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Joy Spreader Group Inc.
樂享集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 6988)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

The Board is pleased to present the audited consolidated results of the Group for the year ended December 31, 2022, together with the comparative figures for the year ended December 31, 2021. The results of the Group have been reviewed by the Audit Committee.

The audited consolidated annual results of the Group for the year ended December 31, 2022 together with comparative figures for the corresponding period in 2021 are as follows:

FINANCIAL RESULTS HIGHLIGHTS

	For the year ended December 31,		Year-on-year changes
	2022	2021	Increase/ (Decrease)
	<i>(HK\$ in millions, except for percentages)</i>		
Revenue	3,724.81	1,395.89	166.84%
Gross profit	436.96	451.85	(3.30)%
(Loss)/profit for the year attributable to owners of the Company	(339.45)	244.64	N/A
Net (loss)/profit margin	(9.11)%	17.53%	(26.64)% ⁽¹⁾
(Loss)/earnings per Share			
– Basic (HK cents)	(15.03)	11.30	N/A
– Diluted (HK cents)	(15.03)	N/A	N/A

Note:

(1) Changes in percentage points.

Highlights of the Group's operational results for the year ended December 31, 2022, together with comparative figures for the corresponding period in 2021, are as follows:

OPERATIONAL RESULTS HIGHLIGHTS

	As of December 31 or for the year ended December 31, 2022	2021	Year-on-year changes Increase/ (Decrease)
Overseas sales of E-commerce goods business ⁽¹⁾			
Sales (HK\$ million)	3,104.61	147.87	1,999.55%
Sales volume (units)	2,793,265	132,966	2,000.74%
Algorithm-based marketing business			
GMV of domestic short video platform			
E-commerce marketing (HK\$ million)	721.48	1,041.29	(30.71)%
Number of paid actions of interactive entertainment products marketing ⁽²⁾ ('000)	139,195	447,413	(68.89)%
Average revenue per paid action (HK\$)	2.37	2.14	10.75%
R&D Investments			
R&D expenditure (HK\$ million)	52.77	71.79	(26.49)%
Number of data models (sets)	190	178	6.74%

Notes:

(1) Overseas sales of E-commerce goods business commenced in the fourth quarter of 2021;

(2) Referring to the total number of paid actions, including click, download and installation, top-up, etc.

CORPORATE PROFILE

- **Overview**

Joy Spreader Group is a mobile internet marketing group for full industrial chain consisting of interest-based content recommendation algorithm-based marketing business in China (hereinafter referred to as “**algorithm-based marketing business**”), overseas independent electronics E-commerce platform business (hereinafter referred to as “**overseas sales of E-commerce goods business**”), culture and entertainment technology business – Web3.0, AIGC, film and television culture and entertainment production, MCN and 1P Traffic (hereinafter referred to as “**culture and entertainment technology business**”).

Interest-based content recommendation algorithm-based marketing business in China

- Principal businesses:

Interest-based content recommendation algorithm-based marketing business in China is based on advanced interest-based content recommendation algorithm technology to carry out algorithm-based marketing business in mobile internet social platforms and short video platforms. We provide customers with China’s leading algorithm-based marketing solutions, and resolve the issues about matching efficiency between goods and media through technology and algorithm to help customers increase sales volume, downloads and activity.

- Profit model:

The Group earns revenues from service fees, such as cost per sales, downloads and the improvement of activity. Major costs are the costs of acquisition of traffic.

- Main services:

Interactive entertainment product distribution over mobile internet, selling goods through E-commerce, APP downloads and marketing activity etc.

- Main service area: Mainland China

- Main marketing channels: Well-known internet social networking platforms and short video platforms in mainland China

Overseas independent consumer electronics vertical E-commerce platform business

With the continuous consolidation of domestic business, the Group has extensive marketing experience in E-commerce sales on well-known short-video platforms in China. After stockpiling good resources and integrating a relatively mature supply chain, the Group commenced its overseas sales of E-commerce goods business through Joy Spreader International in 2021, and built our own E-commerce platform, MARTOP, relying on trend of domestic brands and traffic platforms going overseas, with a view to building one of the largest vertical E-commerce platforms in the electronic consumer products in Southeast Asia.

- **Principal businesses:**

Joy Spreader International makes full use of the famous overseas short video platforms as the major marketing channels, and, based on the Group's mature and advanced recommendation algorithm as a tool to acquire traffic, creates an independent vertical E-commerce platform – MARTOP, relying on a mature and stable supply chain as a complete chain from the product source to the end consumer.

- **Main products for sales:** 3C electronic consumer products
- **Main service targets:** Distributors (B-end small and medium customers) and customers of electronic consumer products
- **Main service area:** ASEAN countries
- **Main marketing channels:** famous overseas short video platforms

Culture and entertainment technology business (Web3.0, AIGC, film and television culture and entertainment production, MCN and IP Traffic businesses)

Joy Spreader Group's cooperation with Poly Culture Group Corporation Limited (保利文化集團股份有限公司) (hereinafter referred to as "**Poly Culture Group**", a central state-owned culture enterprise) and Poly Film Investment Co., Ltd. (保利影業投資有限公司) (hereinafter referred to as "**Poly Film**") has entered into a substantive stage, and Poly Joy Spreader Digi-Entertainment (Beijing) Co., Ltd. (保利樂享文娛科技(北京)有限公司) (hereinafter referred to as "**Poly Digi-Entertainment**"), a mixed-ownership reform company, has been established in the first half of 2022.

Relying on Poly Digi-Entertainment, our culture and entertainment technology business will develop Web3.0, AIGC, film and television culture and entertainment production, MCN and IP Traffic businesses.

- Principal businesses:

1. Web3.0 business

Based on its own blockchain technology, the construction of “Kong Jian (空兼)”, a digital asset service platform for film and television culture and entertainment contents provides blockchain services for application scenarios in different industries, such as culture and art, judicial evidence preservation and consumer goods. As a leading digital algorithm technology group, Joy Spreader Group is the sole middle platform operator of “Kong Jian”, leveraging its outstanding advantages in big data and interest-based content recommendation algorithm, and provides support for the market-oriented operation of digital assets;

2. MCN business

Taking advantage of the unique background of the central state-owned culture enterprise, we actively develop customers which are state-owned or central enterprises, undertake national key film and television projects, and establish the first national leading central state-owned enterprise MCN (Multi-Channel Network), to focus on creating short video contents and talents in line with the general direction of national ideology. Joy Spreader Group will leverage its first mover advantages in data scale and interest-based content recommendation model to become the sole support company for this MCN organization;

3. Film and television culture and entertainment production business

Through Poly Film’s full industry chain layout in the film industry, Poly Digi-Entertainment focuses on the diversified development of film and television business and digital business, and actively explores the presentation, distribution and production of film and television works. Our culture and entertainment technology business will take advantage of the mechanism to participate in the production and distribution of film and television works, create and enrich the Joy Spreader Group’s own IP, and form IP Traffic cluster of the Joy Spreader Group by culture empowering the industry;

4. Based on the data algorithm ability of Joy Spreader Group and relying on Poly Culture Group’s high-quality digital original content and IP resources, we carried out AIGC application-based business through access to large AI platforms, such as the open-source OpenAI and ERNIE Bot, including but not limited to: the exploration and research and development of short video AIGC, AI videolised script of film and TV works, AIGC post-production and other areas.

- Main service area: Mainland China.

The industry where we operate

1. Internet marketing segment

The major service component of the algorithm-based marketing business is to help customers conduct sales and marketing services on mobile internet platform through recommendation algorithms technology. This is the income source of algorithm-based marketing business.

We are one of the first companies to explore in internet interest-based algorithms marketing. Internet marketing is based on the interest-based content recommendation algorithm, which aims to carry out online marketing in the large and scattered medium and long tail traffic. The way of delivering content according to the real-time needs and interests of the users has greatly improved the use efficiency and satisfaction of the users, thus promoting the rapid growth of the user scale and time users spend on new media applications, which are widely recognized by users.

2. Big data segment

The interest-based content recommendation algorithm technology of algorithm-based marketing business is based on sufficient accumulation, selecting and iteration of the huge marketing data and content data of the mobile internet, and automatically generates marketing strategy by leveraging self-developed recommendation algorithms model, thus serving the target customers. We are one of the first technology companies in China to use big data in the field of mobile internet marketing.

The digital economy with big data as its core continues to receive the support and attention of policy, and building a digital China is an important engine for advancing Chinese modernization in the digital era and a powerful support for building new advantages in national competition. It is expected that by 2025, the size of China's digital economy will exceed RMB60 trillion.

3. SaaS segment

The service form of the algorithm-based marketing business is to provide customers with a free and automated SaaS marketing platform. SaaS marketing is a service system for lead discovery, lead nurturing and lead management through the integration of advertising and marketing technologies, with the ultimate goal of helping enterprises improve the efficiency of the acquisition of customer and sales.

4. *Concept of Tencent*

The promotion of interactive entertainment in Algorithm-based marketing business focuses on the download of game, literature and application, mainly on the channels of Tencent official account and video account.

5. *Concept of short video*

The main channels of E-commerce marketing business in Algorithm-based marketing business and E-commerce marketing business in overseas sales of E-commerce goods business are focused on domestic and oversea famous short video platforms.

Currently, short video has become the dominant form of information dissemination and short video platforms are the new hot-spot of mobile internet traffic. The online time spent by mobile internet users watching short video continuously increases to generate more marketing opportunities and assist the establishment of matured value chain for the commercialization of Joy Spreader Group's short video.

6. *Concept of E-commerce*

Algorithm-based marketing business is mainly focused on sales of E-commerce, and overseas sales of E-commerce goods business is mainly focused on self-establishment of E-commerce platform, targeting the E-commerce customers on domestic and oversea famous short video platforms.

Short video E-commerce market is growing continuously in China with trillion-RMB market potential. On the other hand, the commercialization of famous oversea short video platforms is at the start-up period, and overseas short video E-commerce is entering the blue ocean market stage with significant future growth potential against the trillion-RMB domestic short video E-commerce market.

7. *Concept of Web3.0*

Culture and entertainment technology business relies on the Web3.0 business of Poly Digi-Entertainment to launch the middle platform operation, IP incubation, distribution and other business of “Kong Jian” (“空兼”) which is a digital asset service platform for film and television culture and entertainment contents.

Web3.0 is committed to creating a user-led and decentralized network ecosystem based on blockchain technology. Web3.0 ecosystem is formed in the process of user interaction and value circulation and its core value factor is digital assets. Employing copyright protection technology and digital authentication technology, it distributes digital assets in the fields of film and television, culture and entertainment to users in an open, transparent and tamper-resistant form.

8. *Concept of AIGC*

The presentation and production of cultural and entertainment products of culture and entertainment technology business will comprehensively use open-source AI platform to conduct the exploration and development of AIGC application layers, heavily invest in AIGC business layout facing vertical scenario application market, continue to carry forward to explore and research and develop innovation business in virtual human, virtual voice business, graphic output, short video AIGC, AI video scenario for film and television works, AIGC post-production editing and other fields through AIGC.

9. *Film and television entertainment segment*

Culture and entertainment technology business relied on Poly Digi-Entertainment to launch the production business of film and television entertainment products, IP incubation of artists and internet celebrities and brokerage business.

Film and television cultural and entertainment content can attract a large amount of user traffic on mobile internet platforms, and there is great potential for promotion and distribution, commercialization of contents, film and game linkage, as well as other businesses based on film and television cultural and entertainment content.

- **Our Business**

Currently, the Group's principal business is divided into three major segments, namely the algorithm-based marketing business, the overseas sales of E-commerce goods business and the culture and entertainment technology business. All the three business segments are backed by a common underlying technology system, which is implemented in line with the unified logic of data analysis, label matching, algorithm-driven recommendation and transaction facilitation.

(I) Overseas sales of E-commerce goods business

“Traffic + supply chain = Gross Merchandise Volume (GMV)” is the underlying logic of our overseas sales of E-commerce goods platform.

With unprecedented opportunity brought by the commercialization of a famous overseas short video platform, we have expanded the domestic mature algorithm-based marketing model to overseas market with the rapid development of overseas short video platforms. For overseas sales of E-commerce goods segment, Joy Spreader Group has built its own standalone website to accurately obtain traffic by using the overseas short video platform. We have built a complete overseas supply chain and online and offline payment system through cooperation to complete orders and product delivery finally on our standalone website, thus helping domestic consumer electronics to be sold overseas.

In the fourth quarter of 2021, upon preliminary completion of a series of preparatory work such as supply chain, standalone website, traffic acquisition and transformation model, technical interface, payment of margin and prepayment of traffic costs, the Group took the lead in the industry to launch the standalone website E-commerce business based on a famous overseas short video platform. In 2022, we continued to expand our business scale and improve our supply chain system, and recorded sales volume of 2,793,265 units and sales revenue of HK\$3,104.61 million.

We have full confidence in the overseas development of interest-based content recommendation algorithm E-commerce, as well as our domestic consumer electronics. We are committed to helping domestic companies to expand overseas sales channels that are more efficient and economical than traditional E-commerce platforms, reaching consumers directly. We are making efforts to develop Joy Spreader Group's E-commerce platform into a globally competitive vertical E-commerce platform of consumer electronics.

