantly upgraded technological and service capabilities of our platforms, large-scale video production capacity and extensive professional experience in content creation, we seized the opportunity to expand the short videos business into more sectors. For example, our brand live-streaming operation business initiated since the mid of 2021 generated RMB 72.93 million of effective gross merchandise volume (GMV) during the Reporting Period.

BUSINESS OUTLOOK

Consolidate diversified media cooperation network, deepen all-round cooperation with top domestic online platforms, and broaden overseas short video market.

We will continue to maintain a diverse group of media partners and deepen our commercial and data partnerships with the current top short video platforms in China, with a view to provide our clients with a full range of larger-scale and more efficient technological and creative service capabilities.

In parallel, we will continue to closely follow the trend of the domestic Internet market and seize new opportunities in the development of the industry to explore more new forms of cooperation with the top online platforms in short-video technology services, such as our cooperation with Douyin (抖音) in brand live-streaming operation initiated in 2021. On the one hand, we are accelerating the expansion of our service scope for clients through the emerging businesses to further increase our business scale; on the other hand, we are strengthening the integration of our online marketing and cloud services capabilities through the commencement of new businesses to develop more targeted and customizable solutions, thereby enhancing the penetration into our dominant vertical industries, and hasten the expansion and accumulation of eco-partner base which is more diversified and covers more vertically integrated industries.

In addition, we continue to pay close attention to business opportunities in the international short video market. With the accelerating commercialization of overseas short video platforms, we will continue to replicate our industry-leading technologies, products and methodologies gained from the domestic market to the international short-video market. We will continue to work directly with the top overseas short video platforms and we may also join hands with other strategic partners with outstanding strengths within the industry ecosystem to accelerate the development of our overseas business.

Strengthen the research and development and the application of the latest digital technology, and accelerate the upgrade of the capabilities of short-video marketing platform service provider.

We will continue to deploy our resources with a focus on developing and improving our data and technology assets. Through close cooperation with top media platforms and leading technology companies in the industry, we will continue to upgrade our big data analytics capabilities and enhance the mechanization and automation of our cloud service platforms in all segments along the short video industry chain, including but not limited to short-video content production, content distribution, placement operation and performance optimization. We will also develop marketing SaaS service capabilities for emerging or specific vertical industries with our short video marketing cloud service technology as the core, to build a more comprehensive marketing SaaS service platform and accelerate its commercialization capabilities. In addition, we will explore more SaaS applications and expand our SaaS capabilities to other existing business areas, including but not limited to brand live-streaming operations and maker economy, to further broaden our business revenue streams.

Meanwhile, we will 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 will also continue to seek research and development cooperation on engineering with more top domestic AI technology companies to further explore the application and innovation of AI technology in commercialized scenarios such as short video production and live-streaming e-commerce, including short video intelligent editing, virtual face replacement, artificial intelligence 3D modeling, virtual and digital human modeling and interaction AI to scale up and realize automation of video production capacity, bringing reform to the industry, and to get ourselves well-positioned for the commercial application of virtual-reality technology in the future. Under this background, we will continue to expand our research and development team and recruit more technological talents for the research and innovation of short-video marketing cloud services.

Capture industry opportunities, accelerate the development of new business areas, and strengthen the short video marketing services ecosystem.

As an industry-leading short-video marketing technology company, our leading advantages are platform infrastructure, massive data accumulation and processing capabilities, and large-scale production of video creatives. We will expedite the leverage of such advantages along the upstream and downstream industry chains of short-video marketing, derivative industry chains and other related industry ecosystems, and seek more diversified business models and considerable business growth driven by technology in areas such as brand live-streaming operation, cross-border brand services, maker economy and local lifestyle.

Facing the changing needs of clients and the rapidly envolving market environment, we recognize the development opportunities in brand live-streaming operation and the potential demand for marketing technology services. We plan to accelerate the establishment of presence for these businesses in second-and third-tier cities based on our platform capabilities in big data analysis, content production and full-cycle operation, with a view to drive rapid growth in scale and diversify our service offering and revenue streams. In parallel, we will deepen our cooperation with existing clients and attract new key clientele through these businesses, which in turn benefit our own business growth in the long run.

Pursue selected strategic partnerships, investments and acquisition opportunities.

