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, 2022

The board (the "**Board**") of directors (the "**Directors**") of Netjoy Holdings Limited (the "**Company**" or "**Netjoy**") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and consolidated affiliated entities (together, the "**Group**" or "**we**") for the six months ended June 30, 2022 (the "**Reporting Period**") together with the comparative figures for the six months ended June 30, 2021 as follows:

FINANCIAL RESULTS HIGHLIGHTS

	Six months ended June 30,		
	2022	2021	Change
	(unaudited)	*(unaudited)*	
	(RMB in millions, except percentage)		
Revenue	**1,618.09**	1,570.71	3.02%
Gross profit	**97.50**	149.28	(34.69%)
Profit before income tax	**70.16**	113.38	(38.12%)
Profit for the period	**62.19**	104.22	(40.33%)
Adjusted net profit	**72.46**	119.94	(39.59%)

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended June 30, 2022

		Six months ended June 30,	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*
REVENUE	*3*	**1,618,094**	1,570,714
Cost of sales		**(1,520,599)**	(1,421,433)
Gross profit		**97,495**	149,281
Other income and gains	*3*	**26,752**	29,573
Selling and distribution expenses		**(5,934)**	(6,536)
Administrative expenses		**(28,373)**	(30,625)
Impairment losses on financial assets, net		**(290)**	(10,131)
Research and development expenses		**(4,923)**	(3,531)
Other expenses		**(817)**	(9,563)
Finance costs		**(13,545)**	(4,997)
Share of profits and losses of:			
Associates		**(203)**	(88)
PROFIT BEFORE TAX		**70,162**	113,383
Income tax expense	*4*	**(7,972)**	(9,161)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**62,190**	104,222
Profit and total comprehensive income attributable to:			
Owners of the parent		**62,190**	104,222
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	*6*	**RMB8.0 cents**	RMB13.0 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2022

	Notes	As at June 30, 2022 RMB'000 (unaudited)	As at December 31, 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**5,457**	7,593
Right-of-use assets		**3,568**	7,123
Intangible assets		**31,139**	26,439
Prepayments, other receivables and other assets		**3,996**	4,924
Deferred tax assets		**17,469**	17,559
Investments in associates		**9,520**	5,523
Financial assets at fair value through profit or loss		**31,500**	–
Total non-current assets		**102,649**	69,161
CURRENT ASSETS			
Trade receivables and bills	7	**1,734,383**	1,511,484
Prepayments, other receivables and other assets		**198,709**	241,069
Restricted cash		**101,030**	280,560
Cash and cash equivalents		**614,265**	355,751
Total current assets		**2,648,387**	2,388,864
CURRENT LIABILITIES			
Trade payables	8	**427,827**	145,634
Other payables and accruals		**120,565**	49,189
Interest-bearing bank borrowings		**543,425**	612,470
Lease liabilities		**2,868**	4,360
Contract liabilities		**23,989**	33,343
Tax payable		**16,026**	26,774
Total current liabilities		**1,134,700**	871,770
NET CURRENT ASSETS		**1,513,687**	1,517,094
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,616,336**	1,586,255

	Notes	As at June 30, 2022 RMB'000 (unaudited)	As at December 31, 2021 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Lease liabilities		**752**	1,238
Deferred tax liabilities		**1,621**	1,621
Deferred income		**670**	715
Total non-current liabilities		**3,043**	3,574
NET ASSETS		**1,613,293**	1,582,681
EQUITY			
Equity attributable to owners of the parent			
Share capital		**148**	148
Treasury shares		**(37,124)**	(36,670)
Reserves		**1,650,269**	1,619,203
TOTAL EQUITY		**1,613,293**	1,582,681

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2022

	Attributable to owners of the parent							
	Share capital	Treasury shares	Share option reserve	Capital reserve	Statutory surplus reserve	Fair value reserve of 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, 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 option arrangements	–	–	–	6,997	–	–	–	6,997
Transfer from retained profits	–	–	–	–	3,996	–	(3,996)	–
At June 30, 2021	149	–	–	1,251,407	36,191	–	328,494	1,616,241
At January 1, 2022	**148**	**(36,670)**	**12,197**	**1,229,544**	**46,459**	**(400)**	**331,403**	**1,582,681**
Profit and total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**62,190**	**62,190**
Shares repurchased	**–**	**(454)**	**–**	**–**	**–**	**–**	**–**	**(454)**
Equity-settled share option arrangements	**–**	**–**	**2,774**	**–**	**–**	**–**	**–**	**2,774**
Dividends had been declared	**–**	**–**	**–**	**–**	**–**	**–**	**(33,898)**	**(33,898)**
Transfer from retained profits	**–**	**–**	**–**	**–**	**1,502**	**–**	**(1,502)**	**–**
At June 30, 2022	**148**	**(37,124)**	**14,971**	**1,229,544**	**47,961**	**(400)**	**358,193**	**1,613,293**