(II) Culture and entertainment technology business

The culture and entertainment technology business is a new business segment developed by Joy Spreader Group in the first half of 2022, which is currently at the materialization stage. For the culture and entertainment technology business segment, we successfully participated in the mixed ownership reform of a central state-owned culture enterprise in March 2022, and became a strategic shareholder of Poly Digi-Entertainment, a subsidiary of Poly Culture Group.

1. Application of Web 3.0 in vertical scenarios

By working together with central enterprises, we jointly explore the creation of digital assets platform and the development of high-quality 1P Traffic. On November 1, 2022, "Kong Jian", a digital asset service platform for film and television culture and entertainment contents launched and independently operated by Poly Digi-Entertainment with independent intellectual property, was officially put into operation. At present, the major function of "Kong Jian" is to provide digital asset services, including but not limited to customer value-added and consumption probing. Employing copyright protection technology and digital authentication technology, it distributes digital assets in the fields of film and television, culture and entertainment to users in an open, transparent and tamper-resistant form. In the future, "Kong Jian" will serve as a multi-scenario and multi-level integrated digital service platform. In addition to digital asset services, it will also expand a series of digital businesses such as virtual human and meta-universe, allowing a wider range of digital asset application scenarios accessible to users.

On February 21, 2023, Poly Digi-Entertainment Chain (保利文娛科技鏈) (Jing Wang Xin Bei No. 11010522595327680023) was granted a recordation number as one of the 11th batch of the domestic blockchain-based information service providers by the Cyberspace Administration of China. Poly Digi-Entertainment Chain, being jointly created by Poly Digi-Entertainment and JDT (京東科技集團), supports the state cryptographic algorithm, has the advantages of flexible deployment and low threshold of use, and can realize extensive functional scenarios such as supply chain traceability, digital storage, business-end and customer-end innovative applications. Based on the leading blockchain underlying technology, Poly Digi-Entertainment may provide all kinds of efficient, flexible and secure blockchain technical products and solutions for various users such as governments and enterprises.

As a middle platform operator of the platform, Joy Spreader Group will be fully responsible for the actual operation of the platform, including IP introduction, customer acquisition, platform promotion and other specific business.

2. Accumulation of IP Traffic

We are committed to using high-quality Intellectual Property (IP) and content incubation, together with PGC brokerage and PGC content, to cultivate our IP Traffic for our new media commercialization business. We believe that new media platforms are built on content, especially high-quality professional content. As a digital algorithm technology company, Joy Spreader Group has been trying and waiting for the opportunity to cultivate its IP Traffic based on high-quality IP and content. It will reduce our costs of external procurement of traffic, while providing customized content to our customers and improving transformation of marketing.

In 2022, we have successively invested in many key film and television productions in the country, including “The Tipping Point” (《掃黑行動》), “To Our Dreamland of Ice” (《冰雪之名》) and “Ping Pong” (《中國乒乓》), and signed with several well-known artists with positive influence.

3. Commercialization of AIGC service

“Commercialization of AIGC Service” is the objective of Joy Spreader Group to expand into the new culture business. Following PGC and UGC, AIGC is a new AI-enabled production method for automatic content generation, which can break through the limitation of manpower, improve the efficiency and diversification of content production, and significantly reduce the cost of digital content production.

Referring to the trending topics, Poly Digi-Entertainment has also made its first attempt in the technology of conversational language modelling. In February 2023, it became one of the first-batch ecological partners of RNIE Bot (an AI project launched by Baidu) to apply Baidu’s cutting-edge technological achievements made in intelligent conversation to digital original content, virtual human, digital art, traditional offline culture scenarios.

Joy Spreader Group is accelerating the research and development of its AIGC project, which covers the digital human field of visual interaction, audio service field of auditory interaction and design service field of graphic output. In the future, we will try to use AIGC to support content creation (including code script, novel creation, script shooting, etc.), industrial design services, creative design services, smart city construction, cultural and tourism industry digital scenario application, etc., allowing our culture and entertainment technology business to benefit from the digital era.

(III) Algorithm-based marketing business

For algorithm-based marketing business segment, Joy Spreader Group conducts short video platform E-commerce marketing business on Douyin platform, and conducts digital distribution of online products business on WeChat official accounts platform and Douyin platform. After years of iterative development, the domestic algorithm-based marketing business is currently in a mature stage of development.

“Customized content and products” is a summary of the algorithm-based marketing business of Joy Spreader Group. In short, new media platforms recommend personalized content to internet users, and Joy Spreader Group recommends personalized products to internet users on this basis. Joy Spreader Group uses our private data analysis system to analyze products, content and users and establish modeling for them, form data labels, and use recommendation algorithms and middle platform technology to accurately recommend products to consumers on new media platforms and bill customers based on transformation effectiveness.

In 2022, for the short video platform E-commerce marketing business, we helped customers sell goods amounting to HK\$721.48 million aggregately on Douyin platform; and for the digital distribution of online products business, we helped customers achieve effective paid actions of 139.20 million throughout 2022, including top-up, download, installation, etc.

70% of our employees are research and development, technical and operation personnel in Joy Spreader Group. We have developed 190 sets of data models for different products and media, and 2,823 data labels were applied to the algorithm models. This reflects the technology gene of Joy Spreader Group, which are also our valuable assets.

Our Revenue and Cost Model

According to different business types, the Group's revenue can be mainly categorized into "cost per sale (i.e. CPS)", "cost per action (i.e. CPA)" and "revenue from sales of goods", as shown in the table below:

Business type	Main implementation platforms	Main revenue model
Algorithm-based Marketing		
• Short video platform	Douyin	CPS
• E-commerce marketing		
• Interactive entertainment and digital products marketing	WeChat and Douyin	CPS or CPA
Overseas sales of		
• E-commerce goods	A famous overseas short video platform and Joy Spreader's standalone E-commerce website	Revenue from sales of goods

• Our Core Technologies

The Group has accumulated long-term and substantial project data relating to domestic and overseas E-commerce and interactive entertainment through business practices, which has enabled the Group to build a technology platform combined with valid data collection capabilities, strong data analysis capabilities and highly automated middle platform implementation capabilities. As a technology-driven company with data and algorithms as its core competencies, the Group is able to analyze and conduct information structure processing on data of products, new media content and anonymous behavior of user groups through an automated platform to recommend such products distribution and marketing strategies as tailored to the new media commercial activities of our customers and ensure the effect and efficiency of such commercial activities.

The implementation of our business is highly automated through various technical aspects such as data analysis, tagging and portrait, algorithm matching, programmatic placement and performance monitoring, under the guidance of project management and technical staff. Through our own database and new media platform tools, we analyze commercial activity-related data on the product and media sides and form portrait and tagging, match the product tags with the media tags with the help of our algorithm engine, automatically monitor the conversion performance and make optimization adjustments as necessary to achieve the best conversion results.

To ensure the execution performance of the Group's business, we make investment in R&D based on our business development needs. Especially when entering new business markets and exploring new forms of media, we will need to enhance efforts on R&D to ensure the rapid implementation of business and achieve more favorable marketing performance. In the first half of 2022, in view of the rapid development of overseas sales of E-commerce goods business, we increased our R&D investment in standalone website, overseas short video contents, user portraits and overseas supply chain digitization. With the reduction of the domestic businesses and milestone R&D results in the overseas sales of E-commerce goods business, the Group has adjusted the corresponding R&D investments since the second half of 2022. For the year ended December 31, 2022, the Group's total R&D expenses amounted to HK\$52.77 million. Of these, HK\$29.65 million or 56.19% was incurred by the overseas sales of E-commerce goods business, mainly for overseas marketing data procurement and data model building. Such data models are expected to play an important role in the marketing of the overseas sales of E-commerce goods business in the future, and subsequently with continuous refinement to be used for the establishment of the overseas sales of E-commerce goods platform, releasing great value in product interest recommendation and user experience improvement.

- **Our Strengths and Barriers**

- (I) Clear industry prospects and vast market space***

The digital economy-related industry in which the Group is engaged has clear industry prospects and vast market space. With the implementation of a digital economy strategy in China and the launch of kinds of encouragement and support policies by the government at various levels, the domestic and overseas E-commerce, interactive entertainment, digital assets and other businesses begin to flourish in a more regulated market environment and have long-term growth potential. In particular, Southeast Asia has become one of the fastest growing E-commerce regions in the world due to the favorable macro environment and various positive market factors, providing a unique historical opportunity for technology companies with data algorithm capabilities to go abroad and expand their business overseas.

In response to the current development stage and future trends of both domestic and overseas market, we notice that:

(a) *The Southeast Asia consumer electronics market is growing tremendously*

Southeast Asia has a high population density and a large number of young people. Its GDP growth is higher than the average level of the world. The young consumers group emerges to drive shopping demand. The internet penetration rate there is also higher than the global average. Meanwhile, marketing, payment, logistics and other sectors is gradually improving in Southeast Asia. In addition, various favorable factors, such as the cultural characteristics of Southeast Asia similar to China and the formal implementation of the Regional Comprehensive Economic Partnership (RCEP) Agreement, give Chinese products an obvious advantage in exporting to Southeast Asia. In particular, there are obvious “effects of generation gap” between the consumer electronics in China and the consumer electronics in Southeast Asia. During the period when 4G and 5G are becoming more popular and consumption upgrades in the context of GDP growth in Southeast Asia, the consumer electronics in China have notable advantages in terms of production capacity and quality;

(b) *The famous overseas short video platform has a large user base and is entering a rapid commercialization phase*

The overseas short video new media platform, with a large base of users and diversified contents, is in the accelerating stage of commercialization and have huge commercial value and development potential. Meanwhile, China’s huge export size of consumer electronics requires to expand new sales channels by leveraging overseas short video traffic;

(c) *China’s short video platform E-commerce market is just flourishing, potentially with a trillion RMB-level market size*

Major short video platforms are striving to improve content quality, infrastructure and commercialization functions, intensify investment in private domain business functions and increase support for private domain traffic to facilitate the development of commercial ecosystems for the respective platform;

(d) *Artificial intelligence technology is developing at a high speed*

The production method for automatic content generation using Artificial Intelligence (AI) technology has been able to learn and understand human language and engage in dialogue with humans. Following UGC and PGC, it is a new production method using AI technology to automatically generate content, providing new opportunities for film and television culture and entertainment and other business areas to gain a competitive edge in the digital upgrading of culture industry; and

(e) Digital industry is undergoing upgrades

Given the government's great efforts to develop the digital economy, "Kong Jian", a digital asset service platform for film and television culture and entertainment contents of Poly Digi-Entertainment has a huge potential for development in areas like digital upgrading of real economies and digital assets distribution, and is able to provide more market opportunities for businesses related to the commercial operation of digital assets. As the only middle platform service provider, Joy Spreader Group will work with Poly Digi-Entertainment to support the launch and implementation of its digital business.

(II) First-mover advantages of data and model algorithm to give a heavy blow in overseas market

The Group started to conduct the R&D of data and model algorithm on the WeChat official accounts platform early in 2013 and did the same on Douyin platform since 2018, and in the fourth quarter of 2021, the Group firstly applied interest-based content recommendation model to a famous overseas short video platform and realized sales revenue from standalone E-commerce website. As a first-mover, we have accumulated data of industry-leading scale (also as to extensive time dimension). Data accumulation has a decisive impact on model construction and model effectiveness, which has also built a competitive barrier for the Group's leading position in the industry. Richly-structured, large-scale, time-spanning and real-time interactive data helps us better test, build and improve our algorithm models, and ensure our marketing performance and improve our services continuously.

(III) Leveraging on the advantages of mixed ownership reform of a central enterprise to expand into business areas not readily accessible to private enterprises

With, among others, the country's further regulation on macro economy, the tightened supervision and control over the culture and entertainment industry, and the demand of state-owned and central enterprises for business digital upgrade, private enterprises may not understand and implement national policies and regulations as effectively as state-owned and central enterprises, and it is also not easy for them to engage in some businesses that need to be carried out by state-owned and central enterprises. The mixed ownership reform of Joy Spreader Group and a central enterprise enables Joy Spreader Group to enter the areas like Web3.0, block chain, and culture and entertainment content production under the guidance and management of the central enterprise, and effectively broaden and develop its customer base and business portfolio of Joy Spreader Group.

At the end of March 2022, the Group successfully participated in the mixed-ownership reform of Poly Digi-Entertainment, a subsidiary of Poly Culture Group (a central state-owned culture enterprise), and became a strategic shareholder of Poly Culture and Entertainment Technology to establish in-depth business cooperation. On November 1, 2022, “Kong Jian”, a digital asset service platform for film and television culture and entertainment contents launched by Poly Digi-Entertainment was officially put into operation and achieved a milestone progress. Projects related to the development of quality traffic and digital assets has been steadily progressing.

As a professional central enterprise engaged in the culture industry, our partner is not only a professional PGC institution, but also has unique advantages in terms of industrial resources, and risk control and compliance. In the future, we will leverage the PGC content and stars conform to domestic policies, as well as MCN network content and celebrities under the cooperation framework to cultivate our 1P Traffic and fans and facilitate our new business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Overview of Results for the Year**

- a. Revenue grew significantly with intensified efforts to expand overseas sales of E-commerce goods market*

The revenue of the Group increased by 166.84% from HK\$1,395.89 million in 2021 to HK\$3,724.81 million in 2022. The increase was mainly attributable to the significant increase in revenue from the Group’s overseas sales of E-commerce goods business during the year, which was in a rapid market capture stage with growing business scale and market share, coupled with the Group’s increased investment, especially the rapid growth of business scale in Southeast Asia.

