NETJOY HOLDINGS LIMITED
云想科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2131

2022
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Xu Jiaqing *(Chairman)*
Mr. Wang Chen *(Chief Executive Officer)*
Mr. Lin Qian *(Chief Financial Officer)*
Ms. Zha Lijun

Non-executive Directors

Mr. Dai Liqun
Mr. Wang Jianshuo

Independent Non-executive Directors

Mr. Chen Changhua
Dr. Ru Liyun
Ms. Cui Wen

AUDIT COMMITTEE

Mr. Chen Changhua *(Chairman)*
Dr. Ru Liyun
Mr. Dai Liqun

REMUNERATION COMMITTEE

Dr. Ru Liyun *(Chairman)*
Mr. Chen Changhua
Mr. Dai Liqun

NOMINATION COMMITTEE

Mr. Xu Jiaqing *(Chairman)*
Mr. Chen Changhua
Dr. Ru Liyun

AUTHORIZED REPRESENTATIVES

Mr. Wang Chen
Ms. Peng Ting

JOINT COMPANY SECRETARIES

Ms. Peng Ting
Ms. Leung Shui Bing

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HONG KONG SHARE REGISTRAR

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STOCK CODE

2131

COMPANY WEBSITE

www.netjoy.com

Financial Highlights

	Year ended December 31, 2022	2021	Year-on-year change
	(RMB in millions, except percentage)		
Revenue	**3,310.09**	3,122.49	6.01%
Gross profit	**30.48**	218.67	(86.06)%
(Loss)/profit before income tax	**(202.22)**	134.32	(250.55)%
(Loss)/profit for the year	**(178.57)**	117.40	(252.10)%
Adjusted net (loss)/profit	**(199.13)**	146.54	(235.89)%

	Year ended December 31,				
	2022	2021	2020	2019	2018
	(RMB in millions)				
Revenue	**3,310.09**	3,122.49	2,577.03	2,313.04	1,186.17
Gross profit	**30.48**	218.67	202.65	159.29	108.26
(Loss)/profit before income tax	**(202.22)**	134.32	111.14	79.09	74.61
(Loss)/profit for the year	**(178.57)**	117.40	103.61	72.93	69.48
Adjusted net (loss)/profit	**(199.13)**	146.54	146.02	87.92	74.61

	As at December 31,				
	2022	2021	2020	2019	2018
	(RMB in millions)				
Non-current assets	**141.87**	69.16	50.77	40.39	10.77
Current assets	**2,207.22**	2,388.86	1,988.94	598.57	422.75
Current liabilities	**973.61**	871.77	531.44	356.24	224.02
Non-current liabilities	**4.55**	3.57	3.25	1.04	1.28
Total equity attributable to owners of the parent	**1,370.95**	1,582.68	1,505.02	281.68	208.22

Dear Shareholders,

The key theme for the year 2022 might be "change". How to maintain the momentum of enterprise development in the face of changes and how to seek new growth in the midst of changes are two core questions that we have been continuously thinking about and striving to create answers to throughout the year.

Since being listed on the Main Board of the Hong Kong Stock Exchange on December 17, 2020, the Group has begun a new phase of development in an ever-changing environment, where we are continuing to explore opportunities in the marketing field with the relentless evolution of information form in the Internet industry while confronting difficulties from the macro environment, the capital market and the industry market. The constant is always the full confidence of our team, which fuels our high morale even when the road ahead is full of obstacles. On behalf of the Board of Directors, I would like to express my sincere gratitude to all shareholders for the trust and support you have given to the Group, which lays a firm foundation and forms a strong motivation for us to continuously grow.

Not only is 2022 the tenth year since our establishment, but also it is a year when the external environment witnessed the "biggest change", where the Group also experienced ups and downs. At the beginning of the year, we clearly defined three strategic directions for the Group's development – Platformization, Diversification and Internationalization – to guide the future expansion of Netjoy's business landscape. Subsequently, in the face of the relatively stable market environment at the beginning of the first quarter, we made great efforts to promote the positive recovery of our business. Since the second quarter, there were multiple affairs rising, such as a resurgence of pandemic across China, the domestic Internet industry reaching a turning point and the global macro-environment changing rapidly, all of which brought short-term but serious challenges to our long-term development.

As the Chairman and one of the founders of Netjoy, I am entirely aware that our Shareholders who have supported and trusted Netjoy in long term have high expectations and requirements on us. Although the Group maintained a robust business operation in 2022, the growth pace was under our own expectation – the gross billing increased by 11.89% year-on-year to RMB7.361 billion, and revenue increased by 6.01% year-on-year to RMB3.310 billion, and profit performance was unsatisfactory resulting from macro-environmental complications. As for such results, I can deeply understand the confusion from each shareholder, and I myself also fully feel pressure and urgency. I would like to take the opportunity of this letter to share my thoughts with you.

Introspection amidst difficulties and optimization in responses

In 2022, the uncertain pandemic situation coupled with the varying industry regulatory environment resulted in unavoidable pressure and challenges to all participants in the online advertising market including advertisers as well as media platforms, both of which are strongly associated with our business operations, and thus brought challenges to our operational management.

Under the weak economic environment, most of corporates suffered from the pressure in their business operation and capital management, which consequently caused their rising business volatility. Therefore, considering the situation of our clients in 2022, we prudently decided to increase the expected credit loss amount for trade receivables for the last year. Also, we have realized that the rigorousness merely in financials is insufficient and we need to further enhance our client credit risk management capabilities to fundamentally reduce the risk in order to ensure the operational stability. Through in-depth analyzation and summarization, we have further optimized our internal management policy to improve the overall risk control management capabilities. For example, we have incorporated several indicators related to client credit risk into the performance assessment system of salespersons, and improved the front-end commercial workflow and salesperson handover process and so on. In addition, with the platform-based technical capability of Netjoy, we will build a client credit risk assessment and management system in digital form to further strengthen our risk control management capability.

At the same time, the mainstream media platforms also faced the growth bottleneck amidst the tough environment. In the second half of last year, one single media platform suddenly and significantly adjusted its commercial policy related to service providers, which generated some pressure on our profitability in the short term to some extent although we promptly and correspondingly revised some incentive terms for our clients. Therefore, in the course of our current and future business development, we will continue to enrich our media matrix and further broaden the vertical industry range and service depth on each platform to formulate a more flexible and agile media structure strategy and reduce the impact brought by changes from one single media platform.

Persistent in technology development and its long-term rewards

In the past two years, low sentiment has remained among advertisers, media platforms have been under pressure, the online marketing industry has become increasingly competitive and the service providers have been experiencing the decreasing gross profit margin. Faced with the rising difficulty in industry-level profitability, what can we do and what have we done? I believe these are questions that our shareholders, peers and other market participants are concerned about.

The core answer is "technology-driven", which Netjoy has always insisted on and pursued, thus our primary strategy being "Platformization". As the pioneer in short-video marketing technology field, we were well-positioned to ride on the high speed of market development, while at the meantime achieving rapid expansion in scale and profitability by virtue of our excellent technical ability for consecutive past years. In the face of the current difficult market environment, the power of technology has once again become the key for us to navigate risks, reduce costs and improve efficiency.

In terms of the effectiveness of short-video marketing, one of the dominant influencing factors is the production capacity of video content. One of remarkable outcomes we have gained through investing plenty of resources and efforts in upgrading the platform-based technology since 2021, is our content production capacity – the internal monthly video production capacity per capita has increased significantly from 62 videos in 2020 to 271 videos in 2021 and further to 359 videos in 2022. We are strongly focusing on and pursuing the enhancement of the mechanization across the full chain of content production in order to continually improve our capacity and efficiency. We believe that it is the future tendency of content production as well as an important approach for us to significantly optimize our production costs especially under a tough market environment.

In addition, as developing our business, we keep pondering how we can further narrow the constraints in our development pace, scale and effectiveness brought by human-wised efficiency bottlenecks and repetitive headcount expansion. Once again, the answer to this question is the platformization of technology we are devoting to. In 2022, we launched Tianji (天璣) platform, which is the first cross-platform and account self-management platform in the industry, not only to enable clients to efficiently perform highly-frequent budget management themselves so as to improve their operating efficiency in the short-video marketing and to provide them visualized data, but also to optimize the operational costs of our internal teams. In the past year, 170 clients used Tianji platform, and quarterly transactions reached a record of over RMB1.114 billion through the platform. Tianji platform has released a lot of operational pressure in our online marketing solutions business, created a "win-win" service model to clients and further opened up our client-serving capacity.

"Technology-driven" is always the development foundation of Netjoy, no matter how the market environment is.

Master of opportunities from crisis with a longer-term view

In the China's short-video market which has entered into the maturity phase nowadays, due to the growing average user duration and the rising penetration into all life scenarios of short videos, the tendency of enterprises shifting their focus of online customer acquisition and business growth to the short-video ecology will not change along with the user growth slowing down and hitting the bottleneck. However, enterprises are requiring the short-video marketing service to be more refined and intelligent. In the midst of fierce industry competition, we are confident that leveraging our industry-leading technical ability and service quality Netjoy can stand the test of time and gain more recognition from clients. Short-video marketing business is still the dominant component of our business landscape.