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

Information about subsidiaries

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

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

Name	Place of incorporation/ registration and business	Issued ordinary/ Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Guangzhou Guomeng Network Technology Co., Ltd. (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. (啟征(上海)文化傳播有限公司) *(note (b))*	PRC/ Mainland China	RMB1,000,000	–	99	Technical and consultation services
Letui Chuanshi (Shanghai) Information Technology Co., Ltd. (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. (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
MIX Technology Co., Ltd. (合光(寧波)科技有限公司) *(note (a))*	PRC/ Mainland China	USD10,000,000	–	100	Software-as-a-service ("**SaaS**")
Horgos Large Amount Information Technology Co., Ltd. (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
Horgos Quantum Data Services Co., Ltd. (霍爾果斯量子數據服務有限公司) *(note (b))*	PRC/ Mainland China	RMB1,000,000	–	100	Marketing services
Indirectly controlled by the Company pursuant to the contractual agreements					
Netjoy (Shanghai) Network Technology Co., Ltd. ("**Netjoy Network**") (嗨皮(上海)網絡科技有限公司) *(note (b))*	PRC/ Mainland China	RMB53,528,203	–	100	Entertainment – oriented content platform operation
Tradeplus (Shanghai) Information Technology Co., Ltd. ("**Tradeplus**") (連山加(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 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 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 benefit 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 Video 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 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, 2022. 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 accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2021, except for the adoption of the following revised International Financial Reporting Standards ("**IFRSs**") for the first time for the current period's unaudited condensed consolidated financial statements.

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41

The amendments did not have any significant impact on the Group's unaudited condensed consolidated financial statements.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue from contracts with customers	**1,618,094**	1,570,714

Revenue from contracts with customers

(i) Disaggregated revenue information

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Types of services		
Online marketing solutions services		
– All-in-one services	**1,543,862**	1,466,376
– Advertisement distribution services	**44,196**	80,638
SaaS service	**11,668**	16,069
Other business	**18,368**	7,631
Total revenue from contracts with customers	**1,618,094**	1,570,714
Timing of revenue recognition		
Marketing services transferred at a point in time	**1,603,742**	1,570,714
Marketing services transferred over time	**14,352**	–
Total revenue from contracts with customers	**1,618,094**	1,570,714

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,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:	**33,343**	36,811

There is no revenue recognised in the current accounting period from performance obligations satisfied in previous periods for the six months ended June 30, 2021 and June 30, 2022, 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

It includes the original pan-entertainment business as well as live streaming businesses.

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 June 30, 2022 are RMB23,989,000 (June 30, 2021: RMB59,286,000).

All the remaining performance obligations unsatisfied as at June 30, 2022 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,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Other income and gains		
Bank interest income	**4,672**	3,197
Government grants	**21,604**	26,376
Others	**476**	–
	26,752	29,573

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, 2022 (2021: 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,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Current – Mainland China		
Charge for the period	**7,896**	11,556
Deferred	**76**	(2,395)
	7,972	9,161

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,			
	2022		2021	
	RMB'000	**%**	*RMB'000*	%
	(unaudited)		*(unaudited)*	
Profit before tax	**70,162**		113,587	
Tax at the statutory tax rate	**17,540**	**25**	28,397	25
Preferential tax rates enacted by local authority	**(10,098)**	**(14)**	(23,101)	(20)
Additional deduction on research and development expenses	**(523)**	**(1)**	(495)	–
Effect on deferred tax of changes in tax rates	**40**	**–**	–	–
Income not subject to tax	**–**	**–**	13	–
Tax losses and temporary differences not recognised	**1,210**	**2**	3,584	3
Tax losses utilised from previous periods	**(526)**	**(1)**	–	–
Expenses not deductible for tax	**329**	**–**	763	1
Tax charge at the effective rate	**7,972**	**11**	9,161	8

5. DIVIDENDS

The final dividends for the year ended December 31, 2021 of HK$0.05 per ordinary share, amounting to HK$39,782,900.00 (equivalent to approximately RMB33,898,213.43) were paid on July 29, 2022 to the shareholders whose names appeared on the Company's register of members on June 27, 2022. No dividends had been declared for the six months ended June 30, 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 778,280,420 (June 30, 2021: 800,000,000) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended June 30, 2021 and 2022 in respect of a dilution as the Group had no potentially ordinary dilutive ordinary shares in issue during the six months ended June 30, 2021 and 2022.

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(unaudited)	*(unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the parent	**62,190**	104,222

	Number of shares Six months ended June 30,	
	2022	2021
	(unaudited)	*(unaudited)*
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	**778,280,420**	800,000,000

7. TRADE RECEIVABLES AND NOTES

	As at June 30, 2022	As at December 31, 2021
	RMB'000	*RMB'000*
	(unaudited)	*(audited)*
Notes receivable	**18,124**	–
Trade receivables	**1,772,660**	1,567,595
Impairment	**(56,401)**	(56,111)
	1,734,383	1,511,484

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.