- b. Subsidy in kind saw significant effect and loss was incurred to scale sales rapidly*

In terms of profitability, in order to expand the overseas sales of E-commerce goods business, scale sales and seize market share at a faster pace, the Group provided in-kind subsidies overseas of HK\$322.96 million, resulting in loss for the year of HK\$339.12 million in 2022, compared with profit for the year of HK\$244.64 million in 2021.

- c. Domestic business remained profitable*

Due to the impact of the pandemic and the regulation on new-game license in China, revenue from the domestic business decreased by 50.31% year-on-year to HK\$620.20 million, but remained profitable. With the gradual recovery of the domestic economy, the development space of the domestic business is expected to increase accordingly.

- **Progress of Business for the Year**

- ***Overseas sales of E-commerce goods Business***

In 2022, the Group recorded sales of HK\$3,104.61 million from overseas sales of E-commerce goods business, with sales volume of 2,793,265 units. The substantial increase in revenue from overseas sales of E-commerce goods business in 2022 was due to the continuously increased business scale, especially in Southeast Asia region, as the business was in a rapid market capture stage. In 2022, the Group recorded gross profit from the sale of overseas E-commerce goods of HK\$187.75 million, maintaining the gross profit from overseas sales of E-commerce goods at a stable level.

- ***Algorithm-Based Marketing Business***

- ***Interactive Entertainment and Digital Product Marketing***

In 2022, the Group recorded revenue of HK\$311.06 million from interactive entertainment and digital product performance-based marketing services, representing a decrease of 67.59% as compared with HK\$959.67 million of the same period last year, of which, revenue from game products amounted to HK\$110.12 million, representing a decrease of 81.57% as compared with HK\$597.41 million in 2021, and online literature products realized revenue of HK\$60.09 million, representing a decrease of 48.36% as compared with HK\$116.37 million in 2021, which was due to the tightened regulatory approval of new-game license and paid literature products in China since the second half of 2021, which led to restricted new products to market under the business, thereby affecting the revenue of the business; applications and other products realized revenue of HK\$140.85 million, representing a decrease of 42.72% as compared with HK\$245.89 million in 2021, which was due to the fact that in 2022, customers generally lowered their budgets for product placement under the macro environment featuring slowdown in domestic economy, resulting in a decrease in the revenue from this business as compared to last year.

- ***Short Video Platform E-Commerce Marketing***

In 2022, the Group achieved GMV of domestic short video platform E-commerce marketing of HK\$721.48 million, representing a decrease of 30.71% as compared with HK\$1,041.29 million in 2021; in particular, revenue from domestic E-commerce products marketing of HK\$307.08 million was recorded in 2022, representing a slight increase from HK\$288.35 million in 2021.

- ***Progress on R&D***

To ensure the execution performance of the Group's business, we will make investment in R&D based on our business development needs. Especially when entering new business markets and exploring new forms of media, we need to enhance efforts on R&D to ensure the rapid implementation of business and achieve favorable marketing performance. In the first half of 2022, in view of the rapid development of overseas sales of E-commerce goods business, we increased our R&D investment in standalone website, overseas short video contents, user portraits and overseas supply chain digitization. With reduction of the domestic businesses and milestone R&D results in the overseas sales of E-commerce goods business, the Group has adjusted the corresponding R&D investments since the second half of 2022. In 2022, the Group invested a total of HK\$52.77 million in R&D expenses, which was mainly applied to data analysis, algorithm modeling and the E-commerce business on a famous overseas short video platform.

The data models of the Group based on various product categories amounted to 190 sets as of December 31, 2022, representing an increase of 6.74% as compared with 178 sets as of December 31, 2021. Data labels adopted by intelligent recommendation coupling model amounted to 2,823, representing an increase of 5.18% as compared with 2,684 as of December 31, 2021. The improvement of data models and enhancement of algorithm capability have made a solid foundation for the Group to improve its marketing business and expand new business categories in the future.

The Group is one of the first Chinese companies to launch performance-based marketing business on a famous overseas short video platform, and we are optimistic about the tremendous business opportunities that lie on its platform. At the early stage of overseas sales of short video E-commerce goods business, we will continue to invest in R&D, accumulate experience and expand our sales of goods business scale and improve service capabilities.

- **STRATEGIC DECISIONS OF THE GROUP’S MANAGEMENT FOR 2022 AND 2023**

- a. Expand New Business Fields and Market Share with the Supporting of Central Enterprise in China*

As an important direction of the Group’s strategic development, we will keep the deep and comprehensive cooperation with strategic partners, Poly Culture Group and Poly Film which both are central state-owned culture enterprises. Under the guidance of national “14th Five-Year Plan” and “Digital Economy Development Strategy”, we jointly expand new business cooperation and empower industrial development.

- (1) Expand high-quality IP Traffic*

We will carry forward steadily the implementation of business with central enterprises as strategic partners, and committed to cultivating high-quality self-owned content and traffic through multiple channels to enhance the Group’s customer service capabilities and profitability. In addition to the new media cooperation on film and television contents with central enterprises as strategic partners, we also continue to cultivate new media accounts, IP content and traffic that have in-depth cooperation with the Group by means of strategic alliance, investment and incubation, and provide tailor-made new media content for the Group’s customers to improve consumption conversion and further reduce the traffic cost. We have commenced to consecutively implement the cooperative projects in the incubation of film and television culture and entertainment contents, online publicity, digital asset-related business, digitalization of E-commerce product of state-owned and central enterprise and related businesses, clarified the investment and production of national key film and television projects, creating the first MCN of central enterprises and other cooperative direction.

- (2) Increase the investment in AIGC and Web3.0 application end research*

Poly Digi-Entertainment, a company co-founded by us with Poly Culture Group, a central state-owned culture enterprise, has jointly developed the digital asset business with JD.com, completed the launch of “Kong Jian”, a digital asset service platform for film and television culture and entertainment contents and realized commercial operation. We also will continue to enhance the construction of Web3.0 infrastructure and develop customers as state-owned and central enterprises by digital capabilities.

We also will increase the investment in AIGC application end research and try to use the new generation method by artificial intelligence to automatically generate content (AIGC) to improve the production efficiency and richness of content and significantly reduce the production cost of digital content.

b. Continue to increase the investment overseas to improve revenue scale and seize the market share

The E-commerce business based on the interest-attracted traffic of an overseas famous short video platform is one of the strategic priorities of the Group. Currently, it has passed our model verification and we have made significant breakthroughs in revenue scale, team scale and development layout and other aspects. In the 2023 and beyond, we will gradually improve the technology model and service system focusing on our independent E-commerce platform by reference to the characteristics of overseas sales of E-commerce goods and the market environment, speed up the improvement of layout of online mall and customer end on the technology end and increase our user base of our own data and platforms; we continue to intensify our analysis on new media platform traffic and user portraits in different countries and regions on the traffic side, and upgrade the data model of recommendations algorithm. On the supply side, we will further expand product lines, optimize logistics and payment processes, and improve user experience.

The overseas sales of E-commerce goods business of the Group has been launched in many countries in Southeast Asia. Now we have focused on the vertical sectors of E-consumer and deeply cultivate in Southeast Asia market. We will formulate more flexible and efficient business strategy, increase in-kind subsidies, expand sales network, enlarge revenue scale, strengthen supply chain system, and extend the whole industrial chain from the product side to the sales side. In the next five years, we will strive to be the largest E-commerce platform in vertical sectors of consumer electronics.

- **Discussion and Analysis of Financial Statement**

Revenue

The revenue of the Group increased by 166.84% from HK\$1,395.89 million in 2021 to HK\$3,724.81 million in 2022. The increase was mainly attributable to the significant increase in revenue from the Group's overseas sales of E-commerce goods business during the year, which was in a rapid market capture stage with growing business scale and market share, coupled with the Group's increased investment, especially the rapid growth of business scale in Southeast Asia. In addition, the Group's overseas sales of E-commerce goods business based on a famous overseas short video platform successfully launched in the fourth quarter of 2021, contributing revenue of HK\$147.87 million and HK\$3,104.61 million to the Group in 2021 and 2022 respectively.

The following table sets forth a breakdown of our revenue by product type for the periods indicated:

	For the years ended December 31,			
	2022	Percentage	2021	Percentage
	<i>(HK\$ million, except for percentages)</i>			
Marketing revenue from interactive entertainment and digital products	311.06	8.35%	959.67	68.75%
Games	110.12	2.96%	597.41	42.80%
Online literature	60.09	1.61%	116.37	8.34%
Apps and others	140.85	3.78%	245.89	17.61%
Marketing revenue from domestic E-commerce products	307.08	8.24%	288.35	20.66%
Sales revenue from overseas E-commerce goods	3,104.61	83.35%	147.87	10.59%
Revenue from other products	2.06	0.06%	–	–
Total revenue	<u>3,724.81</u>	<u>100.00%</u>	<u>1,395.89</u>	<u>100.00%</u>

Cost of Revenue

The cost of revenue of the Group was mainly comprised of purchase cost of traffic on project placement platform and purchase cost of goods. The cost of revenue increased by 248.27% from HK\$944.04 million in 2021 to HK\$3,287.84 million in 2022, which was primarily attributable to the significant increase in the cost of sales incurred during the rapid growth of the scale of the overseas sales of E-commerce goods business.

Gross Profit and Gross Profit Margin

The Group achieved a gross profit of HK\$436.96 million in 2022, representing a decrease of 3.30%, as compared with HK\$451.85 million in 2021. The slight decrease in gross profit was mainly attributable to the following: (i) the scale of the Group's domestic interactive entertainment business and E-commerce business declined due to the tightened regulatory approval of game license in China since the second half of 2021 and the impact of the pandemic, which in turn led to a decrease in gross profit; and (ii) in order to improve market share and expand more marketing and distribution channels during its aggressive expansion of the overseas sales of E-commerce goods business, the Group implemented a preferential strategy in favour of distributors, which led to a smaller contribution to the Group's gross profit.

The following table sets forth a breakdown of our gross profit by product type for the periods indicated:

	For the years ended December 31,			
	2022	Percentage	2021	Percentage
	<i>(HK\$ million, except for percentages)</i>			
Marketing gross profit from interactive entertainment and digital products	97.34	22.28%	290.87	64.38%
Games	28.64	6.55%	163.32	36.14%
Online literature	21.49	4.92%	42.13	9.32%
Apps and others	47.21	10.81%	85.42	18.92%
Marketing gross profit from domestic E-commerce products	149.93	34.31%	151.84	33.60%
Gross profit from overseas sales of E-commerce goods	187.75	42.97%	9.14	2.02%
Gross profit from other products	1.94	0.44%	–	–
Total gross profit	436.96	100.00%	451.85	100.00%

The gross profit margin of the Group decreased from 32.37% in 2021 to 11.73% in 2022. The decrease in gross profit margin was mainly attributable to the higher proportion of the performance of the overseas sales of E-commerce goods business with lower gross profit, which led to a decrease in the overall gross profit margin.

Other Gains and Losses

The other gains and losses of the Group changed from losses of HK\$32.76 million in 2021 to gains of HK\$30.05 million in 2022, which was mainly due to (i) an exchange gain of HK\$43.04 million in 2022 as compared with an exchange loss of HK\$30.75 million in 2021; and (ii) impairment recognized in respect of intangible assets and investment in film and television dramas of HK\$8.16 million in 2022.

Distribution and Selling Expenses

For the year ended December 31, 2022, the distribution and selling expenses of the Group amounted to approximately HK\$523.29 million, representing a substantial increase as compared with HK\$41.32 million in 2021, which was mainly due to the increase in the promotion expenses of the overseas sales of E-commerce goods business and the new subsidy provided for the business during the year.

Administrative Expenses

The administrative expenses of the Group increased by 152.76% from HK\$75.47 million in 2021 to HK\$190.76 million in 2022, primarily due to: (i) the recognition of share-based payment in respect of the Share Award Scheme of approximately HK\$70.66 million; (ii) the increase in staff costs and professional service fees in line with the business expansion of the Group; and (iii) the significant increase in depreciation and amortization and office-related expenses as compared to last year.

R&D Expenses

R&D expenses of the Group decreased by 26.49% from HK\$71.79 million in 2021 to HK\$52.77 million in 2022, which was mainly due to that (i) in the first half of 2022, in view of the rapid development of overseas sales of E-commerce goods business, we increased our R&D investment in standalone website, overseas short video contents, user portraits and overseas supply chain digitization; and (ii) since the second half of 2022, the Group has adjusted the corresponding R&D expenses due to the contraction of its domestic business and the significant phased R&D achievement of its overseas sales of E-commerce goods business.

Finance costs

For the year ended December 31, 2022, the finance costs of the Group were interest expenses of lease liabilities arising from leasing properties during the Reporting Period. The Group had no bank loans during the Reporting Period.

Inventories

As of December 31, 2022, the balance of the inventories of the Group amounted to HK\$40.25 million, which was due to the addition of overseas E-commerce goods inventories during the year.