Meanwhile, there are both challenges and opportunities under the uncertainness of macro environment. Hence, it is how to break market obstacles and accurately capture new opportunities that is the key driver for our long-term development. We have already broadened our horizons in advance and are actively searching and developing potential business fields under our strategy of "Diversification", so as to further build up our strength to fuel the long-term growth.

In today's market environment, when establishing our diversified business matrix we have always adhered to a principle – the newly-developed business must not only show the competitiveness or potentials of Netjoy, but also be in line with the Group's resources and capabilities. For example, through in-depth market research, we observed a huge, uncovered demand from small and medium-sized businesses (hereinafter referred to as SMBs) in acquiring customers in the short video ecosystem. Therefore, leveraging our short-video marketing technologies developed for years, in 2022 we launched several standardized SaaS-based tools for SMBs such as Yunshiyouke (云視有客) and Qunying (群映), and there have been 2,998 SMB clients to subscribe our tools. Also, based on our well-developed marketing technology, successful live-streaming operation methodology and enriched brand resources, we have further expanded our live-streaming e-commerce business over the upstream and downstream of the e-commerce industry. Last year, we provided one-stop live-streaming operation services for 33 domestic and international brands and generated an effective gross merchandise volume ("**effective GMV**") of RMB287 million in the e-commerce field. At the meantime, with our high reputation and credit in the industry, we not only have established strategic cooperation with multiple excellent partners in both business and technology wise but also possess the initiative in selecting strategic collaboration and investment opportunities, which further safeguards the driving force and stability of our new business development.

As the era is evolving, new opportunities and possibilities are emerging. We will further leverage our strengths to horizontally and vertically develop new business fields to achieve a diversified growth and create more value to clients by provide them with well-round services in the digital age.

2023 of moving forward against all odds

We have updated our mission from "Connect people desire" to "Connecting desire" in 2022. Desire comes from changes, which are not merely obvious turning points but also a normality that is happening constantly. Over the past three years, the global pandemic has accelerated changes in the economic environment, the Internet ecosystem, user habits and so on. Therefore, change is the only certainty, and Netjoy is ready for it – we have been always keeping agile and prompt responses to seek breakthroughs in hard environment and pursue innovation in steady one.

In the future, under the catalysis of the integration and development of global politics, economy and technology, we still consider it is an inevitable trend that there will be increasing uncertainty. We will keep our original enterprise intention – search valuable changes among the uncertainty to achieve long-term growth, make a difference in the social content ecology and build a bridge between users and advertisers, so as to explore and create more business value. With the growth of China's digital economy, we will strive and innovate for greater long-term value to return to our shareholders.

Finally, I would like to express my thankfulness to every client, shareholder and employee for your continued trust and support in Netjoy.

XU Jiaqing
Chairman and Executive Director

Shanghai, China
March 31, 2023

Management Discussion and Analysis

2022 RESULTS HIGHLIGHTS

During 2022, despite the uncertainties in the global and domestic economic environment, we continued to implement our three long-term development strategies of "Platformization", "Diversification" and "Internationalization" with solid conviction. While continuing to invest in self-technology, products and services upgrade, we should continue its steady and steady steps against short-term market fluctuations and unexpected challenges. During the Reporting Period, based on our unique platform-based technology advantage in the short-video marketing industry and the commercialization of data accumulation, our short-video ecological business service system was increasingly improved, which continued to help more diverse corporate clients break the growth bottleneck and efficiently drive new business growth.

During the Reporting Period, under the influence of resurgence of epidemics across many parts of China and the tightening of epidemic prevention measures around the country, the level of socio-economic activity decreased significantly. Therefore, the demand for corporate marketing at a wide range of levels also narrowed down, which brought some resistance to the expansion of our business scale, while at the meantime there was more pressure on the operating costs of our new business segments in the development period. However, domestic enterprises are accelerating their digital transformation as the digital economy is one of China's leading economic development themes. They have more urgent needs for long-term elements such as cost reduction, efficiency increase, and sustainable development. We, as a technology solution platform with a technology-driven growth scale, are better to achieve long-term returns under this market demand. During the Reporting Period, we strengthened the "internal strength" of our business development by continuously polishing our technology and services and achieved stable business growth despite the challenging market environment based on our extensive and quality corporate client base.

During 2022, our total revenue reached RMB3,310 million, representing an increase of 6.01% compared to RMB3,122 million in 2021. We recorded a decrease in gross profit of RMB30.48 million in 2022 from RMB218.67 million in 2021, representing a year-on-year decrease of 86.06%. Net loss amounted to RMB178.57 million, and adjusted net loss was RMB199.13 million. The gross billing increased by 11.89% year-on-year from RMB6,579 million in 2021 to RMB7,361 million in 2022. As of 31 December 2022, our cash and bank balances amounted to RMB291 million, and we had sufficient cash reserves and a healthy financial structure.

Under the guidance of three long-term development strategies, we have gradually realized the commercial implementation of technology iteration and data application and steadily promoted the optimization and improvement of our service matrix, forming a service matrix based on short-video marketing solutions, SaaS services and brand live-streaming operation as the efficiency enhancement wheels, and strategically expanding our business into the fields of maker economy, brand cross-border services, virtual reality ("**VR**") content marketing, and local lifestyle consumption services. As a result of our continuously-developed business system and product matrix, we have expanded client base base from Key Accounts ("**KA**") to Small and Medium-sized Businesses ("**SMB**"). During the Reporting Period, we served 896 advertiser clients in a variety of industries, including internet services, online gaming, financial services, culture and media, and e-commerce. We have built a nationwide network of 375 local distributor partners and 2,998 SMB clients who have subscribed to our SMB-tailored software-as-a-service ("**SaaS**") tools. As of December 31, 2022, we have cumulatively served 16,789 advertisers across 252 sub-sectors of industry verticals. We believe that our strategic multi-discipline footprint and deep penetration across multiple industries further enhance the long-term viability of our business operations.

2022 RESULTS HIGHLIGHTS (Continued)

As we continue to seek breakthroughs and innovations in technology, products, services and content, we have continued to receive high recognition and awards from the industry during the Reporting Period, such as "Best TMT Company" at the 7th Zhitong Caijing Listed Companies Awards (第七屆智通財經上市公司評選「最佳TMT公司」), "Most Influential Mobile Marketing Company of the Year" at the 9th Top Mobile Awards (第九屆TMA移動營銷大獎「年度最具影響力移動營銷公司」), "2022 Silver Brand Service Provider" by Douyin E-Commerce (抖音電商2022銀牌品牌服務商), "Top 10 Emerging Partners of the Year" by 2022 Kuaishou-Magnetic Engine (2022磁力引擎「年度十佳新鋭合作夥伴」), "Outstanding Partner of the Year" by 2022 Kuaishou-Magnetic Golden Bull Channel Department (2022磁力金牛渠道部「年度優秀合作夥伴」), "Innovation Breakthrough Award" at Ocean Engine Pipeline Partner Eco Conference (巨量引擎渠道合作夥伴生態大會「創新突破獎」), "Live Marketing Case Award by Douyin-Ocean Engine Co-engine Case Award" (巨量引擎共擎案例獎「直播營銷案例獎」), "Best Partner of the Year" by Alimama Creative Ecology Center (阿里媽媽創意生態中心「年度最佳合作夥伴」), "Most Potential Partner of the Year" by 2022 RED Channel Partner Conference (小紅書2022渠道合作夥伴大會「年度最具潛力合作夥伴」), "Agency Group – Silver Award" at the 15th ROI Awards (第十五屆金投賞商業創意獎「代理公司組•銀獎」), "Best Digital Marketing Platform of the Year" by the 13th Golden Mouse Digital Marketing Competition (第13屆金鼠標數字營銷大賽「年度最佳數字營銷平台」), and "Most Valuable Brand for Investment" at the 2022 China Information Innovation Industry Award by iiMedia Research (2022年中國信創產業拳頭獎「最具投資價值品牌」).

At the end of 2022, with the full liberalization of domestic epidemic control measures, the introduction of several policies to promote steady economic development and the potential signs of a warming international economic environment, we believe that the Group's efforts in technology accumulation, business expansion and product innovation during the Reporting Period will help us to quickly grasp the growth potential and opportunities in the market recovery in the future.

2022 BUSINESS REVIEW

During 2022, we further defined our three strategic directions of "Platformization", "Diversification" and "Internationalization". Based on our short-video marketing business, we strategically expanded our SaaS services, brand live-streaming operation, maker economy, local lifestyle consumption, and VR content marketing. We fully leveraged the synergies of each business line to develop a technology service platform for the whole chain of short-video marketing ecology. During the Reporting Period, our online marketing solutions, SaaS services, and brand live-streaming operations have made positive progress with our maturing product matrix and iterative upgraded technology services.

Online Marketing Solutions

With the increase in the number of China's short-form video users and in user spent hours, the importance and essentiality of the short-video ecosystem as a source of Internet user acquisition and business growth for enterprises in various industries are increasing. The continuous penetration into the whole life scenario drives the short-video sector to have a broader business application scenario, providing numerous opportunities for our business development. During the Reporting Period, our short-video-based online marketing solutions served 896 advertisers and generated RMB7,361 million of gross billing.