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, 2022 *RMB'000* *(unaudited)*	As at December 31, 2021 *RMB'000* *(audited)*
Less than 1 year	**1,713,991**	1,510,197
1 to 2 years	**2,268**	1,287
	1,716,259	1,511,484

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

	As at June 30, 2022 *RMB'000* *(unaudited)*	As at December 31, 2021 *RMB'000* *(audited)*
At beginning of period	**56,111**	43,054
Impairment losses, net	**290**	13,057
At end of period	**56,401**	56,111

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, 2022

	Expected credit loss rates	**Gross carrying amounts** *RMB'000*	**Impairment** *RMB'000*
Defaulted receivables	**100.00%**	**28,917**	**28,917**
Less than 1 year	**0.88%**	**1,729,519**	**15,528**
1 to 2 years	**68.20%**	**7,263**	**4,995**
2 to 3 years	**100.00%**	**2,799**	**2,799**
Over 3 years	**100.00%**	**4,162**	**4,162**
	3.18%	**1,772,660**	**56,401**

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

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, 2022 ***RMB'000*** ***(unaudited)***	As at December 31, 2021 *RMB'000* *(audited)*
Within 90 days	**415,199**	142,742
91 to 365 days	**11,954**	2,306
Over 1 year	**674**	586
	427,827	145,634

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 2022

In the first half of 2022, the Group actively and promptly responded to the complex changes in macro environment, and through a resilient and sustained effort to remain focused on the development of marketing technology platforms as well as commercial services that empower client growth, the overall business of the Group demonstrated a positive trend of recovery in the first quarter of this year after the second half of 2021. During the second quarter of this year, the resurgence of COVID-19 epidemic in Shanghai caused a significant impact on our headquarter and key commercial operating companies located in Shanghai, resulting in pressure on several business aspects including client acquisition, operating efficiency and cost efficiency for a quarter. However, despite facing market pressure, the Group still achieved year-on-year and sequential growth in the half-year revenue in the first half of 2022. In view of the long-term resilience of our excellent client base, the commercial applications of our continuously developing technology and accumulated data, and the incremental improvement of the commercial service system, we are undeterred by the unexpected market challenges in the short term and have remained positive and confident towards the Group's long-term development strategy of "Platformization, Diversification, and Internationalization".

During the Reporting Period, we achieved a total revenue of RMB1.618 billion, representing an increase of 3.02% as compared with RMB1.571 billion in the first half of 2021. We recorded gross profit of RMB97.50 million, net profit of RMB62.19 million, and adjusted net profit of RMB72.46 million. The gross billing increased by 2.71% year-on-year to RMB3.601 billion in the first half of 2022 from RMB3.506 billion in the same period of 2021. As of June 30, 2022, our cash and bank balances amounted to RMB715 million, indicating that we have abundant cash reserve and healthy financial structure.

With our broadened business landscape and upgraded platformized technology, our diversified and balanced clientele was continuously expanding. As of June 30, 2022, the Group had cumulatively served 10,341 advertisers across 236 sub-sectors of industry verticals, mainly including online gaming, internet services, financial services, e-commerce, culture & media, etc. During the Reporting Period, the number of our advertisers served by us increased by 4.36% year-on-year to 574 in the first half of 2022 from 550 in the same period of 2021.

As of the date of this announcement, our capabilities in technology, creativity and service gained a wide industry recognition and numerous accolades, including "Best Digital Marketing Platform of the Year" at the 13th Digital Marketing Awards by Golden Mouse (第13屆金鼠標數字營銷大賽「年度最佳數字營銷平台」), "Brand Service Provider of the Year – Content Power" at the 2022 Douyin E-commerce Service Provider Conference (2022抖音電商服務商大會「年度內容力品牌服務商」), "Top 10 Emerging Partners of the Year – Magnetic Engine" and "Excellent Partner of the Year – Jvxing Channel Center, Performance Channel Center and Jinniu Channel Center" at the 2022 Kuaishou-Magnetic Engine Partner Conference (2022快手磁力引擎合作夥伴大會「磁力引擎年度十佳新銳合作夥伴」、「聚星渠道中心年度優秀合作夥伴」、「效果渠道中心年度優秀合作夥伴」和「磁力金牛渠道部年度優秀合作夥伴」), "Most Potential Partner of the Year" at the 2022 RED Channel Partner Conference (小紅書2022渠道合作夥伴大會「年度最具潛力合作夥伴」), "Most Valuable Brand for Investment" at the 2022 China Information Innovation Industry Award by iiMedia Research (2022年中國信創產業拳頭獎「最具投資價值品牌」), and "Listed Company Awards of Excellence 2022" at the 11th Financial Summit 2022 by CFS (第十一屆財經峰會暨可持續商業大會「2022傑出上市公司獎」).