Trade and Other Receivables and Deposits

The Group had trade and other receivables and the balance of deposits of HK\$452.04 million as of December 31, 2021 and HK\$1,268.50 million as of December 31, 2022, respectively.

As of December 31, 2022, the balance of trade receivables of the Group amounted to HK\$274.17 million, representing a decrease of 36.99% as compared to HK\$435.12 million as of December 31, 2021, which was mainly attributable to the decrease in the corresponding trade receivables due to decreased revenue from performance-based marketing services in 2022.

Other receivables and deposits are deposits paid to suppliers to expand the overseas sales of E-commerce goods business, receivables of income from investments in films and television dramas, employee petty cash and rental deposits, etc. As of December 31, 2021 and as of December 31, 2022, the balance of other receivables and deposits amounted to HK\$16.92 million and HK\$994.34 million, respectively, which was primarily because the Group reached an agreement with a traffic procurement service provider in May 2022 to transfer part of the prepaid traffic payment into the deposits paid to platforms to expand the overseas sales of E-commerce goods business and the new deposit of HK\$204.00 million was paid in the second half of the year.

Loan Receivables

The Group had loan receivables of HK\$18.35 million and HK\$26.31 million as of December 31, 2021 and as of December 31, 2022, respectively. The increase was mainly due to the grant of loan receivables.

Prepayments

The Group had the balance of prepayments of HK\$1,188.93 million and HK\$706.75 million as of December 31, 2021 and as of December 31, 2022, respectively. The decrease in balance was primarily because the Group reached an agreement with a traffic procurement service provider in May 2022 to transfer part of the prepaid procurement traffic payment into the deposits paid to platforms to expand the overseas sales of E-commerce goods business.

Equity Instruments at Fair Value through Other Comprehensive Income

The Group had balance of equity instruments of HK\$39.14 million and HK\$27.97 million at fair value through other comprehensive income as of December 31, 2021 and as of December 31, 2022, respectively. The decrease was mainly due to the fair value decrease as a result of the investment.

Bank Deposits/Bank Balances and Cash

The Group had bank deposits/bank balances and cash balances of HK\$619.04 million and HK\$572.93 million as of December 31, 2021 and as of December 31, 2022, respectively. The decrease in balances was mainly due to the comprehensive impact of increase in net cash used in operating activities and increase in net cash from financing activities.

Trade and Other Payables

Trade and other payables of the Group primarily consist of (i) payables for the purchase of data traffic; (ii) payables for the purchase of goods; and (iii) other payables, primarily representing accrued listing expenses, tax payables and compensation payable to employees.

The balance of trade payables of the Group increased by 273.58% from HK\$67.25 million as of December 31, 2021 to HK\$251.23 million as of December 31, 2022, which was mainly due to the significant growth in the scale of the Group's overseas sales of E-commerce goods business in 2022.

The balance of other payables of the Group decreased by 22.59% from HK\$55.68 million as of December 31, 2021 to HK\$43.10 million as of December 31, 2022, which was mainly attributable to the decrease in the listing underwriting fees payable in March 2022.

Lease Liabilities

Lease liabilities of the Group increased by 150.76% from HK\$17.18 million as of December 31, 2021 to HK\$43.08 million as of December 31, 2022, primarily due to the new property leases entered into during the year.

Liquidity and Capital Resources

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended	
	December 31,	
	2022	2021
	<i>HK\$ million</i>	
Net cash used in operating activities	(526.29)	(342.25)
Net cash used in investing activities	(91.95)	(78.87)
Net cash from (used in) financing activities	587.17	(168.74)
Net decrease in cash and cash equivalents	(31.07)	(589.86)
Cash and cash equivalents at the beginning of the year	619.04	1,210.45
Effect of foreign exchange rate changes	(54.02)	(1.55)
Cash and cash equivalents at the end of the year, represented by bank balances and cash	<u>533.95</u>	<u>619.04</u>

As of December 31, 2021 and as of December 31, 2022, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

Cash Flow from Operating Activities

Our cash inflows from operating activities primarily consist of collection of sales revenue from the provision of mobile new media performance-based marketing services and overseas sales of E-commerce goods business to customers. Our cash outflow from operating activities mainly consist of purchase cost of traffic, purchase cost of goods, distribution and selling expenses, R&D expenses and administrative expenses.

For the year ended December 31, 2022, our net cash used in operating activities was HK\$526.29 million (for the year ended December 31, 2021: HK\$342.25 million), which is mainly due to the comprehensive impact of the significant increase in business volume due to expansion of business scale, resulting in an increase in various operating expenses, and the increase in prepayments in 2022.

Cash Flow from Investing Activities

Our cash used in investing activities mainly consists of purchase of fixed assets, purchase of financial assets at FVTPL, redemption of financial assets at FVTPL, investments in an associate, investments in films and television dramas, grant and recovery of loan receivables, and purchase and redemption of term deposits.

For the year ended December 31, 2022, our net cash used in investing activities was HK\$91.95 million (for the year ended December 31, 2021: HK\$78.87 million), primarily attributable to purchase of fixed assets, grant and recovery of loan receivables, and purchase and redemption of term deposits.

Cash Flow from Financing Activities

Our cash inflow from financing activities primarily related to the placement of Shares in June 2022.

For the year ended December 31, 2022, our net cash from financing activities was HK\$587.17 million (for the year ended December 31, 2021: net cash used in financing activities of HK\$168.74 million), primarily attributable to the proceeds from the placement of Shares in June 2022.

Capital Expenditures

The principal capital expenditures of the Group primarily consist of fixed assets, right-of-use assets and intangible assets. The following table sets forth our net capital expenditures for the periods indicated:

	For the year ended	
	December 31,	
	2022	2021
	<i>HK\$ million</i>	
Fixed assets	35.10	41.25
Right-of-use assets	47.65	1.56
Intangible assets	–	2.17
	<hr/>	<hr/>
Total	82.75	44.98
	<hr/> <hr/>	<hr/> <hr/>

Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associates

During the Reporting Period, the Group did not hold any significant investments or have any material acquisitions or disposals of subsidiaries or associated companies.

Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed “Future Plans and Use of Proceeds” in the Prospectus, the Group does not have any other plans for material investments or capital assets.

Indebtedness

Bank Borrowings

As of December 31, 2021 and December 31, 2022, the Group did not have any bank borrowings.

Contingent Liabilities, Charges of Assets and Guarantees

Contingent Liabilities

As of December 31, 2021 and December 31, 2022, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

Charge of Assets and Guarantees

As of December 31, 2021 and December 31, 2022, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Gearing Ratio

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As of December 31, 2022, the gearing ratio of the Group was 13.72% (as of December 31, 2021: 5.77%).

Current Ratio

Current ratio represents current assets divided by current liabilities. The current ratio of the Group decreased from 16.66 times as of December 31, 2021 to 7.67 times as of December 31, 2022.

Treasury Policy

We adopt a prudent financial management approach for our treasury policy to ensure that our liquidity structure is able to always meet our capital requirements.

Foreign Exchange Risk and Hedging

Foreign currency risk refers to the risk of loss resulting from changes in foreign currency exchange rates. Several subsidiaries of the Company have foreign currency sales and purchase, bank balances, trade and other receivables and deposits, trade and other payables which expose the Group to foreign currency risk.

The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

Employees and Remuneration Policies

As of December 31, 2022, we had 120 full-time employees, the majority of whom were based in the PRC. As of December 31, 2022, over 70% of our employees were in the positions of R&D, technical and operation.

In terms of employee benefits and security, the Group complies with the minimum working age and minimum wage prescribed by law and provides employees with five national statutory social insurances in accordance with the relevant laws and regulations. The Group strictly guarantees that employees have their rights to various holidays, such as public holidays, paid annual leave, sick leave, wedding leave and maternity leave. Additionally, the Group also provides employees with employee accident insurance, reimbursement of transportation expenses for overtime and other benefits and safeguard measures. Moreover, we organize team building activities quarterly and physical examinations annually for our employees.

The Group recruits our personnel through professional search firms and recruiting websites. The Group has established effective employee incentive schemes to correlate the remuneration of our employees with their overall performance, and has established a performance-based remuneration awards system. Employees are promoted not only in terms of position and seniority. On June 21, 2021, the Group has adopted the Share Award Scheme to recognize the contributions of the certain directors, employees, consultants and advisers of the Group in order to incentivize them to retain with the Group, and to motivate them to strive for the future development and expansion of the Group.

We provide professional training programs for new employees we hired. We also customize in accordance to the needs of the employees in different departments, and provide regular and professional training both online and offline.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	NOTES	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000
Revenue	4	3,724,806	1,395,894
Cost of revenue		<u>(3,287,842)</u>	<u>(944,041)</u>
Gross profit		436,964	451,853
Other income		37,099	15,408
Other expenses		(16,895)	–
Other gains and losses	6	30,054	(32,762)
Impairment losses under expected credit loss model, net of reversal	7	(50,956)	(3,271)
Distribution and selling expenses		(523,288)	(41,320)
Administrative expenses		(190,764)	(75,468)
Research and development expenses		(52,771)	(71,786)
Share of results of associates		445	71
Finance costs		<u>(1,776)</u>	<u>(1,005)</u>
(Loss) profit before taxation		(331,888)	241,720
Income tax (expense) credit	8	<u>(7,232)</u>	<u>2,922</u>
(Loss) profit for the year		<u>(339,120)</u>	<u>244,642</u>
(Loss) profit for the year attributable to:			
Owners of the Company		(339,450)	244,642
Non-controlling interests		<u>330</u>	<u>–</u>
		<u>(339,120)</u>	<u>244,642</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME – Continued

For the year ended 31 December 2022

		Year ended 31 December	
		2022	2021
	NOTE	HK\$'000	HK\$'000
Other comprehensive (expense) income			
<i>Items that will not be reclassified to profit or loss:</i>			
Exchange differences on translation from functional currency to presentation currency		(210,714)	63,740
Fair value (loss) gain on equity instruments at fair value through other comprehensive income		(11,671)	165
Income tax relating to item that will not be reclassified		1,751	(25)
		<u>(220,634)</u>	<u>63,880</u>
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(10,461)	747
Other comprehensive (expense) income for the year, net of income tax		<u>(231,095)</u>	<u>64,627</u>
Total comprehensive (expense) income for the year		<u>(570,215)</u>	<u>309,269</u>
Total comprehensive (expense) income for the year attributable to:			
Owners of the Company		(570,545)	309,269
Non-controlling interests		330	–
		<u>(570,215)</u>	<u>309,269</u>
Basic (loss) earnings per share (HK cents)	9	<u>(15.03)</u>	<u>11.30</u>
Diluted (loss) earnings per share (HK cents)	9	<u>(15.03)</u>	<u>N/A</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		As at 31 December	
		2022	2021
	NOTES	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment		65,987	52,005
Right-of-use assets		41,916	11,325
Intangible assets		3,833	8,666
Interests in associates	11	35,198	36,764
Deferred tax assets		–	4,787
Rental deposits		5,487	2,931
Financial assets at fair value through profit or loss		5,597	–
Equity instruments at fair value through other comprehensive income		27,970	39,143
Prepayments	14	237,100	–
		423,088	155,621
CURRENT ASSETS			
Inventories	12	40,254	–
Trade and other receivables and deposits	13	1,263,017	449,108
Loan receivables		26,308	18,346
Prepayments	14	469,649	1,188,931
Financial assets at fair value through profit or loss		3,077	5,383
Investments in films and television dramas		–	23,850
Bank deposits		38,984	–
Bank balances and cash		533,944	619,036
		2,375,233	2,304,654
CURRENT LIABILITIES			
Trade and other payables	15	294,332	122,932
Contract liabilities		1,207	–
Lease liabilities		13,298	14,404
Income tax payable		903	986
		309,740	138,322
NET CURRENT ASSETS		2,065,493	2,166,332
TOTAL ASSETS LESS CURRENT LIABILITIES		2,488,581	2,321,953

CONSOLIDATED STATEMENT OF FINANCIAL POSITION – Continued*At 31 December 2022*

		As at 31 December	
		2022	2021
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		29,779	2,775
Obligation arising from a forward contract with non-controlling interests	<i>16</i>	42,676	–
Deferred tax liabilities		1,845	949
		<u>74,300</u>	<u>3,724</u>
NET ASSETS		<u>2,414,281</u>	<u>2,318,229</u>
CAPITAL AND RESERVES			
Share capital	<i>17</i>	24	22
Reserves		2,413,927	2,318,207
		<u>2,413,951</u>	<u>2,318,229</u>
Equity attributable to owners of the Company		2,413,951	2,318,229
Non-controlling interests		330	–
		<u>2,414,281</u>	<u>2,318,229</u>
TOTAL EQUITY		<u>2,414,281</u>	<u>2,318,229</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital HK\$'000	Treasury stocks HK\$'000	Share premium HK\$'000	Share-based payments reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2021	22	-	1,745,119	-	21,073	33,034	78,130	281,584	2,158,962	-	2,158,962
Profit for the year	-	-	-	-	-	-	-	244,642	244,642	-	244,642
Changes in fair value of equity instruments	-	-	-	-	140	-	-	-	140	-	140
Exchange difference on translation from functional currency to presentation currency	-	-	-	-	-	-	63,740	-	63,740	-	63,740
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	747	-	747	-	747
Other comprehensive income for the year	-	-	-	-	140	-	64,487	-	64,627	-	64,627
Profit and total comprehensive income for the year	-	-	-	-	140	-	64,487	244,642	309,269	-	309,269
Purchase of shares under share award scheme (note 18)	-	(138,052)	-	-	-	-	-	-	(138,052)	-	(138,052)
Purchase of shares pending for cancellation	-	(11,950)	-	-	-	-	-	-	(11,950)	-	(11,950)
Appropriation of statutory reserve	-	-	-	-	-	130,730	-	(130,730)	-	-	-
At 31 December 2021	22	(150,002)	1,745,119	-	21,213	163,764	142,617	395,496	2,318,229	-	2,318,229