At the same time, we are deeply insightful that as China's short video industry has entered into the maturity phase, domestic enterprises are facing or will soon face the dilemma of the rising customer acquisition costs and the growth bottleneck, and there is a strong demand for transformation from an extensive to an intensive growth model. Our integrated and platform-based technical service system composed of "hepai.video", "Tradeplus" and "Tianji" systems can help enterprise clients achieve long-term efficiency improvement in three aspects: scalable content production, accurate cross-platform advertising, and refined operation management. On the one hand, based on our industry-leading data-driven short-video production capacity, our monthly production capacity of commercial short video exceeded approximately 21,400 videos; the monthly production capacity per capita of our full-time video production team exceeded 359 videos, representing a 32.50% year-on-year increase.Meanwhile, the creator ecosystem built on our self-developed commercial video matchmaking and trading platform "hepai.video" has further expanded, connecting 761 video creators or organizations as of the end of the Reporting Period, up 22.74% year-on-year, further enhancing the high level of scale and automation of our content production. In addition, our one-stop cross-platform programmatic advertising and data management platform "Tradeplus" provides intelligent cross-platform ad placement strategies and utilizes algorithmic technologies such as attribution modelling to help our clients enhance the scalability and automation of control and management and the effectiveness of ad placement, leveraging our excellent big data management capabilities and continuously upgraded platform technologies. During the Reporting Period, based on our continuously optimized platform technology, our team's performance was further improved, and the gross billing per capita was RMB19.95 million, representing an increase of 33.72% year-on-year. As of December 31, 2022, the short videos we delivered and programmatically distributed had accumulated over 1,143.7 billion impressions and over 422.1 billion video views.

2022 BUSINESS REVIEW (Continued)

Online Marketing Solutions (Continued)

As a technology solution provider in the short-video marketing industry, we have accumulated a long history of experience in the industry methodology and fruitful results in artificial intelligence ("**AI**") technology, and we launched the industry's first cross-platform account management platform "Tianji" to further enhance the operational efficiency of our team across the entire short-video marketing chain during the Reporting Period. By providing functions of data overview, statement and transaction enquiry, independent account top-up and transfer, etc., "Tianji" enables clients to perform efficient cross-platform, multi-account self-management, which solves the industry pain point of over-reliance on manpower in the relevant industry chain through platform-based technology and further enhances our market competitiveness. At the end of the Reporting Period, "Tianji" had 170 registered users, and its quarterly transactions peaked at RMB1,114 million, demonstrating a positive development trend.

Our strong capabilities and high barriers based on platform-based technology have also further strengthened our direct partnership with essential short-video platforms in Mainland China. For example, during the Reporting Period, we further deepened our technical collaboration with the top short-video platforms on the underlying data layer, improving our closed data loop in sectors such as e-commerce and further enhancing our precision marketing capabilities. We have become a certified marketing science provider for the Yuntu-oceanengine (巨量雲圖) within Douyin ecosystem, tapping into the brand marketing-related data assets and further enhancing our full-chain integrated marketing capabilities. In addition, we have further expanded our diversified media resource matrix and continued to develop deeper business cooperation with leading content distribution platforms in China, such as RED (小紅書), Alibaba, and JD.com.

Meanwhile, leveraging on our leading technology and successful experience in the domestic market, as well as our partnerships with the top overseas short-video platform and strategic collaborations with domestic and international quality cross-border marketing companies and teams, we are deepening our international presence to capture business opportunities in the overseas short-video market. Currently, we have formed business partnerships with overseas maker economy companies (known as Multi-channel Network or "**MCNs**") in North America and are gradually expanding our service network in Southeast Asia to further combine our promising performance marketing technology and live e-commerce capabilities to provide comprehensive cross-border marketing services to domestic clients in consumer categories such as apparel, fast moving consumer goods, as well as food and beverage.

Benefiting from the high industry technology barrier we have built up over the years and our expanding media partner network, we have steadily expanded the size of our premium client base. In 2022, the number of advertisers we served increased to 896, and the average gross billing per advertiser exceeded RMB8.22 million. In addition, the industry type of our clientele was becoming more balanced and diversified, with the top industry being the internet services, which accounted for 28.4% of online marketing solutions revenue, and the second largest industry being the online gaming, which accounted for 26.8%.

2022 BUSINESS REVIEW (Continued)

SaaS Service

2022 was the second year since we initiated the short-video marketing SaaS service. With the expansion of our business and in-depth market insights and research, we found that large-scale enterprise clients in China generally have diverse and customized demands that are difficult to meet with a purely standardized commercial technology solution but require additional operational services and technology investment. Conversely, SMBs whose demands are still uncovered with high expectations for short-video marketing have homogeneous and uniform marketing needs. Their demands are massive in group wise even though individually small, and thus SMBs are more suitable to be served by a standardized product. Given this, we have strategically expanded the focus of our SaaS client strategy from the KA market to the SMB market.

During the Reporting Period, we have refined our technical experience accumulated from serving KA clients and launched SMB-tailored marketing cloud products such as "Yunshi Youke (云視有客)", a short-video marketing operation management tool, and "Qunying (群映)", a short-video programmatic creative marketing solution. With a one-stop service model, "Yunshi Youke" helps SMBs to complete the whole chain of marketing operations, including the construction of enterprise accounts based on the short-video platform, automatic generation and delivery of short videos, and user tracking and engagement. "Qunying" uses AI technology to provide automatic generation of video scripts, intelligent editing, massive content optimization, and cross-platform multi-account distribution to enhance SMBs' effectiveness in short-video marketing through programmed creative production and management. As the first of its kind in the industry, this series of products for SMBs was recommended on the official home webpage of "Qunfeng Service Marketplace (群峰服務市場)", the official online marketing platform of Ocean Engine and Douyin E-commerce. In addition, our "Tianji" platform has gradually expanded its coverage from large-scale enterprise clients to SMB clients, providing a stable and effective infrastructure for increasing the number of clients, improving the efficiency of our synergy network, and efficiently expanding our business scale in the process of penetrating into the small and medium-sized client market.

As of December 31, 2022, we have established a comprehensive national distributor network, having partnered with 375 local distributor partners after rigorous qualification screening. At the end of the Reporting Period, 2,998 SMBs subscribed and used our SaaS service through our local distributor network, generating a total subscription contract value of RMB34.32 million and contributing to the Company's overall profit. We believe that our SMB-market client strategy focusing on SaaS service will be an essential component of our long-term growth potential.

2022 BUSINESS REVIEW (Continued)

Brand Live-streaming Operation

In 2022, we continued to enhance our professional and systematic brand live-streaming operation services. As of the date of this announcement, with our core competencies in precision marketing, content creation, live-streaming operation, and integrated marketing across the entire chain, we were awarded a three-star rating as a service provider by the e-commerce advertising platform "Shopping Ads (巨量千川)" under Ocean Engine. During the Reporting Period, through our professional live-streaming centers and operation teams in Shanghai and Xi'an, we provided one-stop brand live-streaming operation services to 33 domestic and international brands in categories such as apparel, pet food, food and daily chemical, covering short-video content generation, precise marketing, live-streaming planning and operation, data management and analysis, and other aspects of live-streaming e-commerce operation. In addition, we have started to develop an entire e-commerce channel, starting from 3C digital and daily necessities categories, where we already have an industry advantage, to build a complete chain of live-streaming e-commerce service matrix gradually. Despite the impact of the epidemic in the PRC, leveraging our digital marketing technology and professional and flexible live-streaming operation capabilities, our e-commerce service businesses, including the brand live-streaming operation business, achieved a 293.83% year-on-year increase in effective gross merchandise volume (effective GMV), reaching RMB287.22 million in 2022.

Looking back in 2022, several complex global factors affected the macroeconomic environment and the changing landscape of the Internet industry. However, we persisted in our three major development strategies of "Platformization", "Diversification" and "Internationalization" to proactively solve the unexpected short-term challenges that emerged in the market. We have adopted a long-term approach to our business deployment, firmly enhancing our technological development as well as our client service capabilities to continuously widen and strengthen our competitive barrier in the industry and consolidate and enhance our dominant position in the field of short-video marketing.

BUSINESS OUTLOOK

In the future, we will continue to grow under our strategic guidance of "Platformization", "Diversification" and "Internationalization". We will create a global media network based on short-video marketing, explore the business potential of AI technology and SaaS platforms, and expand into multiple business segments with synergies to form a complete short-video ecological service business system. In 2023, we will develop our business around the following five key areas.

Enhancing the development and application of the latest digital technologies to expand the application of AI technology

As a technology innovator, we will continue to focus on the development of our technology assets and continue to deepen our research in the areas of automatic generation of video creative and content modelling of metaverse scenarios. We will focus on Generative AI ("**AIGC**") technology, chat-generated pre-training transformation model (ChatGPT), 3D modelling of digital human and virtual scenes as well as others, to enhance the commercialization capabilities of AI technologies in the areas of content production and scalable operation and management, in order to achieve cost reduction, output enhancement and results optimization across the entire short-video marketing chain. Until now, we have equipped our SMB-tailored SaaS tools with the application capability of AIGC technology at the graphic level and will further unlock the commercial potential of related technology application at the video creation level in the future.