We believe that, in the era of digital economy in China, short video commercialization is extremely vital and essential for enterprises to achieve digital transformation. We will continue adhering to our vision of "Fuel client growth through technology and creativity", improving our capabilities in technology innovation and creativity to empower more enterprises to benefit from new market opportunities in the Internet industry, from which we will gain long-term growth.

BUSINESS REVIEW

In the first half of 2022, short video ecosystem has become one of the main growth drivers for relevant enterprises whose development relies on online user acquisition in mainland China, while there are still emerging commercial opportunities in the overall short video market. Under the rising uncertainties of the global economy and the resurgence of COVID-19 epidemic in China, enterprises across all industries face the same challenges of the slowing user growth but the rising costs, while those armed with technical solution systems are capable of improving long-term elements such as cost-efficiency to achieve sustainable growth.

During the Reporting Period, our core business of online marketing solutions business maintained a steady and healthy development regardless of the challenging market environment. Leveraging our industry-leading capability of large-scale data-driven short-video production, our monthly video production capacity set a record over 21,400 videos, representing a year-on-year increase of 19.03%. Our full-time video production team can produce more than 274 videos per person every month, representing a year-on-year increase of 159.43%. Meanwhile, our self-developed commercial video matchmaking and trading platform "hepai.video" connected 712 individual and institutional video creators with our short-video service ecosystem, further enhancing the scale and automation level of our content production. Moreover, our outstanding big-data management capability and constantly-upgraded platformized technology further improved our operational efficiency across the entire chain of short-video marketing. During the Reporting Period, the gross billing per full-time employee reached RMB8.55 million, representing a year-on-year increase of 24.67%. As of June 30, 2022, the short videos we delivered and programmatically distributed had accumulated over 956.4 billion impressions and over 282.8 billion video views.

Thanks to our leading content production scale and cutting-edge big-data management capabilities, we have further tightened the direct cooperation with the top five short-video platforms in the market of mainland China. In the meantime, the Group also formulated in-depth business collaboration with leading content distribution platforms such as Alibaba Group and RED to achieve comprehensive coverage in the short-video media and channel market. We also continued exploring the international short-video market during the Reporting Period, and have carried out close commercial and content cooperation with the top one overseas short video platform and made a strategic investment in Hangzhou WOTOKOL Network Technology Co., Ltd. ("**WOTOKOL Network**"), one of the first enterprises engaged in cross-border brand marketing in China, to accelerate the overseas expansion pace of marketing business.

Based on the Company's high industrial technical edge and strong media network, we served 574 advertisers in the first half of 2022, increasing by 4.36% year-on-year from 550 in the first half of 2021, and the average gross billing per advertiser exceeded RMB6.27 million. Meanwhile, our diversified clientele was being more balanced covering multiple vertical sectors, such as online gaming, internet services, financial services, e-commerce, culture & media, etc.

We deeply realized that in the rapidly-developing short-video market key aspects including video production, programmatic advertising and massive data management still have the issue of tremendous human input but low efficiency, which consumes plenty of time and resources. We are convinced that a company will shift its growth strategy from extensive mode to intensive one as the growth of the domestic short video market in China slows down. Therefore, we will continue investing in technologies. For example, our SaaS service brand "Tradeplus" was upgraded with several commercial solutions for large-sized enterprise clients and small and medium-sized business ("**SMB**") clients during the Reporting Period.

In terms of SMB market, based on the in-depth market research, we discovered that SMBs have strong desire and willingness to utilize short-video marketing to acquire customers. However, the traditional short-video marketing service models which focus on large-sized business clients are not suitable for SMBs, which have small spending needs as a separate entity but massive as a group. Aiming to meet this numerous market need, we launched an SMB-tailored SaaS-based one-stop marketing cloud product in the first quarter of 2022 to help SMBs manage the full marketing chain, including the establishment of corporate account on short-video platforms, the artificial intelligence ("**AI**") short-video generation, the automated content delivery, and the automated user track and engagement. Once introduced, our SMB-tailored product, as a pioneering solution in the industry, has been recommended by Qunfeng Service Market (群峰服務市場) and listed on the homepage of its official website. As of June 30, 2022, 1,995 SMB clients subscribed for our SaaS service through the distribution network.

Meanwhile, our SaaS solutions for large-sized enterprise clients have been continuously upgraded, including the one-stop cross-platform programmatic advertising and data management platform "Longhills (連山智投)" and the cross-platform self-account management platform "Tianji (天璣)" that was launched during the Reporting Period. In particular, "Longhills" improves clients' large-scale management ability by enabling cross-platform intelligent advertising and optimizes their advertising performance by enhancing algorithm technologies including attribution modelling. "Tianji" facilitates clients to perform efficient cross-platform and account self-management and collaboration by providing features of data overview, account statement, self-recharge and transfer and so on, and is gradually expanding its target users to medium-sized businesses. These new products and functions also further reinforce the product matrix and service capability of our SaaS service business, and, in the process of developing the SMB client market, provide a stable and effective infrastructure for increasing the client number and improving the efficiency of synergistic network. During the Reporting Period, our SaaS service business generated a total subscription contract value of RMB22.60 million, making continuous contribution to the Group's business expansion.