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – Continued

For the year ended 31 December 2022

	Attributable to owners of the Company										
	Share capital HK\$'000	Treasury stocks HK\$'000	Share premium HK\$'000	Share-based payments reserve HK\$'000	Fair value through other comprehensive income reserve HK\$'000	Statutory reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	Subtotal HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
At 1 January 2022	22	(150,002)	1,745,119	-	21,213	163,764	142,617	395,496	2,318,229	-	2,318,229
(Loss) profit for the year	-	-	-	-	-	-	-	(339,450)	(339,450)	330	(339,120)
Changes in fair value of equity instruments	-	-	-	-	(9,920)	-	-	-	(9,920)	-	(9,920)
Exchange difference on translation from functional currency to presentation currency	-	-	-	-	-	-	(210,714)	-	(210,714)	-	(210,714)
Exchange difference arising on translation of foreign operations	-	-	-	-	-	-	(10,461)	-	(10,461)	-	(10,461)
Other comprehensive expense for the year	-	-	-	-	(9,920)	-	(221,175)	-	(231,095)	-	(231,095)
(Loss) profit and total comprehensive (expense) income for the year	-	-	-	-	(9,920)	-	(221,175)	(339,450)	(570,545)	330	(570,215)
Issue of shares (note 17)	2	-	602,878	-	-	-	-	-	602,880	-	602,880
Transaction costs attributable to issue of shares (note 17)	-	-	(21,833)	-	-	-	-	-	(21,833)	-	(21,833)
Cancellation of shares (note 17)	-	11,950	(11,950)	-	-	-	-	-	-	-	-
Purchase of shares under share award scheme (note 18)	-	(7,280)	-	-	-	-	-	-	(7,280)	-	(7,280)
Reduction of share issuance costs in connection with the listing of the shares (note 15)	-	-	21,841	-	-	-	-	-	21,841	-	21,841
Recognition of equity-settled share-based payment expenses (note 18)	-	-	-	70,659	-	-	-	-	70,659	-	70,659
Vesting of shares (note 18)	-	138,377	(68,130)	(70,247)	-	-	-	-	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	40,294	40,294
Obligation arising from a forward contract with non-controlling interests (note 16)	-	-	-	-	-	-	-	-	-	(40,294)	(40,294)
Appropriation of statutory reserve	-	-	-	-	-	13,963	-	(13,963)	-	-	-
At 31 December 2022	24	(6,955)	2,267,925	412	11,293	177,727	(78,558)	42,083	2,413,951	330	2,414,281

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Net cash used in operating activities	<u>(526,293)</u>	<u>(342,254)</u>
Net cash used in investing activities	<u>(91,946)</u>	<u>(78,865)</u>
Net cash from (used in) financing activities	<u>587,168</u>	<u>(168,739)</u>
Net decrease in cash and cash equivalents	(31,071)	(589,858)
Cash and cash equivalents at beginning of the year	619,036	1,210,447
Effect of foreign exchange rate changes	<u>(54,021)</u>	<u>(1,553)</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u>533,944</u>	<u>619,036</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

Joy Spreader Group Inc. (the “**Company**”) was incorporated and registered in the Cayman Islands on 19 February 2019 as an exempted company with limited liability under the Companies Law of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 23 September 2020. The address of the Company’s registered office is located at the office of Sertus Incorporations (Cayman) Limited, Sertus Chambers, Governors Square, Suite #5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman, KY1-1104, Cayman Islands. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) are provision of digital marketing business and the relevant services and sales of E-commerce goods.

On 30 June 2021, a special resolution was passed by the annual general meeting of the Company that the English name of the Company was changed from “Joy Spreader Interactive Technology. Ltd” to “Joy Spreader Group Inc.”, while the Chinese name of the Company was changed from “乐享互动有限公司” to “樂享集團有限公司” simultaneously. On 7 July 2021, the Registrar of Companies in the Cayman Islands issued a certificate of incorporation on change of name to the Company.

The ultimate holding company and immediate holding company of the Company are ZZN. Ltd. and Laurence mate. Ltd., respectively, which were incorporated in the British Virgin Islands, and are ultimately controlled by Mr. Zhu Zinan, the chairman and chief executive officer of the Company (the “**Ultimate Controlling Shareholder**”).

The consolidated financial statements are presented in Hong Kong Dollars (“**HK\$**”), which is different from the Company’s functional currency of Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (’000) except when otherwise indicated. The Company’s shares are listed on Stock Exchange, for the convenience of the users of the financial statements, the directors of the Company (the “**Directors**”) adopted HK\$ as the presentation currency of the Company.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The Group conducts its business through Beijing Joy Spreader Interactive Network Technology Group Co., Ltd (“**Beijing Joyspreader**”) and its subsidiaries, which were established in the People’s Republic of China (the “**PRC**”) (collectively, the “**Consolidated Affiliated Entities**”) due to regulatory restrictions on foreign ownership in the Internet cultural business industry in the PRC. Beijing Joyspreader was owned by the Ultimate Controlling Shareholder and other shareholders (collectively referred to as “**Joy Spreader Shareholders**”). Beijing Joy Spreader Interactive Technology Co., Limited, a wholly-owned subsidiary of the Company established in the PRC (“**Joy Spreader WFOE**”), has entered into contractual arrangements with Beijing Joyspreader and the Joy Spreader Shareholders on 11 December 2019 (the “**Contractual Arrangements**”). Pursuant to the Contractual Arrangements, Joy Spreader WFOE is able to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities;
- exercise equity holders’ voting rights of the Consolidated Affiliated Entities;
- receive substantially all of the economic returns generated by the Consolidated Affiliated Entities in consideration for the business support, technical and consulting services provided by Joy Spreader WFOE;
- obtain an irrevocable and exclusive right to purchase all or part of equity interests in the Consolidated Affiliated Entities from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations. Joy Spreader WFOE may exercise such options at any time until they have acquired all equity interests and/or all assets of the Consolidated Affiliated Entities. In addition, the Consolidated Affiliated Entities are not allowed to sell, transfer, pledge or dispose of any assets, or make any distributions to their equity holders without prior consent of Joy Spreader WFOE; and

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS – Continued

- obtain a pledge over the entire equity interest of the Consolidated Affiliated Entities from their equity holders as collateral security for payments of the Consolidated Affiliated Entities due to Joy Spreader WFOE and to secure performance of the Consolidated Affiliated Entities' obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has power over the Consolidated Affiliated Entities, has rights to variable returns from its involvement with the Consolidated Affiliated Entities, has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to have control over the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as indirect subsidiaries. The Group has consolidated the assets, liabilities, revenue, income and expenses of the Consolidated Affiliated Entities in the consolidated financial statements.

3. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSS”)

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the “IASB”) for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendment to IFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>
Amendments to IAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Amendments to IFRS Standards	<i>Annual Improvements to IFRS Standards 2018-2020</i>

The application of the amendments to IFRSs mentioned above in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	<i>Insurance Contracts¹</i>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture²</i>
Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback³</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current³</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants³</i>
Amendments to IAS 1 and IFRS Practice Statement 2	<i>Disclosure of Accounting Policies¹</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates¹</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i>

1 Effective for annual periods beginning on or after 1 January 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2024.

The Directors anticipate that the application of the above new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

	Year ended 31 December	
	2022 HK\$'000	2021 HK\$'000
Types of goods or services		
Provision of performance-based we-media marketing services		
Interactive entertainment and digital products marketing	311,056	959,674
E-commerce products marketing	307,078	288,352
	<u>618,134</u>	<u>1,248,026</u>
Sales of E-commerce goods	<u>3,104,605</u>	<u>147,868</u>
Others	<u>2,067</u>	<u>–</u>
	<u>3,724,806</u>	<u>1,395,894</u>
Timing of revenue recognition		
A point in time	<u>3,724,806</u>	<u>1,395,894</u>

(ii) Performance obligations for contracts with customers

Sales of E-commerce goods

The Group engages in sales of E-commerce goods. The Group concludes that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and has inventory risk. When the Group satisfies the performance obligation, being at the point the goods are delivered to the customers, the Group recognises trading revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts. Normally, the Group receives prepayments from customers and the transaction price received by the Group is recognised as a contract liability until the goods have been delivered to the customer.

Provision of performance-based we-media marketing services

The Group is engaged in the provision of performance-based we-media marketing services for various types of products (including E-commerce goods, mobile applications, mobile games, online literature, etc.). Performance-based we-media marketing refers to the form of marketing which is displayed on we-media, which are mainly online accounts registered by their users by using the traffic to publish marketing products (including text, pictures, audio or games or video contents) to the public. The Group normally acquires the advertising traffic of different online platforms from the suppliers and places the marketing products provided by the customers in the appropriate we-media platforms (such as WeChat and Douyin) which can target the interests of their subscribers.

4. REVENUE – Continued

(ii) Performance obligations for contracts with customers – Continued

Provision of performance-based we-media marketing services – Continued

The Group mainly acts as the principal to all contracts with customers as it controls the specified advertising traffic resources and the specified marketing services before it is displayed to the target users and therefore recognises revenue earned and costs incurred related to the transactions on a gross basis, taking into consideration indicators that the Group is primarily responsible for fulfilling the promise to provide the specified service and is responsible for (i) identifying and contracting with individual customers and negotiating with them the contract price; (ii) identifying and contracting with suppliers (normally the Group made prepayments to suppliers for the advertising traffic to be used for a future period, for example nine months); and (iii) bearing sole responsibility for fulfillment of the services. Such revenue is recognised at a point in time when specific services were provided based on different pricing models (for example, cost per action, cost per click or cost per sale for performance-based marketing services to marketing agencies as a result of the advertising display of marketing products on relevant we-media platforms). Normally, the payment terms for the contract is 90 days after the number of the specified actions is agreed with the customers monthly.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All sales of E-commerce goods and provision of performance-based we-media marketing services are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

5. SEGMENT INFORMATION

Information reported to the Group’s chief executive officer, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group’s operating and reportable segments under IFRS 8 *Operating Segments* are as follows:

- “Provision of performance-based we-media marketing services” segment mainly comprises the provision of these marketing services to help marketing customers direct to consumer, acquire new users and sales orders, and realise product promotion on a diverse we-media network; and
- “Sales of E-commerce goods” segment comprises the sales of E-commerce goods on an online basis.

The “Others” segment mainly comprises the provision of the culture related services.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

5. SEGMENT INFORMATION – Continued

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the year ended 31 December 2022

	Provision of performance -based we-media marketing services <i>HK\$'000</i>	Sales of E-commerce goods <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue from external customers	<u>618,134</u>	<u>3,104,605</u>	<u>2,067</u>	<u>3,724,806</u>
Segment profit (loss)	<u>74,563</u>	<u>(376,857)</u>	<u>(27,974)</u>	(330,268)
Share of results of associates				445
Unallocated corporate expenses				<u>(9,297)</u>
Loss for the year				<u>(339,120)</u>

For the year ended 31 December 2021

	Provision of performance -based we-media marketing services <i>HK\$'000</i>	Sales of E-commerce goods <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue from external customers	<u>1,248,026</u>	<u>147,868</u>	<u>–</u>	<u>1,395,894</u>
Segment profit (loss)	<u>318,567</u>	<u>(8,990)</u>	<u>–</u>	309,577
Unallocated corporate expenses				<u>(64,935)</u>
Profit for the year				<u>244,642</u>

Segment profit (loss) represents the profit earned by/loss from each segment without allocation of share of results of associates, and corporate expenses including central administration costs, directors' emoluments, foreign exchange losses and loss from changes in fair value of financial assets at FVPTL. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The CODM makes decisions according to operating results of each segment. No analysis of segment asset and segment liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Impairment loss recognised in respect of:		
– intangible assets	2,330	–
– investments in film and television dramas	5,826	–
Loss on disposal of property, plant and equipment, net	2	198
Foreign exchange (gains) losses, net	(43,036)	30,752
Loss on fair value changes of financial assets at FVTPL	1,925	3,595
Loss on fair value changes of obligation arising from a forward contract with non-controlling interests	2,375	–
Others	524	(1,783)
	<u>(30,054)</u>	<u>32,762</u>

7. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Net impairment losses recognised in respect of:		
trade receivables	31,836	861
other receivables	10,381	2,410
loan receivables	8,739	–
	<u>50,956</u>	<u>3,271</u>

8. INCOME TAX EXPENSE (CREDIT)

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Current enterprise income tax	77	122
Deferred tax	7,155	(3,044)
	<u>7,232</u>	<u>(2,922)</u>

8. INCOME TAX EXPENSE (CREDIT) – Continued

Income tax expense (credit) for the year can be reconciled to the (loss) profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
(Loss) profit before taxation	<u>(331,888)</u>	<u>241,720</u>
Tax at the applicable tax rate of 25% (2021:25%)	(82,972)	60,430
Tax effect of share of results of associates	(111)	(18)
Tax effect of expenses not deductible for tax purpose	20,364	4,319
Tax effect of income not taxable for tax purpose	(11,281)	(5,685)
Tax effect of tax exemptions granted	(53,522)	(62,853)
Tax effect of additional deduction of research and development expenses	(1,278)	(1,852)
Tax effect of different tax rate resulting from subsidiaries entitling as High-New Technology Enterprises (“HNTe”)	–	(1,403)
Tax effect of tax losses not recognised	114,099	4,140
Tax effect of deductible temporary differences not recognised	14,778	–
Tax effect of reversal of tax losses and deductible temporary differences previously recognised	<u>7,155</u>	<u>–</u>
Tax expense (credit)	<u><u>7,232</u></u>	<u><u>(2,922)</u></u>

Under the current laws of the Cayman Islands, the Company is an exempted entity and is not subject to tax on income or capital gains.