We will also continue to work with partners in content and technology wise to provide technology solutions for VR/AR content marketing and commercial applications of digital humans according to specific client projects, and gradually build platform-based tools for metaverse applications based on the technology and experience accumulated during the project implementation process. We believe that the effective replication of our technical know-how in the short-video field will help us to gain a first-mover advantage in the industry upgrade and open up new horizons for development.

Improving international media resources and deepening multi-faceted cooperation with platforms

With several overseas media platforms deploying the short-video content and developing the related commercial scenarios, we will accelerate our expansion into mainstream overseas media platforms by leveraging our accumulated technical capabilities and successful methodologies in the domestic short-video marketing industry. In addition, we will organically integrate our endogenous and exogenous strengths by collaborating with quality overseas companies or teams in various fields, including brand marketing companies and MCN institutions in North America, Southeast Asia, and other overseas regions, and combining our own strengths in short-video marketing and brand live-streaming e-commerce to accelerate our deployment in overseas markets and broaden our service matrix for cross-border marketing.

At the same time, in the face of the ever-changing Internet market and media ecosystem in China, as well as evolving user behavior, we will continue to keep pace with the development of the industry and provide our corporate clients with up-to-date services by deepening and broadening our close cooperation with various media platforms, thereby including new key client segments.

BUSINESS OUTLOOK (Continued)

Developing the layout across the e-commerce industry chain and strengthening our penetration in key verticals

Based on our deep penetration in the e-commerce industry, we will continue to extend our brand live-streaming operation business, combining our technical advantages in the marketing field, expertise in live-streaming e-commerce, diversified sales channel matrix, and our in-depth cultivation and insight in digital products, daily chemical, maternity and baby care and other advantageous consumer categories, to accelerate our penetration in the upstream and downstream of the e-commerce industry chain, to form a full e-commerce industry chain of "people, goods, and place" based on the short-video ecology.

In addition, with our iterative technology products and expanded professional services, we will further strengthen our penetration in vertical industries, such as local lifestyle, culture and entertainment, and hasten the expansion and accumulation of new business forms, platform resources and eco-partner base which are more diversified and covers more vertically integrated industries. Our deeper footprint in the verticals will help us build a differentiated competitive advantage in the sub-sectors and enable us to combine the short-term growth needs and long-term business value of the verticals, further enhancing the scalability of our business landscape.

Continuing to expand diversified business matrix to tighten client relationship

Driven by the wave of China's digital economy, Chinese enterprises are raising multiple development needs in the process of digital transformation. As a pioneer in the field of short-video marketing, we will continue to improve our business service system through innovation in technology, services and content, providing more diversified products and services such as cloud service solutions, brand live-streaming operation, maker economy, brand cross-border marketing and VR content marketing to build closer and deeper relationships with our clients. At the same time, we will make a unique matrix of resources to further expand our client service scope in related areas and explore the development potential of each business line.

In addition, we expect the offline economy to eventually recover and accelerate its integration with the online economy as the country's anti-epidemic policy is optimized and the offline consumption life of residents recovers. Based on our in-depth deployment in the Internet market and online media ecosystem, we will penetrate offline business scenarios such as local lifestyle to promote offline and online business synergy and further expand our business scale.

BUSINESS OUTLOOK (Continued)

Keeping upgrading organic platform-based technology to enhance scalable operational efficiency

As the short-video market enters the maturity phase, short-video marketing is becoming increasingly refined in operation and management, and the market will demand a higher degree of mechanization and automation in the relevant parts of the industry chain. We will continue to uphold our business development concept of "technology-driven growth" and further integrate and upgrade our internal technology capabilities in a platform-based manner to enhance our operational efficiency and effectiveness across the entire short-video marketing chain, including content production, cross-platform precision distribution, cross-platform account operation management and data analysis. For example, during the Reporting Period, we deployed our own cross-platform and cross-account capital management technology capabilities into the public domain, launching the industry's first cross-platform and account management platform "Tianji" and connecting it with our self-developed one-stop cross-platform programmatic advertising and data management platform "Tradeplus" to further improve the operational efficiency of our internal team.

Meanwhile, based on our data assets and well-developed underlying technology platform in the field of short-video marketing, we will refine our key technology capabilities to efficiently build technical platforms in the areas of live-streaming e-commerce, maker economy and local lifestyle consumer services, to tech-drivingly empower our team to efficiently achieve scalable expansion of key businesses.

Based on the above five key development areas, we will also actively and selectively seek strategic cooperation or investment and acquisition opportunities with outstanding external companies to form long-term business synergies and accelerate the layout and development of our business ecology.

IMPACT OF COVID-19

During the Reporting Period, the resurgence of COVID-19 in several regions of China and the macroeconomic uncertainty had an impact on the overall advertising market in China. In addition, the preventive and control measures taken by the local government in China to effectively control the epidemic situation had a certain degree of impact on some of our short-video production operations and brand live-streaming operations, both of which involves real people and on-site filming, and the development of new businesses. However, the Company had been proactive and timely in adjusting the business operation strategies. For example, in the first half of 2002, during the outbreak of the epidemic in Shanghai and under the restrictive control by local government, we moved some of our short-video production capacity from Shanghai to Xi'an, and rapidly and adequately supported and helped our employees execute live-streaming operations at home in order to ensure the stability of our client service.

With the rapid release of China's COVID-19 control measures at the end of 2022, socio-economic activities in the country are gradually returning to normal. As a result, we remain cautiously optimistic for 2023 based on our industry-diversified and high-quality client base, enriched business segments, and industry-leading technical capabilities. At the same time, we have observed that as advertisers have higher requirements for advertising effectiveness, more and more advertisers are allocating more marketing budgets to mobile-end and performance-based advertising, especially short-video marketing, which could benefit our short-video commercialization business. Meanwhile, the live-streaming e-commerce took off under COVID-19. More and more brands quickly realized the importance of establishing their own live-streaming accounts, which could be beneficial to the development of our brand live-streaming operation business. With our technical advantages in big data management and AI algorithms, we can quickly and effectively seize new growth opportunities brought by industry trends.

However, the variability and transmit speed of COVID-19 and the uncertainty of the global macro environment may cause a longer period of global economic slowdown, affecting the overall market sentiment and advertising budget of brand advertisers, and thus bringing certain uncertainties to our "online marketing solutions business" in the short term. In this regard, in 2023, we will continue to maintain the healthy development of each business segment and maintain the stability and profitability of the Company's overall business through flexible and timely resource allocation. The Company's management will continue to pay close attention to the impact of relevant macro issues on our business operations and financial results, and particularly monitor and effectively manage client retention and accounts receivable recoverability.

FINANCIAL REVIEW

Year ended December 31, 2022 compared to year ended December 31, 2021

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	3	**3,310,085**	3,122,492
Cost of sales		**(3,279,603)**	(2,903,822)
Gross profit		**30,482**	218,670
Other income and gains	3	**55,358**	57,442
Selling and distribution expenses		**(12,338)**	(15,797)
Administrative expenses		**(67,967)**	(76,857)
Impairment losses on financial assets, net		**(167,058)**	(13,057)
Research and development expenses		**(8,801)**	(7,929)
Other expenses	3	**(654)**	(10,011)
Finance costs		**(25,918)**	(15,912)
Share of losses of associates		**(5,329)**	(2,225)
(LOSS)/PROFIT BEFORE TAX		**(202,225)**	134,324
Income tax credit/(expense)	4	**23,651**	(16,925)
(LOSS)/PROFIT FOR THE YEAR		**(178,574)**	117,399
Attributable to:			
Owners of the parent		**(178,057)**	117,399
Non-controlling interests		**(517)**	–
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For (loss)/profit for the year	6	**RMB(22.9) cents**	RMB14.7 cents

FINANCIAL REVIEW (Continued)

	2022 RMB'000	2021 RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(178,574)**	117,399
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**–**	(400)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	(400)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	(400)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(178,574)**	116,999
Attributable to:		
Owners of the parent	**(178,057)**	116,999
Non-controlling interests	**(517)**	–

FINANCIAL REVIEW (Continued)

Key Financial Ratios

	Year ended December 31,	
	2022	2021
Gross profit margin (%)[1]	**0.92**	7.00
Net profit margin (%)[2]	**(5.39)**	3.76
Current ratio (times)[3]	**2.27**	2.74
Adjusted net profit margin(%)[4]	**(6.02)**	4.69
Debt-to-asset ratio (times)[5]	**0.42**	0.36

Notes:

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

(2) Net profit margin is calculated based on profit for the year divided by revenue for the respective year and multiplied by 100%.

(3) Current ratio is calculated based on total current assets divided by total current liabilities.

(4) Equals to adjusted net profit divided by revenue for the year and multiplied by 100%. For the reconciliation from net profit to adjusted net profit, see "Non-IFRS Measures: Adjusted Net Profit" below.

(5) Debt-to-asset ratio is calculated based on total liabilities divided by total assets.

Revenue

We generate our revenue primarily from the provision of (i) our one-stop online marketing solutions to advertisers directly or through advertising agencies; (ii) SaaS; and (iii) other business. Our total revenue increased by 6.01% from RMB3,122.49 million in 2021 to RMB3,310.09 million in 2022, which was mainly attributable to the increase in the revenue from our online marketing solution business and other business.