In the first half of 2022, our three core development strategies of "Platformization", "Diversification" and "Internationalization" have been executed steadily. With the technology platformization strategy, we focused on investing in research and development ("**R&D**") to better empower large-sized enterprise clients in all industries with continuously upgraded "Longhills" platform, to effectively unlock SMB clients' growth potentials with our SMB-tailored solutions, and to further improve the automation level in the entire industry chain of short-video marketing with "Tianji" platform. In terms of service diversification strategy, leveraging our industry-leading short-video marketing technical capabilities and professional services, we continued making strategic expansion in multiple business fields, such as brand live-streaming operations, maker economy and local lifestyle, to deepen our client relationship. For example, our brand live-streaming operation business provided clients with one-stop services covering short-video content creation, target advertising, live-streaming planning and operation and data management and analysis. With dual live-streaming centers located in Shanghai and Xi'an and professional teams, we have served clients in varying sectors like apparel, pet food, food and daily cosmetics, and generated an effective gross merchandise volume (the "**effective GMV**") of RMB90.81 million during the Reporting Period, higher than the effective GMV of RMB72.93 million in 2021. In the meantime, our internationalization strategy was implemented in an orderly manner. Following the close content collaboration established before, we have formed the business cooperation with the top one short-video platform in the overseas market and generated the revenue correspondingly during the Reporting Period. Also, through the strategic cooperation with WOTOKOL Network which we invested in the first half of 2022, we have facilitated domestic enterprises to go global and seize the opportunity in the overseas short-video market.

BUSINESS OUTLOOK

Continuously upgrade the technology platformization to strengthen R&D and application of the latest digital technologies

We will continue deploying our resources with a focus on improving and developing our technology assets. With the mature development of the short-video market in China, the refined operation and management method is an inevitable trend, and companies will raise higher requirements in mechanization and automation across the entire industry chain of short-video marketing. As an enterprise featured by technology innovation, we will improve our capabilities of AI application and big-data analysis through our outstanding in-house R&D team and cooperation with leading technology companies in the industry, to continuously enhance the platformization upgrade of our technologies and scale up our business.

Moreover, we will also develop our marketing SaaS service capability 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. For example, we rolled out a short-video marketing SaaS tool specialized for small and medium-sized clients at the beginning of this year. Furthermore, we will explore more SaaS application fields and expand our SaaS capability to other existing business areas, including but not limited to brand live-streaming operations and maker economy, to further broaden the Group's business revenue streams.

In the meantime, we are also exploring the content modelling for the metaverse scenarios and jointly develop the technical solutions for clients' cases with the content and technology partners in the industry. We believe that the effective replication of our short-video marketing technology will enable us to gain a first-mover advantage and open up new growth opportunities as the industry is evolving.

Capture industry opportunities and deepen all-round cooperation with media channels to strengthen the diversified short-video marketing technology and service ecosystem

We will continue closely following the trend of the domestic Internet market and seize new opportunities as the industry is developing. Facing the ever-changing China's Internet market and constantly-evolving media ecosystem, enterprises will raise new needs to be revealed and satisfied for their development. Therefore, we will explore new business models in the field of short-video technology services to help enterprise clients grasp emerging opportunities and achieve efficient growth amid the industry development. Hence, we will widen the client service scope, and thus expand our revenue channels as well as business scale.

On the one hand, based on our in-depth cooperation with diversified media partners in China, we will keep proactively exploring new forms of cooperation with top online platforms in the short video technology services. For example, we have taken the initiatives in brand live-streaming operations, maker economy and local lifestyle. With the commencement of new businesses, we will not only deepen our cooperation with existing clients and acquire new key clientele to benefit our long-term development, but also enhance the penetration into our dominant vertical industries and hasten the expansion and accumulation of platform resources and eco-partner base which is more diversified and covers more vertically integrated industries.

On the other hand, as an industry-leading short-video marketing technology company, we have leading edges in 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.

Strategically expand the international businesses to unlock the overseas short-video market potentials

We will continue accelerating the internationalization of the Group's businesses. Currently, compared with the well-developed and mature China's market, the overseas short-video market is still at the early stage of both development and commercialization, while overseas leading short-video platforms are also actively exploring effective commercial models. With this deep market understanding, we will efficiently apply our superior technologies and products as well as successful methodologies accumulated in the domestic market to the international market, so as to rapidly grasp the business opportunities in the commercialization process of overseas short-video market.