The Company’s subsidiaries incorporated in Hong Kong are subject to a two-tiered income tax rate on its taxable income generated from operations in Hong Kong effective on 1 April 2018. The first HK\$2 million of profits earned by its subsidiaries incorporated in Hong Kong will be taxed at half the current tax rate (i.e., 8.25%) while the remaining profits will continue to be taxed at the existing 16.5% tax rate.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% for both years.

Beijing Joyspreader, one of the Group’s subsidiaries, was qualified as a HNTe and was subject to a preferential income tax rate of 15% for three years starting from 1 January 2021.

Beijing Wuyou Technology Co., Ltd, one of the Group’s subsidiaries, was qualified as a HNTe and was subject to a preferential income tax rate of 15% for three years starting from 1 January 2019, and the HNTe status was approved to extend for another three years starting from 1 January 2022 on 1 December 2022.

According to “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” (Caishui [2011] 112) and “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” (Caishui [2021] 27) issued by the State Administration of Taxation and the Ministry of Finance of the PRC, two of the Group’s subsidiaries, Horgos Yaoxi Internet Technology Co., Ltd and Horgos Wuyou Internet Technology Co., Ltd, which were established in 2017 and located in Horgos city in the PRC, were exempted from income tax for five years starting from 1 January 2017. According to the latest preferential policy, these two subsidiaries were exempted from the 40% proportion of the income tax attributable to the local government for five years starting from 1 January 2022, and were subject to an income tax rate of 25% for the 60% proportion of the income tax attributable to the central government.

Horgos Zhipu Shulian Internet Technology Co., Ltd and Horgos Joyspreader Interactive Technology Co., Ltd, which were established in 2020 and located in Horgos city in the PRC, were exempted from income tax for five years starting from 1 January 2020.

9. (LOSS) EARNINGS PER SHARE

The calculation of the basic and diluted (loss) earnings per share attributable to owners of the Company is based on the following data:

(Loss) earnings figures are calculated as follows:

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
(Loss) profit for the year attributable to owners of the Company	(339,450)	244,642

Number of shares

	Year ended 31 December	
	2022	2021
	'000	'000
Weighted average number of ordinary shares for the purpose of basic (loss) earnings per share	<u>2,258,375</u>	<u>2,164,260</u>

The weighted average number of ordinary shares for the purpose of calculating basic loss per share for the year ended 31 December 2022 has been arrived at after deducting shares held by share award scheme under the trust as set out in note 18.

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2021 has been arrived at after deducting shares held by share award scheme under the trust as set out in note 18 and shares repurchased by the Company pending for cancellation.

The computation of diluted loss per share for the year ended 31 December 2022 does not consider the effect of non-vested shares under the share award scheme as it would result in a decrease in loss per share. During the year ended 31 December 2021, there was no potential ordinary share outstanding.

10. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2021 and 2022.

11. INTERESTS IN ASSOCIATES

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Cost of investments in associates	37,443	36,213
Share of post-acquisition profits and other comprehensive income	516	71
Exchange realignment	(2,761)	480
	<u>35,198</u>	<u>36,764</u>

11. INTERESTS IN ASSOCIATES – Continued

Details of the Group’s associates at the end of the reporting period are as follows:

Name of entities	Country of incorporation/ principal place of business	Proportion of ownership interest and voting rights held by the Group As at 31 December		Principal activities
		2022 %	2021 %	
揚州平衡數字文化產業發展基金 (有限合夥) Yangzhou Pingheng Digital Cultural Industry Development Fund (Limited Partnership) ("Pingheng Fund") ⁽ⁱ⁾	PRC	30.30	30.30	Investment in digital marketing/Internet culture industries
保利樂享文娛科技(北京) 有限公司 Poly Joy Spreader Digi- Entertainment (Beijing) Co., Limited ("Poly Joy Spreader") ⁽ⁱ⁾	PRC	10.00	–	Artist management and film production

(i) The English translation of the name is for reference only. The official name of this entity is in Chinese.

The Group is able to exercise significant influence over Pingheng Fund because it has the power to appoint one out of the five committee members of Pingheng Fund’s investment decision committee which direct the relevant activities of Pingheng Fund according to the partnership agreement.

The Group is able to exercise significant influence over Poly Joy Spreader because it has the power to appoint one out of five directors of Poly Joy Spreader under the articles of association of Poly Joy Spreader.

Summarised financial information of the material associate

Summarised financial information in respect of the Group’s material associate is set out below. The summarised financial information below represents amounts shown in the associate’s financial statements prepared in accordance with IFRSs.

The associate is accounted for using the equity method in the consolidated financial statements.

11. INTERESTS IN ASSOCIATES – Continued

Pingheng Fund

	As at 31 December	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current assets	<u>54,498</u>	<u>121,323</u>
Non-current assets	<u>57,094</u>	<u>–</u>
	Year ended 31 December	
	2022	2021
	<i>HK'000</i>	<i>HK'000</i>
Revenue	<u>–</u>	<u>–</u>
Profit for the year	<u>567</u>	<u>234</u>

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

	As at 31 December	
	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Net assets of Pingheng Fund	<u>111,592</u>	<u>121,323</u>
Proportion of the Group's ownership interest in Pingheng Fund	<u>30.30%</u>	<u>30.30%</u>
Carrying amount of the Group's interest in Pingheng Fund	<u>33,816</u>	<u>36,764</u>

Information of associate that is not individually material

	2022	2021
	<i>HK'000</i>	<i>HK'000</i>
The Group's share of profit	<u>273</u>	<u>–</u>
Carrying amount of the Group's interest in the associate	<u>1,382</u>	<u>–</u>

12. INVENTORIES

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
E-commerce goods	<u>40,254</u>	<u>–</u>

13. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Trade receivables	323,693	455,810
Less: Allowance for credit losses	<u>(49,527)</u>	<u>(20,692)</u>
	<u>274,166</u>	<u>435,118</u>
Deposits for expanding overseas E-commerce markets (<i>note</i>)	954,000	–
Receivables of income from investments in films and television dramas	17,039	–
Deposits paid to suppliers	2,351	2,446
Rental and other deposits	6,127	3,224
Other receivables	27,871	14,603
Less: Allowance for credit losses	<u>(13,050)</u>	<u>(3,352)</u>
	<u>994,338</u>	<u>16,921</u>
Total trade and other receivables and deposits	<u>1,268,504</u>	<u>452,039</u>
Analysis as		
Non-current	5,487	2,931
Current	<u>1,263,017</u>	<u>449,108</u>
	<u>1,268,504</u>	<u>452,039</u>

Note: In May 2022, the Group entered into several agreements with the largest traffic supplier, pursuant to which, the Group changed the intended use of the prepayments for purchases of traffic to deposits for expanding overseas E-commerce markets amounting to HK\$750,000,000 (see note 14). In July 2022, the Group entered into another agreement with the largest traffic supplier, pursuant to which, the Group deposited HK\$230,000,000 for expanding overseas E-commerce markets. These deposits consist of separate deposits for certain countries in Southeast Asia and other continents. During the term of 12 months of these agreements, the Group has the right to claim for a full refund if the Group decides not to operate business in the respective countries or continents.

During the year ended 31 December 2022, the Group decided not to operate business in certain countries, and deposits amounting to HK\$26,000,000 was refunded to the Group. Subsequent to the end of the current year, deposits amounting to HK\$104,000,000 was refunded to the Group up to 28 February 2023.

13. TRADE AND OTHER RECEIVABLES AND DEPOSITS – Continued

As at 1 January 2021, trade receivables from contracts with customers amounted to HK\$320,874,000.

The Group usually allows a credit period of 15 to 120 days to its customers with no collateral. Aging of trade receivables net of allowance for credit losses, is prepared based on invoice dates, which approximated the respective revenue recognition dates, are as follows:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Within 3 months	141,117	234,844
3-6 months	42,255	128,732
7-12 months	46,016	71,542
1-2 years	44,778	–
	<u>274,166</u>	<u>435,118</u>

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amounts of HK\$133,049,000 (2021: HK\$186,262,000) which are past due as at that date. Out of the past due balance, HK\$30,045,000 (2021: HK\$71,542,000) has been past due 90 days or more and is not considered as in default because the amount is due from a number of independent reputable customers by considering the background of the debtors and historical payment arrangement. The Group does not hold any collateral or other credit enhancement over these balances.

14. PREPAYMENTS

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Prepayments for purchases of traffic	684,893	1,182,368
Prepayments for consulting services	18,428	–
Other prepayments	3,428	6,563
	<u>706,749</u>	<u>1,188,931</u>
Analysis as		
Non-current	237,100	–
Current	469,649	1,188,931
	<u>706,749</u>	<u>1,188,931</u>

14. PREPAYMENTS – Continued

The following table shows the movements in prepayments for purchases of traffic for the year ended 31 December 2022:

	Prepayments for purchases of traffic HK\$'000
At 1 January 2022	1,182,368
Newly prepaid	819,121
Utilised	(487,310)
Transfer to deposits (<i>note 13</i>)	(750,000)
Exchange realignment	(79,286)
	<hr/>
At 31 December 2022	684,893

Subsequent to the end of the current year, prepayments for purchases of traffic amounting to HK\$47,158,000 in aggregate were utilised up to 28 February 2023.

15. TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Trade payables	251,231	67,246
Employee compensation payable	11,927	12,538
Other tax payable	2,013	613
Accrued listing expense/shares issue costs (<i>note</i>)	4,478	35,170
Payables for intangible assets	2,015	2,202
Other payables and accruals	22,668	5,163
	<hr/>	<hr/>
	294,332	122,932

Note: On 8 March 2022, the Company completed its negotiations and entered into an agreement with one of the international underwriters in connection with the listing of the shares of the Company on the Main Board of Stock Exchange, pursuant to which, the underwriting fee was reduced by HK\$21,841,000. Such direct issue costs decreased was credited to share premium.

The following is an aged analysis of trade payables by age presented based on the invoice date:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Within 3 months	249,023	64,834
Over 1 year	2,208	2,412
	<hr/>	<hr/>
	251,231	67,246

The average credit period on purchases of goods or services is 90 days.

16. OBLIGATION ARISING FROM A FORWARD CONTRACT WITH NON-CONTROLLING INTERESTS

In May 2022, a subsidiary of the Group, Joy Spreader (Nanjing) Interactive Technology Co., Ltd (“**Joy Spreader Nanjing**”) and Pingheng Fund, an associate of the Group, entered into a series of agreements (the “**Agreements**”), pursuant to which, Joy Spreader Nanjing and Pingheng Fund established Yangzhou Joy Spreader Huayue Culture Technology Ltd (“**Yangzhou Huayue**”) in May 2022. Joy Spreader Nanjing holds 70% equity interests and Pingheng Fund holds 30% equity interests in Yangzhou Huayue. During the year ended 31 December 2022, RMB84,000,000 (equivalent to HK\$94,037,000) and RMB36,000,000 (equivalent to HK\$40,294,000) were injected to Yangzhou Huayue as capital injection by Joy Spreader Nanjing and Pingheng Fund, respectively.

According to the Agreements, Joy Spreader Nanjing has agreed to buy, and Pingheng Fund has agreed to sell, 30% equity interests in Yangzhou Huayue, being the entire equity interest of Yangzhou Huayue held by Pingheng Fund, before the end of a term of 36 months since the signing date of the Agreements, and the final date of repurchase is at the main discretion of Joy Spreader Nanjing. The consideration of repurchase shall be determined at the higher of (i) the sum of the investment principal and interests at a fixed interest rate of 9% per annum, less any dividend received from Yangzhou Huayue; and (ii) the proportion of the net assets value of Yangzhou Huayue at the date of repurchase.

At initial recognition, the obligation arising from the forward contract with non-controlling interests represents the present value of the obligation to deliver the share redemption amount amounting to HK\$40,294,000. This amount has been recognised in the consolidated statement of financial position with a corresponding debit to the non-controlling interests at initial recognition.

As at 31 December 2022, fair value of the obligation arising from a forward contract with non-controlling interest was HK\$42,676,000.