We are actively seeking opportunities to invest in or acquire long-term strategic businesses that complement or enhance our existing businesses and create business synergies. We are targeting at companies with competitive advantages in SaaS services, big data analytics and AI capabilities, augmented reality (AR) and mixed reality (MR) technologies, cross-border brand services, content development and production, upstream and downstream synergy and other strategic resources.

IMPACT OF COVID-19

During the Reporting Period, the outbreaks and resurgence of COVID-19 in China, the changing industry regulatory environment and the macroeconomic uncertainty had a certain impact on the overall advertising market in China. For example, the adjustment of regulatory policies in the online gaming industry has affected the trend of advertising expenses of some of our "online marketing solutions business" clients in the gaming industry. In addition, the prevention and control measures taken by the Chinese local governments to effectively control the COVID-19 situation have had a certain impact on some of our short-video production operations or brand live-streaming operations involving real people and on-site shooting.

However, we have observed that as advertisers have higher requirements for advertising effectiveness, more and more advertisers are allocating more marketing budgets to mobile-end and performance-based advertising, especially short-video marketing, which could benefit our short-video commercialization business. Meanwhile, the live-streaming e-commerce took off under COVID-19. More and more brands quickly realized the importance of establishing their own live-streaming accounts, which could be beneficial to the development of our brand live-streaming operation business. With our technical advantages in big data management and AI algorithms, we can quickly and effectively seize new growth opportunities brought by industry trends. Currently, the Company's various businesses are being conducted in an orderly manner, and we have abundant cash reserve and a healthy financial structure.

With our diverse and quality client base, various business segments and industry-leading technological capabilities, as well as China's measures against COVID-19 and promotion of vaccines, we remain cautiously optimistic about 2022. However, the global resurgence of COVID-19 and the uncertainty of the global macro environment may cause a longer period of global economic slowdown, affecting the overall market sentiment and advertising budget of brand advertisers, and thus bringing certain uncertainties to our "online marketing solutions business" in the short term. In this regard, we will continue to maintain the healthy development of each business segment and maintain the stability and profitability of the Company's overall business through flexible and timely resource allocation. The Company's management will continue to pay close attention to the impact of relevant macro issues on our business operations and financial results, and particularly monitor and effectively manage client retention and accounts receivable recoverability.

FINANCIAL REVIEW

Year ended December 31, 2021 compared to year ended December 31, 2020

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	3	**3,122,492**	2,577,026
Cost of sales		**(2,903,822)**	(2,374,376)
Gross profit		**218,670**	202,650
Other income and gains	3	**57,442**	23,245
Selling and distribution expenses		**(15,797)**	(7,032)
Administrative expenses		**(76,857)**	(72,681)
Impairment losses on financial assets, net		**(13,057)**	(7,931)
Research and development expenses		**(7,929)**	(13,309)
Other expenses		**(10,011)**	(2,971)
Finance costs		**(15,912)**	(5,972)
Share of profits and losses of:			
Associates		**(2,225)**	(4,859)
PROFIT BEFORE TAX		**134,324**	111,140
Income tax expense	4	**(16,925)**	(7,532)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**117,399**	103,608
Profit and total comprehensive income attributable to:			
Owners of the parent		**117,399**	103,608
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year	6	**RMB14.7 cents**	RMB17.1 cents

Key Operating Data

The following table sets forth our key operating data for the years ended/as of December 31, 2021 and 2020.

	Year ended/As of December 31,	
	2021	2020
Impressions (short videos) (millions)(1)(3)	**308,860.81**	220,090.03
Click-throughs (short videos) (millions)(2)(3)	**7,055.08**	6,652.94
Likes (short videos) (thousands)(4)	**466,435.77**	443,701.51

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) 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.

(5) 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 steady increase during the Reporting Period, reflecting the stable growth of our short video marketing solutions business, as well as our efforts and success in achieving economy of scale for business expansion. Our pan-entertainment content service business has successfully transformed and upgraded its focus to original content, and is accelerating its expansion into the fields of brand live-streaming commerce and creative content video production.

Key Financial Ratios

	Year ended December 31,	
	2021	2020
Gross profit margin (%)[(1)]	**7.00**	7.86
Net profit margin (%)[(2)]	**3.76**	4.02
Current ratio (times)[(3)]	**2.74**	3.74
Adjusted net profit margin(%)[(4)]	**4.69**	5.67
Debt-to-asset ratio (times)[(5)]	**0.36**	0.26

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; and (iii) other business. Our total revenue increased by 21.17% from RMB2,577.03 million in 2020 to RMB3,122.49 million in 2021, which was mainly attributable to the increase in the revenue from our online marketing solution business and SaaS service.