FINANCIAL REVIEW (Continued)

Revenue by business segments

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

	Year ended December 31,			
	2022		2021	
	(RMB'000)	% of the total	(RMB'000)	% of the total
Online marketing solutions business	3,256,189	98.4	3,073,528	98.4
SaaS service	14,862	0.4	32,878	1.1
Other business[1]	39,034	1.2	16,086	0.5
Total	3,310,085	100.0	3,122,492	100.0

Note:

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

We enter into annual framework agreements with our advertising customers and charge them for our online marketing solutions based primarily on a mix of oCPM, oCPC and CPC. Our online marketing solutions business grew stably during the Reporting Period, benefiting from the increased recognition of short video marketing by both audiences and advertisers and the popularity of short video marketing. Revenue generated from our online marketing solutions business accounted for 98.4% of our total revenue for the year ended December 31, 2022.

Revenue from online marketing solutions business by type of advertising customers

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

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

	Year ended December 31,			
	2022		2021	
	(RMB'000)	% of the total	(RMB'000)	% of the total
Advertisers	3,006,788	92.3	2,990,636	97.3
Advertising agencies	249,401	7.7	82,892	2.7
Total	3,256,189	100.0	3,073,528	100.0

FINANCIAL REVIEW (Continued)

Revenue by business segments (Continued)

Revenue from online marketing solutions business by industry verticals

The advertisers we serve operate in a wide array of industry verticals, which primarily include online gaming, financial services, e-commerce, internet services, advertising and culture & media.

The table below sets forth a breakdown of revenue generated from our online marketing solutions business by industry verticals for the years indicated:

	Year ended December 31,			
	2022		2021	
	(RMB'000)	% of the total	(RMB'000)	% of the total
Online gaming	872,553	26.8	717,259	23.3
Financial services[1]	744,662	22.9	562,636	18.3
E-commerce	120,607	3.7	383,485	12.5
Internet services	923,692	28.4	936,286	30.5
Advertising	271,084	8.3	68,905	2.2
Culture & media	318,141	9.8	315,816	10.3
Others[2]	5,450	0.1	89,141	2.9
Total	3,256,189	100.0	3,073,528	100.0

Notes:

(1) Financial services primarily include online insurance, consumer financing and retail banking.

(2) Others mainly include business services and healthcare.

For the year ended December 31, 2022, internet services was our largest group of advertising customers. Our revenue generated from internet services accounted for 30.5% and 28.4% of our total revenue derived from online marketing solutions business for the years ended December 31, 2021 and 2022, respectively.

For the year ended December 31, 2022, we further explored other industry verticals, such as advertising. Our revenue generated from advertising, as a percentage of our total revenue generated from online marketing solutions business, increased from 2.2% in 2021 to 8.3% in 2022.

FINANCIAL REVIEW (Continued)

Cost of Sales

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

	Year ended December 31,			
	2022		2021	
	(RMB'000)	% of the total	(RMB'000)	% of the total
Traffic acquisition cost	**3,153,508**	**96.2**	2,788,409	96.0
Employee benefit expenses	**42,611**	**1.3**	48,352	1.7
Others[1]	**83,484**	**2.5**	67,061	2.3
Total	**3,279,603**	**100.0**	2,903,822	100.0

Note:

(1) Others primarily comprise costs in relation to the rental of servers and the outsourcing of content production.

Our cost of sales primarily consists of traffic acquisition cost, employee benefit expenses and others. In 2022, traffic acquisition cost constituted the largest portion of our cost of sales, and others constituted the second largest portion of our cost of sales. For the years ended December 31, 2021 and December 31, 2022, our traffic acquisition costs amounted to RMB2,788.4 million and RMB3,153.5 million, respectively, accounting for approximately 96.0% and 96.2%, respectively, of our total cost of sales for the respective years, which was in line with our business expansion. For the years ended December 31, 2021 and December 31, 2022, our employee benefit expenses amounted to RMB48.4 million and RMB42.6 million, respectively, accounting for approximately 1.7% and 1.3%, respectively, of our total cost of sales for the respective years, which was attributable to the company's optimization of business structure, cost reduction and efficiency improvement. For the years ended December 31, 2021 and December 31, 2022, our others costs amounted to RMB67.1 million and RMB83.5 million, respectively, accounting for approximately 2.3% and 2.5%, respectively, of our total cost of sales for the respective years, which was attributable to the rising operating expenses.

FINANCIAL REVIEW (Continued)

Cost of Sales (Continued)

The following table sets forth a breakdown of our cost of sales by service offerings and revenue recognition methods for the years indicated:

	Year ended December 31,			
	2022		2021	
	(RMB'000)	**% of the total**	(RMB'000)	% of the total
Online marketing solutions business	**3,243,161**	**98.9**	2,891,782	99.6
SaaS service	**9,820**	**0.3**	601	0.0
Other business[1]	**26,622**	**0.8**	11,439	0.4
Total	**3,279,603**	**100.0**	2,903,822	100.0

Note:

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

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by service offerings and revenue recognition methods for the years indicated:

	Year ended December 31,			
	2022		2021	
	Gross profit (RMB'000)	**Gross profit margin %**	Gross profit (RMB'000)	Gross profit margin %
Online marketing solutions business	**13,028**	**0.4**	181,746	5.9
SaaS service	**5,042**	**33.9**	32,277	98.2
Other business[1]	**12,412**	**31.8**	4,647	28.9
Total	**30,482**	**0.9**	218,670	7.0

Note:

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

Our gross profit consists of our revenue less cost of sales. The Group recorded gross profit of RMB30.48 million in 2022, representing an decrease of 86.06% as compared to the gross profit of RMB218.67 million in 2021.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. Gross profit margin decreased from 7.0% in 2021 to 0.9%, mainly attributable to both the Group and its clients were affected and challenged by the COVID-19 pandemic and the unstable global macro-environment. In order to effectively ensure the stable and close cooperative relationship with high-quality clients and multiple media platforms, the Group has made some concessions on gross profit, and finally achieved steady progress in business and revenue scale.

FINANCIAL REVIEW (Continued)

Other Income and Gains

Our other income and gains decreased from RMB57.44 million for the year ended December 31, 2021 to RMB55.36 million for the year ended December 31, 2022, which was mainly consist of the amount of valued-added tax deduction and government subsidies enjoyed by the Group throughout the year, as well as the reason for this year's decline is the decrease in listing subsidies from the park during the year.

Selling and Distribution Expenses

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

Our selling and distribution expenses decreased from RMB15.80 million in 2021 to RMB12.34 million in 2022, which was mainly attributable to the Company optimized its business structure, reduced costs and increased efficiency. And at the same time, due to the epidemic, entertainment and travel activities decreased accordingly.

General and Administrative Expenses

Our administrative expenses primarily consist of (i) employee benefit expenses; (ii) professional fees; (iii) depreciation and amortization expenses; (iv) office and rental expenses; (v) travelling expenses; and (vi) entertainment expenses for hospitality.

Our administrative expenses gradually decreased from RMB76.86 million for the year ended December 31, 2021 to RMB67.97 million for the year ended December 31, 2022, which was mainly attributable to optimization of the company's organizational structure, resulting in cost reduction and efficiency increase.

Impairment Losses on Financial Assets, Net

Impairment losses on financial assets, net represent provisions of impairment of trade receivables, net of reversal. We recorded impairment losses on financial assets, net of RMB167.06 million in 2022, which was mainly attributable to the general provision made by us for the credit loss of trade receivables.

FINANCIAL REVIEW (Continued)

Research and Development Expenses

Our research and development expenses primarily comprise (i) employee benefit expenses; (ii) outsourcing development expenses; and (iii) others mainly consisting of server rental expenses. Our research and development expenses increased by 10.97% from RMB7.93 million for the year ended December 31, 2021 to RMB8.80 million for the year ended December 31, 2022, which was mainly attributable to the increase in the number of R&D personnel and their average salary level.

Other Expenses

Our other expenses decreased from RMB10.01 million for the year ended December 31, 2021 to RMB0.65 million for the year ended December 31, 2022, which was mainly attributable to the loss of asset disposal.

Finance Costs

Our finance costs increased from RMB15.91 million for the year ended December 31, 2021 to RMB25.92 million for the year ended December 31, 2022. The increase in finance costs was mainly due to the corresponding increase of RMB8.76 million in the interest expenses of our bank borrowings resulting from the increase in bank borrowings in line with business expansion.

Income Tax Credit

For the year ended December 31, 2022, we recorded an income tax credit of RMB23.65 million, while the income tax expense for the year ended December 31, 2021 was RMB 16.93 million. The related deferred tax assets and deferred tax liabilities attributable to the subsidiary on December 31, 2022 are calculated according to the applicable tax rate in the future. The deferred income tax credit of RMB33.74 million is recognized in this Reporting Period, which is mainly related to the deferred income tax assets recognized by the temporary differences in the impairment of financial assets.

Profit for the Year

As a result of the above, our profit for the year decreased by 252.10% from RMB117.4 million for the year ended December 31, 2021 to a loss of RMB178.57 million for the year ended December 31, 2022. Our net profit margin for the year ended December 31, 2021 was 3.76% and our net loss margin for the year ended December 31, 2022 was 5.39%.