Meanwhile, facing the increasing "go global" demand of Chinese enterprises, we will expand our existing domestic business segments, including short-video marketing, maker economy and brand live-streaming operations, to the overseas market in order to help Chinese enterprises achieve efficient international business extension with our comprehensive services. Also, we will speed up the internationalization pace and provide all-region technologies and services for Chinese enterprises through the direct commercial cooperation with top-tier overseas short-video platforms and the strategic cooperation with other industry partners, including WOTOKOL Network in which we invested in the first half of this year.

Pursue selected strategic partnerships, investments and acquisition opportunities to form long-term synergy and unlock ecological advantages

We are actively seeking opportunities to cooperate with, invest in or acquire long-term strategic businesses that complement or enhance our existing businesses, create business synergies and pursue growth together. We are targeting at companies with competitive advantages in SaaS service, big-data analysis and AI capability, cross-border brand service, augmented reality (AR) and mixed reality (MR) technology, Web 3.0-related technologies, content development and production, upstream and downstream synergy and other strategic resources.

IMPACT OF COVID-19

During the Reporting Period, the resurgence of COVID-19 in several areas of China and the macroeconomic uncertainty had a certain impact on the overall advertising market in China. For example, 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. But we actively and promptly adjusted our business operation strategies. For example, during the epidemic outbreak in Shanghai and under the restrictive control by local government, we transferred part of our short video capacity from Shanghai to Xi'an as well as rapidly and fully supported and helped our employees execute live-streaming operations at home in order to guarantee the stability of our client service.

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 the second half of 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

Six months ended June 30, 2022 as compared with six months ended June 30, 2021:

		Six months ended June 30,	
		2022	2021
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	*(unaudited)*
REVENUE	*3*	**1,618,094**	1,570,714
Cost of sales		**(1,520,599)**	(1,421,433)
Gross profit		**97,495**	149,281
Other income and gains	*3*	**26,752**	29,573
Selling and distribution expenses		**(5,934)**	(6,536)
Administrative expenses		**(28,373)**	(30,625)
Impairment losses on financial assets, net		**(290)**	(10,131)
Research and development expenses		**(4,923)**	(3,531)
Other expenses		**(817)**	(9,563)
Finance costs		**(13,545)**	(4,997)
Share of profits and losses of:			
Associates		**(203)**	(88)
PROFIT BEFORE TAX		**70,162**	113,383
Income tax expense	*4*	**(7,972)**	(9,161)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**62,190**	104,222
Profit and total comprehensive income attributable to:			
Owners of the parent		**62,190**	104,222
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	*6*	**RMB8.0 cents**	RMB13.0 cents

KEY FINANCIAL RATIOS

	Six months ended June 30,	
	2022	2021
Gross profit margin (%)[(1)]	**6.03**	9.50
Net profit margin (%)[(2)]	**3.84**	6.64
Current ratio (times)[(3)]	**2.33**	2.97
Adjusted net profit margin (%)[(4)]	**4.48**	7.64
Debt-to-asset ratio (times)[(5)]	**0.41**	0.33

Notes:

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

(2) Net profit margin is calculated based on profit for the period divided by revenue for the respective period 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 period and multiplied by 100%. For the reconciliation from net profit to adjusted net profit, see "– Non-IFRS Measure: 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 3.02% from RMB1,570.71 million for the six months ended June 30, 2021 to RMB1,618.09 million for the six months ended June 30, 2022, 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,			
	2022		2021	
	(RMB'000) ***(unaudited)***	***% of the total***	*(RMB'000)* *(unaudited)*	*% of the total*
Online marketing solutions business	**1,588,058**	**98.2**	1,547,014	98.5
SaaS service	**11,668**	**0.7**	16,069	1.0
Other business[(1)]	**18,368**	**1.1**	7,631	0.5
Total	**1,618,094**	**100.0**	1,570,714	100.0

Note:

(1) Other business includes 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. For the six months ended June 30, 2022, the revenue generated from our online marketing solutions business accounted for 98.2% of our total revenue.

Revenue from online marketing solutions business by type of advertising customers

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

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

	Six months ended June 30,			
	2022		2021	
	(RMB'000) ***(unaudited)***	***% of the total***	*(RMB'000)* *(unaudited)*	*% of the total*
Advertisers	**1,543,862**	**97.2**	1,502,530	97.1
Advertising agencies	**44,196**	**2.8**	44,484	2.9
Total	**1,588,058**	**100.0**	1,547,014	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 periods indicated:

	Six months ended June 30,			
	2022		2021	
	(RMB'000) ***(unaudited)***	***% of the total***	*(RMB'000)* *(unaudited)*	*% of the total*
Online gaming	**444,436**	**28.0**	332,284	21.5
Financial services[1]	**370,731**	**23.3**	253,059	16.4
E-commerce	**170,079**	**10.7**	219,650	14.2
Internet services	**377,174**	**23.8**	497,245	32.1
Advertising	**16,353**	**1.0**	65,428	4.2
Culture & media	**163,972**	**10.3**	63,952	4.1
Others[2]	**45,313**	**2.9**	115,396	7.5
Total	**1,588,058**	**100.0**	1,547,014	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 six months ended June 30, 2022, the online gaming industry was our largest group of advertising customers. Our revenue generated from the online gaming industry accounted for 21.5% and 28.0% of our total revenue derived from online marketing solutions business for the six months ended June 30, 2021 and 2022, respectively.