Revenue by business segments

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

	Year ended December 31,			
	2021		2020	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Online marketing solutions business	**3,073,528**	**98.4**	2,566,349	99.6
SaaS service	**32,878**	**1.1**	–	–
Other business[1]	**16,086**	**0.5**	10,677	0.4
Total	**3,122,492**	**100.0**	2,577,026	100.0

Note:

(1) Other business include pan-entertainment content services business and live streaming business.

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 2021, the revenue generated from our online marketing solutions business accounted for 98.4% of our total revenue. We started SaaS in the first half of 2021 and commercialized it gradually, and have achieved key results, generating 1.1% of total revenue in 2021.

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,			
	2021		2020	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Advertisers	**2,990,636**	**97.3**	2,084,645	81.2
Advertising agencies	**82,892**	**2.7**	481,704	18.8
Total	**3,073,528**	**100.0**	2,566,349	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,			
	2021		2020	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Online gaming	**717,259**	**23.3**	783,859	30.5
Financial services[1]	**562,636**	**18.3**	336,366	13.1
E-commerce	**383,485**	**12.5**	514,705	20.1
Internet services	**936,286**	**30.5**	237,858	9.3
Advertising	**68,905**	**2.2**	415,454	16.2
Culture & media	**315,816**	**10.3**	180,091	7.0
Others[2]	**89,141**	**2.9**	98,016	3.8
Total	**3,073,528**	**100.0**	2,566,349	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, 2021, the internet services industry was our largest group of advertising customers. Our revenue generated from the internet services industry accounted for 9.3% and 30.5% of our total revenue derived from online marketing solutions business for the years ended December 31, 2020 and 2021, respectively.

During the year ended December 31, 2021, we further explored other industry verticals, such as financial services. Our revenue generated from financial services, as a percentage of our total revenue generated from online marketing solutions business, increased from 13.1% in 2020 to 18.3% in 2021.

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,			
	2021		2020	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Traffic acquisition cost	**2,788,409**	**96.0**	2,339,958	98.6
Employee benefit expenses	**48,352**	**1.7**	24,346	1.0
Others[(1)]	**67,061**	**2.3**	10,072	0.4
Total	**2,903,822**	**100.0**	2,374,376	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 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 years ended December 31, 2020 and December 31, 2021, our traffic acquisition costs amounted to RMB2,340.0 million and RMB2,788.4 million, respectively, accounting for approximately 98.6% and 96.0%, 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, 2020 and December 31, 2021, our employee benefit expenses amounted to RMB24.3 million and RMB48.4 million, respectively, accounting for approximately 1.0% and 1.7%, 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,			
	2021		2020	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Online marketing solutions business	**2,891,782**	**99.6**	2,362,512	99.5
SaaS service	**601**	**0.0**	–	–
Other business[(1)]	**11,439**	**0.4**	11,864	0.5
Total	**2,903,822**	**100.0**	2,374,376	100.0

Note:

(1) Other business include pan-entertainment content services business and live streaming business.

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,			
	2021		2020	
	Gross profit (RMB'000)	***Gross profit margin %***	*Gross profit (RMB'000)*	*Gross profit margin %*
Online marketing solutions business	**181,746**	**5.9**	203,837	7.9
SaaS service	**32,277**	**98.2**	–	–
Other business[(1)]	**4,647**	**28.9**	(1,187)	(11.1)
Total	**218,670**	**7.0**	202,650	7.9

Note:

(1) Other business include pan-entertainment content services business and live streaming business.

Our gross profit consists of our revenue less cost of sales. The Group recorded gross profit of RMB218.67 million in 2021, representing an increase of 7.91% as compared to the gross profit of RMB202.65 million in 2020.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. Gross profit margin decreased from 7.9% in 2020 to 7.0% 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 RMB23.25 million for the year ended December 31, 2020 to RMB57.44 million for the year ended December 31, 2021, which was mainly attributable to the increase in the additional deduction of RMB14.58 million in value-added tax throughout 2021 as compared to 2020, as well as the receipt of listing subsidy of RMB10.00 million from the 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 increased from RMB7.0 million in 2020 to RMB15.80 million in 2021, which was mainly attributable to the further 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 from RMB72.68 million for the year ended December 31, 2020 to RMB76.86 million for the year ended December 31, 2021, which was mainly attributable to the increase of RMB22.62 million in labor cost resulting from the increased staff in line with further business expansion, the expenses of RMB7.08 million as a result of further expansion of office premises and the decrease of RMB27.16 million in intermediary service fees as compared to 2020.