FINANCIAL REVIEW (Continued)

Non-IFRS Measure: Adjusted Net Profit

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

However, our presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-IFRS measure has limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for an analysis of, our results of operations or financial condition as reported under IFRS.

The following tables reconcile our adjusted net profit for the years presented to the most directly comparable financial measures calculated and presented in accordance with IFRS:

	Year ended December 31,	
	2022	2021
	(RMB in millions)	
Net (loss)/profit for the year	**(178.57)**	117.4
Add:		
One-off income	**–**	(10.0)
Share-based compensation	**4.07**	12.2
Foreign exchange differences	**(0.98)**	10.01
Income tax expense	**(23.65)**	16.93
Adjusted net (loss)/profit[1]	**(199.13)**	146.54

Note:

(1) Adjusted net (loss)/profit: Net profit for the period adjusted by adding back one-off income, listing expenses, sharebased compensation, foreign exchange differences and income tax expenses incurred during the respective period.

FINANCIAL REVIEW (Continued)

Liquidity and Financial Resources

Our business operations and expansion plans require a significant amount of capital, including acquiring user traffic from online publishers, enhancing our content production capabilities, improving our big data analytics and AI capabilities, upgrading our proprietary DMP and other infrastructures as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, and capital contributions from shareholders of the Company (the "**Shareholders**"). As at December 31, 2021 and 2022, our cash and bank balances significantly decreased from RMB636.31 million to RMB290.81 million, mainly attributable to the replenishment of working capital with the expansion of business scale.

The table below sets out our cash and bank balance as of December 31, 2022 and December 31, 2021, respectively:

	2022 **RMB'000**	2021 RMB'000
Cash and bank balance	**290,807**	636,311
Denominated in RMB	**217,589**	635,578
Denominated in HKD	**364**	616
Denominated in USD	**72,854**	117
	290,807	636,311

As at December 31, 2022, our bank loans amounted to approximately RMB574.73 million (as at December 31, 2021: approximately RMB612.47 million). Our bank loans are denominated in Renminbi. The interest rates on our bank loans ranged from 3.55% to 4.30% (for the year ended December 31, 2021: 3.00% to 4.95%) per annum and the terms of the loans ranged from three months to one year. We will repay the above borrowings in due course on maturity.

FINANCIAL REVIEW (Continued)

Capital Expenditures

Our capital expenditures in 2022 primarily consists of expenditures on (i) property, plant and equipment for office equipment and leasehold improvement; and (ii) intangible assets for software and the user right of a website.

The following table sets out our net capital expenditure as at the dates indicated:

	As at December 31, 2022	2021
	(RMB in millions)	
Property, plant and equipment	**1.55**	8.32
Intangible assets	**16.29**	12.71
Total	**17.84**	21.03

We incurred capital expenditures of approximately RMB17.84 million for the year ended December 31, 2022, primarily related to office furniture and decoration as well as purchases of servers, software and website. We intend to fund our planned capital expenditures through cash generated from operations.

Pledge of Assets

As at December 31, 2022, no bank loans were secured by the pledge of the Group's deposit (2021: RMB100,118,000) and guaranteed by certain subsidiaries of the Group.

Foreign Exchange Risk Management

Foreign exchange risk refers to the risk of loss caused by the changes in foreign exchange rates. The operations of the Group are mainly located in the PRC with most transactions denominated and settled in Renminbi. The Group will closely monitor the relevant situation and take measures when necessary to ensure that the foreign exchange risk is within the controllable range.

Contingent Liabilities

As of December 31, 2022, we did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

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

On December 16, 2022 (after trading hours), Netjoy Digital (Xi'an) Information Technology Co., Ltd (the "**Purchaser**"), an indirect wholly-owned subsidiary of the Company, and Xi'an Fengdong Free Trade Industrial Park Development Co., Ltd (the "**Vendor**") entered into the Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the property (the "**Property**"), which is located at Building 9, Fengdong Free Trade Industrial Park Phase II, No. 2168 Zhenghesi Road, Fengdong New City, Xixian New District, Xi'an, Shaanxi Province, China,which has a total of five floors and a gross floor area of approximately 5,131.49 square meters. The Property is not and has not been used for lease. The Company intends to use the Property as the Group's office, at the consideration of RMB65,000,000. For the year ended December 31, 2022, the Purchaser did not pay any consideration. As at January 19, 2023 and up to the date of this announcement, the Purchaser has paid the first installment of the consideration of RMB13,000,000. For details, please refer to the announcement of the Company dated December 16, 2022.

In addition to those disclosed above, the Group had no material acquisition or disposal of subsidiaries, associates and joint ventures during the Reporting Period. As of December 31, 2022, the Group did not hold any significant investment.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Xu Jiaqing (徐佳慶), aged 35, is the chairman of the Board, an executive Director, a vice president and the chief marketing officer of the Company. He is primarily responsible for overseeing daily operation and management and the implementation of the business plans of the Group.

Mr. Xu has an in-depth understanding of the industry where the Group operates with almost 12 years of working experience both inside and outside the Group and has accumulated extensive experience in the daily operation and management of the Group. From November 2012 to November 2013, Mr. Xu served as the general marketing manager of Netjoy Network in charge of overall planning of marketing strategies and management of sales operation. Mr. Xu has held directorship at Netjoy Network since October 2015, and has been its vice general manager since September 2017 and its chairman of the board and the legal representative since November 2018. Apart from holding positions in Netjoy Network, Mr. Xu also served as the chief operating officer of Letui (Shanghai) Culture Broadcast Co., Ltd. from the date of its establishment in December 2013 and has been its director since June 2019. In addition, Mr. Xu has been the executive director or general manager of several subsidiaries within the Group, including Quantum Culture Media since June 2017, Qizheng Culture since May 2019, Letui Information since August 2019, Yunxiang Information since August 2019, Guomeng Internet since December 2019 and Letui Zhixiao since January, 2020, respectively. Prior to joining the Group, Mr. Xu worked at Shanghai Ruichuang Network Technology Co., Ltd. (上海瑞創網絡科技有限公司), a company primarily engaging in internet advertising business, from September 2010 to August 2012.

Mr. Xu graduated with a college's degree in printing technology from Shanghai Publishing and Printing College (上海出版印刷高等專科學校) in July 2009.

Mr. Wang Chen (王晨), aged 45, is an executive Director and the chief executive officer of the Company. He is primarily responsible for developing overall corporate and business strategies of the Group and making significant business and operational decisions of the Group.

With almost 12 years of industry experience, Mr. Wang has gained in-depth understanding of the industry where the Group operates and accumulated rich management experience. Mr. Wang joined the Group in February 2013 and had served as the vice general manager of Netjoy Network until June 2015. He subsequently has been the general manager and a director of Netjoy Network since June 2015 and October 2015, respectively. Prior to joining the Group, Mr. Wang acted as the business development director of Baixing Net, a company listed on the NEEQ (NEEQ: 836012) which is one of the largest classified information platforms in the PRC in provision of local information to consumers and marketing resolutions to merchants, from November 2010 to January 2013, in charge of advertising management and business cooperation with media partners and management of local channel sales representative network. He also worked at Microsoft (China) Co., Ltd. (微軟(中國)有限公司) and its Shanghai Minhang Branch from September 2004 to November 2010, with his last position as partner technical advisory (PTA) (Level II), primarily responsible for providing technical support, action plan and analysis services to the partners of Microsoft. Mr. Wang also worked at Beijing Xander Technology Co., Ltd. (北京建達藍德科技有限公司) previously.

DIRECTORS (Continued)

Executive Directors (Continued)

Mr. Wang graduated with a bachelor's degree in engineering from Beijing University of Technology (北京工業大學) in July 2000. He was certified as a PMP (Project Management Professional) by Project Management Institution in the U.S. from June 2006 to June 2010, a Microsoft Certified Database Administrator and a Microsoft Certified Systems Engineer by Microsoft Incorporation in September 2002 and January 2006, respectively. He also obtained Google Analytics Individual Qualification in February 2011 accredited by Google Testing Center. Mr. Wang graduated with an EMBA degree from Tsinghua University (清華大學) in June 2021.

Mr. Lin Qian (林芊), aged 40, is an executive Director and the chief financial officer of the Company. He is mainly responsible for the Group's internal financial, legal, administrative, and other operations and management affairs, as well as external capital market operation and strategic investment strategy formulation.

Mr. Lin has 6 years of enterprise operation management experience and more than 10 years of capital operation and project merger and acquisition management experience and he is also familiar with capital markets in China and abroad and is proficient in capital operations. Mr. Lin joined the Group in 2021 and has been serving as the chief financial officer of the Company since July 2021. Prior to joining the Group, Mr. Lin worked at A8 New Media Group Limited (a company listed on the main board of the Stock Exchange, stock code: 00800.HK) as the chief financial officer from September 2016 to July 2021, and as an executive director from April 2017 to July 2021. He served as a director at CVCapital (投中資本) from June 2014 to August 2016 and a business director of the investment banking department at Hua Tai United Securities Co., Ltd. (華泰聯合證券有限公司) from May 2011 to June 2014. He was an investment manager at Shanghai Dong Fang Hui Jin (上海東方惠金文化產業投資有限公司) from October 2009 to May 2011 and a senior auditor at Ernst & Young from October 2006 to October 2009.