During the six months ended June 30, 2022, 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 16.4% for the six months ended June 30, 2021 to 23.3% for the six months ended June 30, 2022.

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,			
	2022		2021	
	(RMB'000) ***(unaudited)***	***% of the total***	*(RMB'000)* *(unaudited)*	*% of the total*
Traffic acquisition cost	**1,449,928**	**95.4**	1,389,247	97.8
Employee benefit expenses	**26,561**	**1.7**	20,354	1.4
Others(1)	**44,110**	**2.9**	11,832	0.8
Total	**1,520,599**	**100.0**	1,421,433	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. For the six months ended June 30, 2022, traffic acquisition costs constituted the largest portion of our cost of sales, and others constituted the second largest portion of our cost of sales. For the six months ended June 30, 2021 and the six months ended June 30, 2022, our traffic acquisition costs amounted to RMB1,389.2 million and RMB1,449.9 million, respectively, accounting for approximately 97.8% and 95.4%, 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, 2021 and the six months ended June 30, 2022, our employee benefit expenses amounted to RMB20.4 million and RMB26.6 million, respectively, accounting for approximately 1.4% and 1.7%, 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. For the six months ended June 30, 2021 and the six months ended June 30, 2022, our other costs amounted to RMB11.8 million and RMB44.1 million, respectively, accounting for approximately 0.8% and 2.9%, respectively, of our total cost of sales for the respective periods, which was attributable to the increase in agency operating expenses.

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,			
	2022		2021	
	(RMB'000) ***(unaudited)***	***% of the total***	*(RMB'000)* *(unaudited)*	*% of the total*
Online marketing solutions business	**1,499,564**	**98.6**	1,414,583	99.5
SaaS service	**3,587**	**0.2**	45	–
Other business[(1)]	**17,448**	**1.2**	6,805	0.5
Total	**1,520,599**	**100.0**	1,421,433	100.0

Note:

(1) Other business includes 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 periods indicated:

	Six months ended June 30,			
	2022		2021	
	Gross profit (RMB'000) (unaudited)	***Gross profit margin %***	*Gross profit (RMB'000) (unaudited)*	*Gross profit margin %*
Online marketing solutions business	**88,494**	**5.6**	132,431	8.6
SaaS service	**8,082**	**69.3**	16,024	99.7
Other business[(1)]	**919**	**5.0**	826	10.8
Total	**97,495**	**6.0**	149,281	9.5

Note:

(1) Other business includes 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 RMB97.5 million for the six months ended June 30, 2022, representing a decrease of 34.7% as compared to the gross profit of RMB149.3 million for the six months ended June 30, 2021.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. Gross profit margin decreased from 9.5% for the six months ended June 30, 2021 to 6.0% for the six months ended June 30, 2022, 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 decreased from RMB29.57 million for the six months ended June 30, 2021 to RMB26.75 million for the six months ended June 30, 2022, which was mainly attributable to the increase in the additional deduction of value-added tax throughout 2022 as compared to 2021. On the other hand, there was a decrease in the receipt of listing subsidy from the industrial park during the Reporting Period compared to the six months ended June 30, 2021.

SELLING AND DISTRIBUTION EXPENSES

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

Our selling and distribution expenses gradually decreased from RMB6.54 million for the six months ended June 30, 2021 to RMB5.93 million for the six months ended June 30, 2022, which was mainly attributable to the optimization of business structure, reduced costs and improved efficiency.

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 decreased by 7.35% from RMB30.63 million for the six months ended June 30, 2021 to RMB28.37 million for the six months ended June 30, 2022, which was mainly attributable to the Company optimized its organizational structure, reduced costs and improved efficiency.

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 RMB0.29 million for the six months ended June 30, 2022, which was mainly attributable to the general provision made by us for the credit loss of trade receivables.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses primarily comprise (i) employee benefit expenses; (ii) outsourcing development expenses; and (iii) others, mainly consisting of server rental expenses. Our research and development expenses increased by 39.42% from RMB3.53 million for the six months ended June 30, 2021 to RMB4.92 million for the six months ended June 30, 2022, 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 decreased from RMB9.56 million for the six months ended June 30, 2021 to RMB0.82 million for the six months ended June 30, 2022, which was mainly attributable to the loss on disposal of assets.