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 RMB13.06 million in 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 40.42% from RMB13.31 million for the year ended December 31, 2020 to RMB7.93 million for the year ended December 31, 2021, which was mainly attributable to the capitalization of cloud service platform during the Reporting Period.

Other Expenses

During the Reporting Period, our other expenses primarily consist of foreign exchange differences. Our other expenses increased from RMB3.0 million for the year ended December 31, 2020 to RMB10.01 million for the year ended December 31, 2021, 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 increased from RMB6.0 million for the year ended December 31, 2020 to RMB15.91 million for the year ended December 31, 2021. The increase in finance costs was mainly due to the corresponding increase of RMB9.72 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 RMB7.5 million for the year ended December 31, 2020 to RMB16.93 million for the year ended December 31, 2021, which was mainly due to the further increase in the operating results of the Company. Our effective income tax rate increased from 6.78% for the year ended December 31, 2020 to 12.6% for the year ended December 31, 2021.

Profit for the Year

As a result of the above, our profit for the year increased by 13.31% from RMB103.61 million for the year ended December 31, 2020 to RMB117.4 million for the year ended December 31, 2021. Our net profit margin for the Year decreased from 4.02% for the year ended December 31, 2020 to 3.76% for the year ended December 31, 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 additional financial measure, which is not required by, or presented in accordance with, IFRS. We believe this non-IFRS measure facilitates 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 this measure provides useful information to investors and others in understanding and evaluating our combined results of operations in the same manner as it 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 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 years presented to the most directly comparable financial measures calculated and presented in accordance with IFRS:

	Year ended December 31,	
	2021	2020
	(RMB in millions)	
Net profit for the year	**117.4**	103.61
Add:		
One-off income	**(10.0)**	–
Listing expenses	**–**	32.37
Share-based compensation	**12.2**	–
Foreign exchange differences	**10.01**	2.51
Income tax expense	**16.93**	7.53
Adjusted net profit	**146.54**	146.02

Note:

Adjusted Net Profit: Net profit for the period adjusted by adding back one-off income, listing expenses, share-based compensation, foreign exchange differences and income tax expenses incurred during the respective period.

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**"). From 2020 to 2021, our cash and bank balances significantly decreased from RMB1,020.86 million to RMB636.31 million, mainly attributable to the replenishment of working capital with the expansion of business scale.

The table below sets out our cash and bank balance as of December 31, 2021 and December 31, 2020, respectively:

	2021	2020
	RMB'000	*RMB'000*
Cash and bank balance	**636,311**	1,020,863
Denominated in RMB	**635,578**	140,311
Denominated in HKD	**616**	253,540
Denominated in USD	**117**	627,012
	636,311	1,020,863

As at December 31, 2021, our bank loans amounted to approximately RMB612.47 million (as at December 31, 2020: approximately RMB209.9 million). Our bank loans are denominated in Renminbi. The interest rates on our bank loans ranged from 3.00% to 4.95% (for the year ended December 31, 2020: 3.85% to 6.00%) 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 in 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 December 31,	
	2021	2020
	(RMB in millions)	
Property, plant and equipment	**8.32**	4.6
Intangible assets	**12.71**	10.3
Total	**21.03**	14.9

We incurred capital expenditures of approximately RMB21.03 million for the year ended December 31, 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 31 December 2021, certain loans were secured by the pledge of the Group's time deposit amounting to RMB180,442,000 (2020: Nil) and bank loan deposit amounting to RMB100,118,000 (2020: Nil) and guaranteed by certain subsidiaries of the Group.

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, 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 of December 31, 2021, we had 441 full-time employees, including 383 in Shanghai, 44 in Beijing, 9 in Guangzhou, and 5 in Xinjiang. As of December 31, 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 year ended December 31, 2021, total staff remuneration expenses including Directors' remuneration amounted to RMB113.25 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.