Mr. Lin graduated from Imperial College London in 2006 with a bachelor's degree in materials science and engineering.

Ms. Zha Lijun (查麗君), aged 37, is an executive Director of the Company. Ms. Zha joined the Group in 2013 and currently serves as the deputy general manager of Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司). Prior to joining the Group, Ms. Zha served as a sales director of Shanghai Zhihe Electronic Technology Co., Ltd. (上海志荷電子科技有限公司) from September 2010 to June 2013. She also served as a sales director of Shanghai Shangquan Optical Fiber Communication Equipment Co., Ltd. (上海上詮光纖通信設備有限公司) from August 2007 to August 2010.

Ms. Zha graduated from Anhui Vocational and Technical College in July 2007, majoring in fabric computer aided design.

DIRECTORS (Continued)

Non-executive Directors

Mr. Dai Liqun (戴立群), aged 46 with the former name as Dai Liqun (代立群), is a non-executive Director of the Company. He is primarily responsible for providing strategic advice and making recommendations on corporate operation and development of the Group. Mr. Dai is the spouse of Ms. Peng Ting, a vice president and a joint company secretary of the Company.

Mr. Dai joined the Group in October 2015 and has been a director of Netjoy Network since then. He has also been an executive director of Letui Culture since December 2013 and its chairman of the board since July 2019. Prior to joining the Group, Mr. Dai served as the technical director of Shanghai Yungang Tonghui Visual Art Design Co., Ltd. (上海雲罡同匯視覺藝術設計有限公司) from July 2008 to November 2013 and Shanghai Look Visual Art Design Co., Ltd. (上海路可視覺藝術設計有限公司) from June 2005 to June 2008, respectively, in charge of overall management of product research and development.

Mr. Dai graduated with a college's degree in automobile application engineering from Wuhan University of Technology (武漢理工大學) (formerly named as Wuhan Automotive Industry University (武漢汽車工業大學)) in June 1997.

Mr. Wang Jianshuo (王建碩), aged 45, is a non-executive Director of the Company. He is primarily responsible for providing strategic advice and making recommendations on corporate operation and development of the Group.

With more than 22 years of internet industry related working experience, Mr. Wang gathered substantial knowledge and experience in the area where the Group operates. He joined the Group in June 2018 and has been a director of Netjoy Network since then. Prior to that, Mr. Wang has been the chairman of the board of Baixing Net, a company listed on the NEEQ (NEEQ: 836012) which is one of the largest classified information platforms in the PRC in provision of local information to consumers and marketing resolutions to merchants, since August 2015. Mr. Wang previously served as an executive director of Baixing Net from September 2005 to August 2015. From June 1999 to March 2005, Mr. Wang worked at Microsoft (China) Co., Ltd. Shanghai Branch (微軟（中國）有限公司上海分公司) with his last position as the project manager.

Mr. Wang graduated with a bachelor's degree in automation from Shanghai Jiao Tong University (上海交通大學) in July 1999.

DIRECTORS (Continued)

Independent Non-executive Directors

Mr. Chen Changhua (陳長華), aged 43, is an independent non-executive Director of the Company. He is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Mr.Chen has been the chief financial officer of Shanghai Zhiduo Fish Information Technology Co.,Ltd. (上海智多魚信息科技有限公司) from May 2022. He was mainly responsible for the company's finance sector. Mr. Chen has held directorship at Guofu Life Insurance Co., Ltd. (國富人壽保險股份有限公司) from June 2018 to June 2020. He has extensive experience in accounting and financial management. Mr. Chen has been the chief financial officer of financial service platform (金融服務平台) in Tianjin Sankuai Technology Co., Ltd. (天津三快科技有限公司), a subsidiary of Meituan Dianping (美團點評) (stock code: 3690), since April 2018, primarily responsible for financial analysis. Prior to that, he served as the senior director of Vipshop (China) Co., Ltd. (唯品會(中國)有限公司) from October 2011 to April 2018, whose holding company, Vipshop Holdings Limited, is listed on the New York Stock Exchange (stock code: VPIS), primarily responsible for financial analysis. Mr. Chen also served as the audit manager at Deloitte Touche Tohmatsu CPA Ltd. (德勤華永會計師事務所有限公司) from July 2005 to November 2011.

Mr. Chen graduated with a bachelor's degree in marketing from Dalian Maritime University (大連海事大學) in July 2002. He further obtained a master's degree in industrial economics from Shanghai University (上海大學) in April 2005, and a master's degree in business administration from University of Southern California in August 2016, respectively. Mr. Chen was admitted as a member of Shanghai Institute of Certified Public Accountants (上海市註冊會計師協會) in April 2012, and was licensed as a certified public accountant by the Board of Accountancy of Washington in the U.S..

Dr. Ru Liyun (茹立雲), aged 43, is an independent non-executive Director of the Company. He is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Dr. Ru has almost 17 years of experience in internet technology industry. From July 2005 to June 2018, Dr. Ru held various positions within the group of Sogou Inc., a company listed on the New York Stock Exchange (NYSE stock code: SOGO), with his last position as the chief operational officer of Sogou Inc. He also served as a strategic counsel of Beijing Sogou Information Service Co., Ltd. (北京搜狗資訊服務有限公司) from June 2018 to May 2019. He founded Beijing Grape Intelligence Technology Co., Ltd. (北京葡萄智學科技有限公司) in March 2018 and has been its executive director, chief executive officer and chief science officer since then.

Dr. Ru majored in computer science and technology in Tsinghua University (清華大學) and obtained a bachelor's degree in July 2002, a master's degree in July 2005, and a doctoral degree through a program of work in January 2014. Dr. Ru received several awards and recognitions, including Top 50 of Chinese Business Innovation (中國商業創新50人) and Award of Technology Innovator (技術創新者獎) honored by CBN weekly (第一財經週刊) in February 2013, First Prize of Beijing Science and Technology Award (北京市科學技術獎一等獎) honored by Beijing Municipal People's Government (北京市人民政府) in December 2015 and in November 2017, respectively, and CCF Outstanding Engineer Award (中國計算機學會傑出工程師獎) honored by China Computer Federation (中國計算機學會) in December 2017.

DIRECTORS (Continued)

Independent Non-executive Directors (Continued)

Ms. Cui Wen (崔雯), aged 60, is an independent non-executive Director of the Company. She is primarily responsible for supervising and providing independent advice on the operation and management of the Group.

Ms. Cui has spent almost 30 years working at various multinational and domestic corporations dedicating human resources ("**HR**") area. As the founding member, she has been a director, the general manager and a consultant of Xceed OD Consulting Co. Ltd. (惜德組織發展諮詢有限公司) since December 2013. From June 2014 to February 2018, Ms. Cui served as a member of the executive committee and the dean of seeding college (種子院) of Envision Energy (Jiangsu) Co. Ltd. (遠景能源(江蘇)有限公司) (subsequently renamed as Envision Energy Co. Ltd. (遠景能源有限公司). She also served as the chief officer of organizational development of Uniplan (Shanghai) Co., Ltd. (德商優尼博覽諮詢(上海)有限公司) from March 2013 to October 2013, and the chief operational officer of Baixing Net from September 2011 to February 2013. Prior to that, Ms. Cui held HR related positions in certain corporations, including the U.S. headquarter of Nike Inc. as the global HR business partner from December 2009 to June 2011, Nike Sports (China) Co., Ltd. (耐克體育(中國)有限公司) as the greater China HR director from January 2006 to November 2009, Shanghai Roche Pharmaceutical Co. Ltd. (上海羅氏製藥有限公司) as the China HR director from August 2002 to December 2005, Reckitt Benckiser (China) Co. Ltd. (利潔時(中國)有限公司) as the China HR director from April 1997 to July 2002, and Xian-Janssen Pharmaceutical Co. Ltd. (西安楊森製藥有限公司), as the HR supervisor and compensation supervisor from April 1991 to March 1997.

Ms. Cui graduated from Xi'an University (西安大學) majored in industrial electrical automation in July 1984 and obtained a bachelor's degree in industrial electrical automation from Xi'an University of Technology (西安理工大學) (formerly known as Shanxi Institute of Mechanical Engineering (陝西機械學院)) in January 1985. She graduated with a master's degree in philosophy from Nottingham Trent University in March 2015. She was recognised as the China's 15 people in 15 years (中國15年15人) by Wolters Kluwer in 2012. Ms. Cui successfully completed the requirements for the Stakeholders Centered Coaching by Marshall Goldsmith Coaching Certification Program and became a certified coach in October 2012. She has been appointed by Shanghai Vistage Management Consulting Co., Ltd. (上海偉仕達管理諮詢有限公司) as an executive coach since February 2018.

SENIOR MANAGEMENT

Mr. Xu Jiaqing, Chairman of the Board, executive Director, vice president and chief marketing officer of the Company. Please refer to the section headed "Executive Directors" in this section.

Mr. Wang Chen, executive Director and chief executive officer of the Company. For the biographical details of Mr. Wang, please refer to the section headed "Executive Directors" in this section.

Mr. Lin Qian, executive Director and the chief financial officer of the Company. For the biographical details of Mr. Lin, please refer to the section headed "Executive Directors" in this section.