FINANCE COSTS

Our finance costs increased from RMB5.00 million for the six months ended June 30, 2021 to RMB13.55 million for the six months ended June 30, 2022. The increase in finance costs was mainly due to the corresponding increase of RMB8.41 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 decreased from RMB9.16 million for the six months ended June 30, 2021 to RMB7.97 million for the six months ended June 30, 2022, which was mainly due to profit before tax decreased by 38.12% resulted in the corresponding decrease in income tax expenses for the Reporting Period.

PROFIT FOR THE PERIOD

As a result of the above, our profit for the period decreased by 40.33% from RMB104.22 million for the six months ended June 30, 2021 to RMB62.19 million for the six months ended June 30, 2022. Our net profit margin decreased from 6.64% for the six months ended June 30, 2021 to 3.84% for the six months ended June 30, 2022.

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,	
	2022	2021
	(RMB in millions)	
	(unaudited)	*(unaudited)*
Net profit for the period	**62.19**	104.22
Add:		
One-off income[1]	**–**	(10.00)
Share-based compensation	**2.77**	7.00
Foreign exchange differences	**(0.47)**	9.56
Income tax expense	**7.97**	9.16
Adjusted net profit[2]	**72.46**	119.94

Notes:

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

(2) Adjusted net profit is defined as net profit for the period after adding back one-off income, 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**"). Our cash and bank balances increased from RMB636.31 million as at December 31, 2021 to RMB715.30 million as at June 30, 2022, 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, 2021 and as at June 30, 2022, respectively:

	As at June 30, 2022 ***RMB'000*** ***(unaudited)***	As at December 31, 2021 *RMB'000* *(audited)*
Cash and bank balance	**715,295**	636,311
Denominated in RMB	**711,477**	635,578
Denominated in HKD	**3,784**	616
Denominated in USD	**34**	117
	715,295	636,311

As at June 30, 2022, our bank loans amounted to approximately RMB543.43 million (as at December 31, 2021: approximately RMB612.47 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, 2021: 3.00% to 4.95%) per annum and the terms of the loans ranged from three months to one year. We will repay the above borrowings in due a course on maturity.

CAPITAL EXPENDITURES

Our capital expenditures for the six months ended June 30, 2022 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, 2022	As at December 31, 2021
	(RMB in millions)	
	(unaudited)	*(audited)*
Property, plant and equipment	**0.30**	8.32
Intangible assets	**5.87**	12.71
Total	**6.17**	21.03

We incurred capital expenditures of approximately RMB6.17 million for the six months ended June 30, 2022, 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, 2022, certain bank loans were secured by the pledge of the Group's deposit amounting to RMB101,030,616 (As at December 31, 2021: RMB100,118,000) and guaranteed by the Company and certain subsidiaries of the Company.

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, 2022, the Group did not have any material contingent liabilities.

EMPLOYEES

As at June 30, 2022, we had 421 full-time employees, including 380 in Shanghai, 29 in Beijing, 4 in Guangzhou and 8 in Xinjiang. As at June 30, 2022, 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, 2022, total staff remuneration expenses including Directors' remuneration amounted to RMB59.74 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 30 June 2022, the Trustee had purchased a total of 17,382,000 Shares in the market under the Restricted Share Unit Scheme adopted by the Company on 18 October 2021, representing approximately 2.18% of the total number of Shares in issue as at the date of this announcement (i.e. 795,658,000 Shares).

RETIREMENT AND EMPLOYEE BENEFITS SCHEMES

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

No forfeited contribution (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) is available to be utilized by the Group to reduce the contributions payable in the future years or to reduce the Group's existing level of contributions to the pension scheme.

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

During the six months ended June 30, 2022, the Group had no material acquisition, disposal of subsidiaries, associates and joint ventures or significant investment. As of June 30, 2022, 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 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. As of June 30, 2022, the net proceeds from the Global Offering were 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, 2022 *(HKD in millions)*	Remaining net proceeds as of June 30, 2022 *(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	41.59	76.75	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	627.20	0.00	N/A
Enhancing content production capabilities	5.5%	71.60	71.60	0.00	N/A
Expanding domestic and international footprints	3.7%	47.93	47.93	0.00	N/A
Pursuit of strategic investments and acquisitions	18.8%	244.19	29.37	214.82	By the end of the year ending December 31, 2023
Working capital and general corporate purposes	10.0%	129.69	105.23	24.46	By the end of the year ending December 31, 2023
Total		1,296.93	922.92	374.01	

As of June 30, 2022, the Group has utilized HKD922.92 million of the net proceeds from the Global Offering, and the remaining net proceeds of HKD374.01 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, 2022 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, 2022.

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 the code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

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, 2022, none of the Company or any of its subsidiaries or its consolidated affiliated entities 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, 2022 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 2022 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, 2022 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, 2022

As at the date of this announcement, the Board comprises Mr. XU Jiaqing, Mr. WANG Chen, Mr. LIN Qian and Ms. ZHA Lijun as executive Directors; 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.