17. SHARE CAPITAL

	Number of shares	Share capital HK\$
Ordinary shares of HK\$0.00001 each		
Authorised		
At 1 January 2021 and 31 December 2021 and 2022	5,000,000,000	50,000
Issued and fully paid		
At 1 January 2021 and 31 December 2021	2,185,268,200	21,853
Cancellation of shares (<i>note a</i>)	(5,341,000)	(53)
Issue of shares (<i>note b</i>)	192,000,000	1,920
At 31 December 2022	2,371,927,200	23,720
	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Presented as	24	22

17. SHARE CAPITAL – Continued

Notes:

- a. The Company repurchased 5,341,000 ordinary shares with a consideration of HK\$11,950,000 in 2021 pending for cancellation. These shares were all cancelled during the year ended 31 December 2022.
- b. Upon the completion of all conditions as stated in a placing and subscription agreement entered into by the Company, ZZN Ltd. (“ZZN”), the Company’s ultimate holding company, and a placing agent dated 6 June 2022, (1) a total of 192,000,000 shares of the Company held by ZZN were placed at HK\$3.14 per share to not less than six placees on 6 June 2022; and (2) a total of 192,000,000 new shares of the Company were subscribed by ZZN at HK\$3.14 per share on 16 June 2022. Net proceeds of approximately HK\$593,005,000, after deducting the underwriting fee of HK\$9,875,000, were received by the Company. Total issuance cost, including the underwriting fee, amounting to HK\$21,833,000 was deducted from share premium. Details of the placing and subscription are set out in the announcements published by the Company dated 6 June 2022 and 16 June 2022.

18. SHARE BASED PAYMENT TRANSACTIONS

The Company has adopted a share award scheme pursuant to the board resolution of the Company dated 21 June 2021 (the “Share Award Scheme”).

Pursuant to the Share Award Scheme, the Company had contracted with a trustee (the “Trustee”) to establish a trust (the “Trust”) on 21 June 2021. The board of directors (the “Board”) may from time to time during the effective period of the Share Award Scheme (a term of 10 years commencing on the adoption of this scheme or early terminated) contribute funds to the Trust and instruct the Trustee to purchase shares of the Company on the Stock Exchange. Shares purchased and held by the Trust are transferrable and have voting rights, however, the Trustee shall not exercise the voting rights. Shares will be granted to the selected directors, employees, consultants and advisers of the Group (the “Selected Participants”) pursuant to the terms and trust deed of the Share Award Scheme. Vesting of the shares granted to the Selected Participants is conditional upon the fulfilment of vesting conditions as specified by the Board.

During the year ended 31 December 2022, the Trustee purchased a total of 2,752,000 shares of the Company (2021: 49,488,000 shares) with a consideration of HK\$7,280,000 (2021: HK\$138,052,000). The cost of the shares purchased was recognised in equity as treasury stocks.

During the year ended 31 December 2022, 4 participants (2021: nil) were selected as the Selected Participants, and 52,240,000 shares (2021: nil) had been granted and 49,740,000 shares (2021: nil) had been vested immediately at the date of grant with an exercise price of zero. The remaining 2,500,000 shares should be vested on 31 December 2023 with an exercise price of zero without any other vesting conditions.

As at 31 December 2022, 2,500,000 shares of the Company (2021: 49,488,000 shares) were held by the Trustee.

The following table discloses details of the awarded shares held by the grantees and movements in such holdings under the Share Award Scheme during the current year:

	Outstanding at 1 January 2022	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2022
Shares granted to:					
Director	–	4,400,000	(4,400,000)	–	–
Employees	–	47,840,000	(45,340,000)	–	2,500,000
Total	–	52,240,000	(49,740,000)	–	2,500,000

The Group recognised share-based payment expenses of HK\$70,659,000 during the year ended 31 December 2022 in respect of these awarded shares (2021: nil). The weighted average fair value of the awarded shares is HK\$1.42 at the date of grant. The fair values for these awarded shares granted were calculated using the fair value of the Company’s ordinary shares on the date of grant.

OTHER INFORMATION AND CORPORATE GOVERNANCE HIGHLIGHTS

Contractual Arrangements

For the year ended December 31, 2022, the Board has reviewed the overall performance of the Contractual Arrangements and believed that the Group has complied with the Contractual Arrangements in all material respects.

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and took effect on January 1, 2020. The Foreign Investment Law stipulates forms of foreign investment as below:

- (i) foreign investors set up foreign invested enterprises in China severally or jointly with other investors;
- (ii) foreign investors acquire shares, equity, properties or other similar interests in any domestic enterprise;
- (iii) foreign investors invest in new projects in China severally or jointly with other investors; and
- (iv) foreign investors invest through any other methods under laws, administrative regulations, or provisions prescribed by the State Council.

The Foreign Investment Law stipulates that the Negative List is applied in certain industry sectors. The Negative List set out in the Foreign Investment Law classified the relevant prohibited and restricted industries into the Catalog of Prohibitions and the Catalog of Restrictions, respectively. Where any foreign investor directly or indirectly holds shares, equity, properties or other interests in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalog of Prohibitions. Foreign investors are allowed to invest in sectors set out in the Catalog of Restrictions, subject to certain conditions. Foreign investors are allowed to invest in any sector beyond the Negative List and shall be managed on the same basis as domestic investments.

Current PRC laws and regulations impose certain restrictions or prohibitions on foreign ownership of companies that engage in internet culture businesses and other related businesses. In particular, under the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (《外商投資准入特別管理措施(負面清單)(2021年版)》) which took effect on January 1, 2022, certain of the Group's performance-based marketing services fall into the internet culture businesses which is considered prohibited. To comply with PRC laws and regulations, the Group conducts our performance-based marketing in China through Beijing Joyspreader and its subsidiaries, based on a series of Contractual Arrangements by and among WFOE, Beijing Joyspreader and the Registered Shareholders. As a result of these Contractual Arrangements, the Group exerts control over Beijing Joyspreader and its subsidiaries and consolidates their results of operations into the Group's financial statements. Beijing Joyspreader and its subsidiaries hold the licenses, approvals and key assets that are essential for the operations of the Group's Relevant Businesses (as defined in the Prospectus). For the efforts made and actions taken by the Group in compliance with the qualification requirements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

As of the date of this announcement, there has been no update on the Foreign Investment Law and the Group has complied with the Foreign Investment Law and the implementation rules in relation to the qualification requirements.

Nevertheless, as disclosed above, even if the Company and its Shareholders have taken steps with the aim to meet the Qualification Requirements (as defined in the Prospectus), each of the Consolidated Affiliated Entities conducting Restricted Businesses (as defined in the Prospectus) must also hold the Online Culture Operating License which prohibits foreign investments, and therefore the Company would not be able to hold any equity interest in the Consolidated Affiliated Entities. In case that in future the Company or any of the Consolidated Affiliated Entities may provide value-added telecommunications services that require ICP License only, the Company will, where necessary, consider to set up new subsidiary(ies) or transfer the relevant business to proper subsidiary(ies) in order to directly hold the maximum percentage of ownership interests permissible under the relevant PRC laws and regulations.

Use of Proceeds from Listing

The Company was successfully listed on the Main Board of the Stock Exchange on September 23, 2020. According to the relevant disclosures as set out in the Prospectus and the Announcement of Allotment Results, after deducting underwriting fees, commissions and related expenses payable by the Company, the net proceeds obtained by the Company from the Global Offering (the “**Original Net Proceeds from the Listing**”) amounted to approximately HK\$1,498.83 million (including the net proceeds from partial exercise of the Over-allotment Option).

The utilization of Original Net Proceeds from the Listing of the Group as of August 31, 2022, is analyzed as follows:

The intended use of the net proceeds from the listing as described in the Prospectus	Original Net Proceeds from the Listing (including net proceeds from the exercise of the Over – allotment Option) (HK\$ million)	Approximate percentage of Original Net Proceeds from the Listing (%)	Utilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)	Unutilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)
To develop our short-form video mobile new media monetization business, the net proceeds from the listing:				
(1) Will be used to invest in developing our self-owned user traffic;	511.11	34.10%	492.28	18.83
(2) Will be used to expand our team;	61.45	4.10%	35.36	26.09
(3) Will be used to further develop our short – form video technology infrastructure;	37.47	2.50%	28.37	9.10
(4) Will be used to procure high quality copyrights or ownership of high quality interactive entertainment products or license-in high quality interactive entertainment products; and	265.29	17.70%	233.13	32.16
(5) Will be used to continuously develop and optimize our algorithms and data collection capabilities to increase the effectiveness of recommendation algorithms for short-form videos.	23.98	1.60%	22.52	1.46

The intended use of the net proceeds from the listing as described in the Prospectus	Original Net Proceeds from the Listing (including net proceeds from the exercise of the Over – allotment Option) (HK\$ million)	Approximate percentage of Original Net Proceeds from the Listing (%)	Utilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)	Unutilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)
To continue to strengthen our capabilities in performance-based mobile new media marketing services, the net proceeds:				
(1) Will be used for potential investments in, or acquisitions of suitable licensed or large agents of top mobile we-media platforms;	106.42	7.10%	36.21	70.21
(2) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	46.46	3.10%	24.40	22.06
(3) Will be used to expand our interactive entertainment product offerings; and	121.41	8.10%	35.64	85.77
(4) Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order to capture high-quality mobile new media resources.	22.48	1.50%	–	22.48

The intended use of the net proceeds from the listing as described in the Prospectus	Original Net Proceeds from the Listing (including net proceeds from the exercise of the Over – allotment Option) (HK\$ million)	Approximate percentage of Original Net Proceeds from the Listing (%)	Utilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)	Unutilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)
To finance our international expansion, the net proceeds:				
(1) Will be used to establish an overseas office in South Korea or countries in Southeast Asia and to establish an international sales and marketing team;	61.45	4.10%	–	61.45
(2) Will be used for exploring potential investments and acquisitions, including talent trainee agency companies with strong talent resources in South Korea and Southeast Asia;	38.97	2.60%	–	38.97
(3) Will be used for procuring user traffic from overseas mobile new media platforms or their agents that provide traffic resources to extend our performance-based mobile new media marketing services to overseas platforms for both domestic marketers and foreign marketers that seek to market their products on overseas short-video platforms; and	29.98	2.00%	15.18	14.80
(4) Will be used to develop overseas versions of our technology platforms.	22.48	1.50%	14.82	7.66
For our working capital and general corporate purposes	149.88	10.00%	126.38	23.50
Total	1,498.83	100.00%	1,064.29	434.54

On March 8, 2022, after arm’s length negotiations after taking into consideration of other business arrangement, the Company entered into a debt exemption agreement with one of the International Underwriters in the Global Offering, pursuant to which, such International Underwriter has exempted approximately HK\$21.84 million of the underwriting fee payable to such International Underwriter by the Company under the International Underwriting Agreement. The exemption resulted in a decrease in the total underwriting fee payable by the Company, and the net proceeds from the Listing of the Company increased by approximately HK\$21.84 million (the “**Increased Net Proceeds from the Listing**”) to approximately HK\$1,520.67 million (the “**Updated Net Proceeds from the Listing**”) accordingly. For details, please refer to the Company’s announcement dated March 8, 2022.

Due to the reasons set out in the paragraph headed “Reasons for and Benefits of the Change in the Use of Proceeds from the Listing” below, the Board has passed a resolution on August 31, 2022 to determine that the unutilized Original Net Proceeds from the Listing and the Increased Net Proceeds from the Listing (the “**Unutilized Proceeds from the Listing**”) are reallocated as follows:

The intended use of the net proceeds from the listing as described in the Prospectus	Original Net Proceeds from the Listing (including net proceeds from the exercise of the Over-allotment Option)	Approximate percentage of Original Net Proceeds from the Listing	Unutilized Original Net Proceeds from the Listing as of August 31, 2022	Reallocated Updated Net Proceeds from the Listing	Unutilized Proceeds from the Listing upon reallocation	Utilized proceeds from the listing upon reallocation from September 1, 2022 to December 31, 2022	Unutilized proceeds from the listing upon reallocation as of December 31, 2022	Expected timetable for the use of Unutilized Proceeds from the Listing
	(HK\$ million)	(%)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
To develop our short-form video mobile new media monetization business, the net proceeds:								
(1) Will be used to invest in developing our self-owned user traffic;	511.11	34.10%	18.83	-	18.83	8.10	10.73	over the next two and a half years
(2) Will be used to expand our team;	61.45	4.10%	26.09	-	26.09	-	26.09	over the next two and a half years
(3) Will be used to further develop our short-form video technology infrastructure;	37.47	2.50%	9.10	-	9.10	2.03	7.07	over the next two and a half years
(4) Will be used to procure high quality copyrights or ownership of high quality interactive entertainment products or license-in high quality interactive entertainment products; and	265.29	17.70%	32.16	-	32.16	-	32.16	over the next two and a half years
(5) Will be used to continuously develop and optimize our algorithms and data collection capabilities to increase the effectiveness of recommendation algorithms for short-form videos.	23.98	1.60%	1.46	-	1.46	-	1.46	over the next two and a half years