The Company has adopted a post-IPO share option scheme and a restricted share unit scheme (the "**Restricted Share Unit Scheme**"). As at 31 December 2021, the Trustee had purchased a total of 17,197,000 Shares in the market under the restricted share unit scheme adopted by the Company on 18 October 2021 (the "**Adoption Date**"), representing approximately 2.16% of the total number of Shares in issue as at the date of this announcement (i.e. 795,658,000 Shares).

MATERIAL ACQUISITION, DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENT

During the Reporting Period, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures. As of December 31, 2021, the Group did not hold any 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.

For details of the breakdown of the use of the net proceeds and expected timeline for unutilized funds, please refer to the 2021 annual report of the Company to be published in due course.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section headed "Future Plans and Use of Proceeds" of the prospectus of the Company dated December 7, 2020, the Group did not have any material investment and capital assets as at the date of this announcement.

SUBSEQUENT EVENTS

On January 27, 2022, the Board resolved to cancel the share options to subscribe for an aggregate of 8,808,000 shares (the "**Existing Options**") under the post-IPO share option scheme adopted by the Company on November 17, 2020 (the "**Share Option Scheme**"), with effect from January 27, 2022. In accordance with the terms of the Share Option Scheme, any Share Options granted but not exercised may be cancelled if the Grantees agree. As of January 27, 2022, none of the Existing Options has been exercised or lapsed, and all the Existing Grantees have provided their written consent to the cancellation of their respective Existing Options. On the same date, the Board further resolved to grant share options (the "**New Options**") under the Share Option Scheme to a total of sixty-eight (68) eligible participants (the "**New Grantees**") to subscribe for an aggregate of 5,281,600 shares, representing approximately 0.66% of the total issued shares of the Company (the "**Shares**") as of January 27, 2022, subject to acceptance by the New Grantees, which are served as replacement of the cancelled Existing Options. For details, please refer to the Company's announcement dated January 28, 2022.

Save as disclosed above, the Group had no material events subsequent to the Reporting Period.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK$0.05 per ordinary Share, amounting to HK$39,782,900.00 in aggregate based on the number of Shares in issue as at the date of this announcement, for the year ended December 31, 2021. This proposed final dividend is subject to the approval of the Shareholders at the annual general meeting of the Company (the "**AGM**") to be held on Monday, June 20, 2022, and will be paid on or around Friday, July 29, 2022 to those Shareholders whose names appear on the Company's register of members on Monday, June 27, 2022.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to attend and vote at the AGM held on Monday, June 20, 2022, the register of members of the Company will be closed from Wednesday, June 15, 2022 to Monday, June 20, 2022, 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, June 14, 2022 for registration of the relevant transfer.

For determining the Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed on Monday, June 27, 2022, during which period no transfer of Shares will be registered. In order to qualify for receiving the proposed dividend, Shareholders must deliver their duly stamped transfer documents, 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 Friday, June 24, 2022 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 (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") 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

The Directors were granted a general mandate by the Shareholders at the annual general meeting of the Company held on May 31, 2021 (the "**2021 AGM**") to repurchase up to 80,000,000 Shares on the Stock Exchange (the "**Repurchase Mandate**"), representing 10% of the total number of issued Shares of the Company as at the date of the 2021 AGM. The Board considers that the current trading price of the Shares does not reflect their intrinsic value. The Board has therefore decided to exercise the power to repurchase the Shares under the Repurchase Mandate, which reflects the Board's confidence in the development prospects of the Company. During the year ended December 31, 2021, the Company repurchased a total of 4,342,000 Shares on the Stock Exchange pursuant to the Repurchase Mandate for a total consideration (including expenses) of HK$18,005,370.00 and cancelled the said repurchased Shares on December 8, 2021. Details of the Shares repurchased by the Company during the year ended December 31, 2021 are as follows:

Month of Share repurchase	Total number of Shares repurchased	The highest purchase price per Share (HK$)	The lowest purchase price per Share (HK$)	Total consideration (including expense) (HK$)
August 2021	2,906,000	4.07	3.65	11,489,740.00
September 2021	1,436,000	4.67	4.23	6,515,630.00
Total	4,342,000			18,005,370.00

Save as disclosed above, during the Reporting Period, none of the Company or any of its subsidiaries 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, 2021.

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, 2021 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 2021 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, 2021 containing all the information required by the Listing Rules will be despatched to the Shareholders 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, 2022

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 and Mr. WANG Jianshuo as non-executive Directors and Mr. CHEN Changhua, Dr. RU Liyun and Ms. CUI Wen as independent non-executive Directors.