The intended use of the net proceeds from the listing as described in the Prospectus	Original Net Proceeds from the Listing (including net proceeds from the exercise of the Over – allotment Option) <i>(HK\$ million)</i>	Approximate percentage of Original Net Proceeds from the Listing <i>(%)</i>	Unutilized Original Net Proceeds from the Listing as of August 31, 2022 <i>(HK\$ million)</i>	Reallocated Updated Net Proceeds from the Listing <i>(HK\$ million)</i>	Unutilized Proceeds from the Listing upon reallocation <i>(HK\$ million)</i>	Utilized proceeds from the listing upon reallocation from September 1, 2022 to December 31, 2022 <i>(HK\$ million)</i>	Unutilized proceeds from the listing upon reallocation as of December 31, 2022 <i>(HK\$ million)</i>	Expected timetable for the use of Unutilized Proceeds from the Listing
To continue to strengthen our capabilities in performance-based mobile new media marketing services, the net proceeds:								
(1) Will be used for potential investments in, or acquisitions of suitable licensed or large agents of top mobile we-media platforms;	106.42	7.10%	70.21	-	70.21	-	70.21	over the next two and a half years
(2) Will be used for upgrading and optimizing our technologies, platforms and algorithms;	46.46	3.10%	22.06	-	22.06	-	22.06	over the next two and a half years
(3) Will be used to expand our interactive entertainment product offerings; and	121.41	8.10%	85.77	-40.00	45.77	-	45.77	over the next two and a half years
(4) Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order to capture high-quality mobile new media resources.	22.48	1.50%	22.48	-	22.48	-	22.48	over the next two and a half years

The intended use of the net proceeds from the listing as described in the Prospectus	Original Net Proceeds from the Listing (including net proceeds from the exercise of the Over-allotment Option) (HK\$ million)	Approximate percentage of Original Net Proceeds from the Listing (%)	Unutilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)	Reallocated Updated Net Proceeds from the Listing (HK\$ million)	Unutilized Proceeds from the Listing upon reallocation (HK\$ million)	Utilized proceeds from the listing upon reallocation from September 1, 2022 to December 31, 2022 (HK\$ million)	Unutilized proceeds from the listing upon reallocation as of December 31, 2022 (HK\$ million)	Expected timetable for the use of Unutilized Proceeds from the Listing
To finance our international expansion, the net proceeds:								
(1) Will be used to establish an overseas office in South Korea or countries in Southeast Asia and to establish an international sales and marketing team;	61.45	4.10%	61.45	-	61.45	-	61.45	over the next two and a half years
(2) Will be used for exploring potential investments and acquisitions, including talent trainee agency companies with strong talent resources in South Korea and Southeast Asia;	38.97	2.60%	38.97	-38.97	-	-	-	over the next two and a half years
(3) Will be used for procuring user traffic from overseas mobile new media platforms or their agents that provide traffic resources to extend our performance-based mobile new media marketing services to overseas platforms for both domestic marketers and foreign marketers that seek to market their products on overseas short-video platforms;	29.98	2.00%	14.80	+10.92	25.72	-	25.72	over the next two and a half years
(4) Will be used to develop overseas versions of our technology platforms; and	22.48	1.50%	7.66	+10.92	18.58	-	18.58	over the next two and a half years
(5) Will be used to expand overseas sales of E-commerce goods business.	-	-	-	+18.97	18.97	12.15	6.82	over the next two and a half years
The net proceeds to develop our culture business:	-	-	-	+60.00	60.00	-	60.00	over the next two and a half years
For our working capital and general corporate purposes:	149.88	10.00%	23.50	-	23.50	8.58	14.92	over the next two and a half years
Total	1,498.83	100.00%	434.54	21.84	456.38	30.86	425.52	

REASONS FOR AND BENEFITS OF THE CHANGE IN THE USE OF PROCEEDS FROM THE LISTING

The Board is of the opinion that, it is necessary for the Group to further intensify its investment in culture business and overseas sales of E-commerce goods business. The Board believes that the change in the use of Gross Proceeds from the listing is beneficial for the Group to satisfy its current operational requirements, and is therefore in the best interests of the Group and the Shareholders as a whole.

USE OF PROCEEDS FROM THE PLACING

On June 6, 2022, the Company, ZZN. Ltd (the “**Top-up Vendor**”) and Goldman Sachs (Asia) L.L.C. (the “**Placing Agent**”) entered into the Placing and Subscription Agreement, pursuant to which, (i) the Top-up Vendor agreed to sell, and the Placing Agent agreed, as agent of the Top-up Vendor, to procure on a best effort basis purchasers to purchase, 192,000,000 Placing Shares held by the Top-up Vendor (the “**Vendor Placing**”) at a price of HK\$3.14 per Placing Share; and (ii) the Top-up Vendor conditionally agreed to subscribe for (the “**Subscription**”), and the Company conditionally agreed to issue, 192,000,000 Subscription Shares at the Subscription Price, which is equivalent to the Placing Price. Completion of the Vendor Placing and the Subscription have been took place on June 9, 2022 and June 16, 2022, respectively. The Company received total net proceeds of approximately HK\$592.3 million from the Subscription, net of all applicable costs and expenses including commissions, professional fees and out-of-pocket expenses. For details, please refer to the Company’s announcements dated June 7, 2022 and June 16, 2022. As of December 31, 2022, the Company has utilized HK\$448.34 million of the proceeds from the placing, and HK143.96 million remains unutilized.

The Company intends to apply the net proceeds from the placing to support the rapid development of the Group’s overseas sales of E-commerce goods business for expanding the scale and consolidating its market position. The Company intends to fully utilize the net proceeds received from the Subscription within the next five years. This expected timeline is based on the best estimation of future market conditions and business operations made by the Company, and remains subject to change based on current and future development of market conditions and actual business needs.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

Save as disclosed in note 18 to the audited consolidated financial statements in this announcement, neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s listed securities during the Reporting Period. The Company cancelled 5,341,000 Shares which were repurchased by the Company in 2021 on April 26, 2022.

Final Dividend

The Board does not recommend the payment of a final dividend for the year ended December 31, 2022 (2021: nil).

CORPORATE GOVERNANCE

The Group is committed to maintaining high standard of corporate governance to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the principles and code provisions of Part 2 of the CG Code as its own code of corporate governance.

The Board is of the view that the Company has complied with all applicable code provisions of Part 2 of the CG Code during the year ended December 31, 2022, except for a deviation from the code provision C.2.1 of the CG Code, that the roles of Chairman and chief executive officer of the Company are not separated and are both performed by Mr. Zhu Zinan. In view of Mr. Zhu's experience, personal profile and his roles in the Group and that Mr. Zhu has assumed the role of chief executive officer of our Group since its establishment, the Board considers it beneficial to the business prospect and operational efficiency of our Group for Mr. Zhu acting as the Chairman and continuing to act as the chief executive officer of the Company. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by the Board requires approval by at least a majority of the Directors, and we believe that there is sufficient check and balance in the Board; (ii) Mr. Zhu and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman and chief executive officer is necessary. Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of Shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in the Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules as the code of conduct regarding securities transactions by the Directors.

Having made specific enquiries of all Directors, all of them have confirmed that they have complied with the above Model Code as of December 31, 2022. No incident of non-compliance of the above Model Code by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the publicly available information and to the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules as at the date of this announcement.

AUDIT COMMITTEE

The Board has established the Audit Committee. The Audit Committee comprises two independent non-executive Directors, namely Mr. Tang Wei (Chairman), Mr. Xu Chong, and one non-executive Director, Mr. Hu Qingping.

The Audit Committee has reviewed with the management and the external auditors of the Company the accounting principles and policies adopted by the Company, and discussed and reviewed internal control, risk management and reporting matters.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2022. The Audit Committee considered that the audited consolidated financial statements for the year ended December 31, 2022 complied with the applicable accounting standards, the Listing Rules and all other applicable legal requirements.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 31 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

EVENT AFTER THE REPORTING PERIOD

The Group did not have any significant events after the Reporting Period.

PUBLICATION OF THE ANNUAL RESULTS AND THE 2022 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.joyspreader.com), and the annual report for the year ended December 31, 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the above websites in due course.

APPRECIATION

The Board would like to express its sincere gratitude to all the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

DEFINITIONS

“1P Traffic”	first-party traffic
“AIGC”	artificial intelligence generated content
“app”	mobile application
“Audit Committee”	the audit committee of the Board
“Beijing Joyspreader”	Beijing Joy Spreader Interactive Network Technology Group Co., Ltd (北京樂享互動網絡科技股份集團有限公司), a company established under the laws of the PRC with limited liability on October 9, 2008, and by virtue of the Contractual Arrangements, accounted for as our subsidiary
“Board”	the board of Directors
“CG Code”	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
“Chairman”	the chairman of the Board
“China” or “the PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
“Consolidated Affiliated Entities”	the entities we control through the Contractual Arrangements, namely Beijing Joyspreader and its subsidiaries
“Contractual Arrangements”	the series of contractual arrangements entered into by, among others, WFOE, Beijing Joyspreader and the Registered Shareholders
“Director(s)”	the director(s) of the Company
“Foreign Investment Law”	the PRC Foreign Investment Law (《中華人民共和國外商投資法》)
“FVTPL”	fair value through profit or loss
“FVTOCI”	fair value through other comprehensive income
“GDP”	gross domestic product

“GMV”	gross merchandise volume
“Group”, “the Group”, “Joy Spreader Group”, “we” or “us”	our Company, its subsidiaries and the consolidated affiliated entities at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the subsidiaries of our Company or the businesses operated by its present subsidiaries (as the case may be)
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“ICP License”	value-added telecommunications operating license (增值電信業務經營許可證)
“interactive entertainment product(s)”	interactive entertainment product(s), primarily comprising games and internet literature, etc.
“Joyspreader”, “Company”, or “We”	Joy Spreader Group Inc. (樂享集團有限公司) (formerly known as Joy Spreader Interactive Technology. Ltd (乐享互动有限公司)), a company incorporated in the Cayman Islands on February 19, 2019 as an exempted company with limited liability
“Joy Spreader International”	Joy Spreader International (HK) Limited (樂享國際有限公司), a company incorporated in Hong Kong on October 25, 2019 as a limited liability company and a wholly-owned subsidiary of us
“Listing”	the listing of the Shares on the Main Board on September 23, 2020
“Listing Date”	September 23, 2020, being the date on which the Shares were listed on the Main Board
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“Main Board”	the Main Board of the Stock Exchange
“MCN”	multi-channel network, a product form of multi-channel network, is a new operation mode of internet celebrity economy
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules

“Negative List”	The List of Special Management Measures for the Market Entry of Foreign Investment (《外商投資准入特別管理措施(負面清單)》)
“Online Culture Operating License”	Online Culture Operating License (網絡文化經營許可證)
“Over-allotment Option”	has the meaning ascribed thereto in the Prospectus
“Prospectus”	the prospectus issued by the Company dated September 10, 2020
“PGC”	professional generated content
“R&D”	research and development
“Registered Shareholder(s)”	being Mr. Zhu Zinan, Shenzhen Nanhai Growth Win-win Private Equity Investment Fund (Limited Partnership) (深圳南海成長同贏股權投資基金(有限合夥)), Nantong Pinghengchuangye Venture Capital Investment Centre (Limited Partnership) (南通平衡創業投資基金中心(有限合夥)), Beijing Zinan and his Friends Cultural Centre (Limited Partnership) (北京子南和他的小夥伴們文化中心(有限合夥)), Jiaxing Baozheng Investment Partnership (Limited Partnership) (嘉興寶正投資合夥企業(有限合夥)), Daoyoudao Technology Group Co., Ltd. (道有道科技集團股份公司), Nanjing Pingheng Capital Management Centre (General Partnership) (南京平衡資本管理中心(普通合夥)), Mr. Zhang Zhidi, Mr. Chen Liang, Shanghai Jinjia Asset Management Co., Ltd. (上海今嘉資產管理有限公司), Mr. Guo Zhiwei, Ms. Zhang Yue, Ms. Zhang Wenyan, Ms. Xue Xiaoli, Ms. Zhu Xifen, Mr. Xiong Chi and Ms. Huang Huijuan, who are shareholders of Beijing Joyspreader
“Renminbi” or “RMB”	Renminbi Yuan, the lawful currency of China
“Reporting Period”	the twelve months period from January 1, 2022 to December 31, 2022
“Shareholder(s)”	holder(s) of Shares
“Share(s)”	ordinary shares in the share capital of our Company with the nominal value of HK\$0.00001 each
“Share Award Scheme”	the share award scheme adopted by the Board on June 21, 2021
“State Council”	State Council of the PRC (中華人民共和國國務院)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“UGC”	user generated content
“WFOE”	Beijing Joy Spreader Interactive Technology Co., Ltd (北京樂享互動科技有限公司), a limited liability company established in the PRC on May 22, 2019 and a wholly-owned subsidiary of us
“Yingyi Technology”	Shenzhen Yingyi Vision Technology Co., Ltd. (深圳影漪視界科技有限公司), a non-listed company established under the laws of the PRC with limited liability on September 14, 2020

In this announcement, the terms “associate”, “connected person”, “controlling shareholder” and “subsidiary” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By order of the Board
Joy Spreader Group Inc.
Zhu Zinan
Chairman

Beijing, the PRC
March 31, 2023

As at the date of this announcement, the Board comprises Mr. Zhu Zinan, Mr. Cheng Lin and Ms. Qin Jiabin as executive Directors; Mr. Hu Qingping and Mr. Hu Jiawei as non-executive Directors; and Mr. Xu Chong, Mr. Tang Wei and Mr. Fang Hongwei as independent non-executive Directors.