Ms. Peng Ting (彭婷), aged 45, is a vice president and a joint company secretary of the Company. She is primarily in charge of the corporate governance, compliance matters and regulatory communications of the Group. Ms. Peng Ting is the spouse of Mr. Dai Liqun, one of our non-executive Directors.

Ms. Peng has more than ten years of experience in corporate governance and management. From November 2012 to October 2015, Ms. Peng served as the business manager and the marketing director of Netjoy Network. After that, she has been the secretary to the board and the vice president of public service department of Netjoy Network. Ms. Peng has also held various positions in certain subsidiaries within the Group, including the legal representative and the executive director of Yunxiang Entertainment since August 2018, the supervisor of Qizheng Culture, Letui Information and Guomeng Internet since May 2019, August 2019, and December 2019, respectively. Prior to joining the Group, Ms. Peng worked at Shanghai Chendi Electronic Technology Co., Ltd. (上海辰迪電子科技有限公司), where she acted as the business manager from June 2011 to October 2012, and was primarily responsible for the development of business cooperation and communication and relationship maintenance with business partners.

Ms. Peng graduated with a college's degree in business administration through a long distance learning program from Changsha Industry Employees University (長沙工業職工大學) in January 2019. She was certified as a secretary to board by NEEQ in May 2017 and by Shenzhen Stock Exchange in August 2016, respectively. Ms. Peng graduated from the Open University of China (國家開放大學) in July 2022 with a bachelor's degree in Business administration (undergraduate from Junior College).

Directors' Report

The Board of Directors is pleased to present this directors' report and the audited consolidated financial statements of the Group for the Reporting Period.

GLOBAL OFFERING

The Company is a limited liability company incorporated in the Cayman Islands on March 29, 2019. The Shares have been listed and traded on the Main Board of the Stock Exchange since December 17, 2020. Details on the use of the net proceeds from the Global Offering are set out in the section headed "Use of the Net Proceeds from the Global Offering" of this directors' report.

PRINCIPAL ACTIVITIES

The Company is a leading short video marketing solutions provider in China. The business of the Company is mainly based on three business segments. The online marketing solutions business segment provides integrated services and advertising distribution services for advertisers and advertising agencies. The Software as a Service (SaaS) segment provides customers with platform subscription and advertising services through its one-stop short video programmatic advertising and data management platform, Tradeplus. Other business segments include live broadcasting, pan – entertainment business and exhibition business. The analysis of the Group's revenue and contribution to the results by business segment for the year ended December 31, 2022 is set out in Note 5 to the consolidated financial statements.

RESULTS

The results of the Group during the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on pages 144 to 145 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ending December 31, 2022 (December 31, 2021: HK$39,783,000). No shareholder waives or agrees to waive any dividend arrangement.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders' entitlement to attend and vote at the annual general meeting of the Company (the "**AGM**") held on Thursday, June 15, 2023, the register of members of the Company will be closed from Monday, June 12, 2023 to Thursday, June 15, 2023 (including the first and last two days), during which no transfer of Shares will be registered. To qualify for attending and voting at the AGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, June 9, 2023 for registration of the relevant transfer.

BUSINESS REVIEW

The review of the Group's business during the Reporting Period and the discussion on future business development are set out in the section headed "Management Discussion and Analysis" on pages 9 to 31 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Due to the nature of its business, the Group does not produce any hazardous substances or pollutants in the course of business operation. During the Reporting Period, the Group did not incur any expenses for any failure of compliance with applicable environmental laws and regulations.

The environmental, social and governance report of the Company in accordance with Appendix 27 to the Listing Rules is set out on pages 108 to 138 of this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group is subject to various PRC laws and regulations in the course of daily operation. For details, please refer to the section headed "Regulatory Environment" of the Prospectus.

During the Reporting Period, the Group was not involved in any non-compliance incidents that resulted in fines, enforcement actions or other penalties to the Group which, in turn, may individually or as a whole have a material adverse impact on the Group's business, financial conditions or operating results, and the Group had complied with applicable PRC laws and regulations in all material aspects.

MAIN RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group believes that its success depends on the support of key stakeholders, including employees, customers and suppliers.

Employees

As of December 31, 2022, the Group had 369 full-time employees, including 340 in Shanghai, 21 in Beijing, 8 in Xinjiang.

The Group believes that the Group has always maintained a good relationship with its employees. The employees of the Group have not participated in any labor union. As of December 31, 2022, the Group did not experience any strikes or any labor disputes with its employees which have had or are likely to have a material effect on the Group's business.

The Group's employees typically enter into standard employment contracts with the Group. The Group places high value on recruiting, training and retaining its employees. The Group maintains high recruitment standards and provides competitive compensation packages. Remuneration packages for the Group's employees mainly comprise base salary and bonus. The Group also provides both in-house and external trainings for its employees to improve their skills and knowledge. For the year ended December 31, 2022, total staff remuneration expenses including Directors' remuneration amounted to RMB104.18 million.

The Group contributes to social security insurance and housing provident funds for its employees in accordance with applicable PRC laws, rules and regulations in all material aspects. We have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development. Details of the Post-IPO Share Option Scheme and the Restricted Share Unit Scheme are set out in the sections headed "Post-IPO Share Option Scheme" and "Restricted Share Unit Scheme" of this directors' report and Note 28 to the consolidated financial statements in this annual report.

MAIN RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS (Continued)

Customers

The Group's customers primarily include (i) advertisers and advertising agencies for online marketing solutions; and (ii) third-party ad networks and advertisers for advertising spaces on the Group's Huabian Platform. As of December 31, 2022, the Group had accumulatively served approximately 3,450 key advertisers. The Group has maintained business relationships with top five customers for 2 to 4 years (as of December 31, 2022). The Group generally grants customers a credit period of 30 to 210 days, and settles with customers by wire transfer. The Group occasionally requires certain advertising customers to prepay for the Group's online marketing solutions.

Suppliers

The Group's suppliers primarily include (i) media partners, consisting of online publishers (namely, owners of content distribution platforms) and media agents which engage with the Group on behalf of online publishers, for traffic acquisition; and (ii) third-party content distribution partners which conduct content marketing for and bring traffic to the Group's Huabian Platform. The Group has maintained business relationships with top five suppliers for 2 to 5 years (as of December 31, 2022). The suppliers of the Group generally settle with the Group via wire transfer and grant the Group a credit period of less than 90 days. Certain suppliers also require for prepayment for acquiring traffic.

MAIN RISKS AND UNCERTAINTIES

Some of the main risks faced by the Group included:

- The Group acted as a middleman between advertising customers and Supplier A and relied on Supplier A to acquire user traffic for the Group's advertisers. If the Group fails to maintain its business relationship with Supplier A or if Supplier A loses its leading market position or popularity, the Group's business, financial condition and results of operations could be materially and adversely affected.

- If the Group fails to retain the existing advertising customers, deepen or expand its relationships with the advertising customers, or attract new advertising customers, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

- If the Group fails to retain the existing media partners, deepen or expand its relationships with the media partners, or attract new media partners, the Group's business, financial condition, results of operations and prospects may be materially and adversely affected.

- If online publishers transact with advertisers directly, the Group may be exposed to the risk of disintermediation.

MAIN RISKS AND UNCERTAINTIES (Continued)

- If the Group fails to acquire new visitors or retain existing visitors for the Huabian Platform, or if visitor engagement on the Group's platform declines, the Group's business, results of operations and financial condition may be materially and adversely affected.

- Increased governmental regulation of content platforms may subject the Group to penalties and other administrative actions.

- If the online marketing industry fails to continuously develop and grow, or if the online marketing industry develops or grows at a pace slower than expected, the Group's profitability and prospects may be materially and adversely affected.

- Any discontinuation or change in preferential tax treatment or government grants that currently are or may be available to the Group in the future could materially and adversely affect the Group's business, financial condition and results of operations.

- The Group may face certain risks in collecting its trade receivables, and the failure to collect could have a material adverse effect on the Group's business, financial condition and results of operations.

- The Group has recorded negative cash flow from operating activities and may be subject to liquidity risks, which could constrain the Group's operational flexibility and materially and adversely affect the Group's business, financial condition and results of operations.

FINANCIAL SUMMARY

The summary of the results and assets and liabilities of the Group for the past five financial years is set out on page 4 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF THE NET PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds received from the global offering of the Company in December 2020 (the "**Global Offering**"), after deducting the underwriting fees and commissions and expenses payable by the Company in connection with the Global Offering, amounted to approximately HK$1,296.93 million. The Company did not receive any of the net proceeds from the sale of the over-allotment shares by the over-allotment option grantors in January 2021. The net proceeds from the Global Offering for the year ended December 31, 2022 were applied as follows:

	Revised Approximate Percentage of The total Net proceeds	Revised Net Proceeds from the Global Offering *(HKD in millions)*	Revised/ Net Proceeds unutilized as of December 31, 2021 *(HKD in millions)*	Net Proceeds utilized during the Reporting Period *(HKD in millions)*	Remaining Net proceeds as of December 31, 2022 *(HKD in millions)*	Expected time to utilize the remaining net proceeds in full
Enhancing research and development capabilities and upgrading information technology infrastructure						
Upgrading information technology infrastructure	4.1%	53.24	26.00	**26.00**	**0.00**	N/A
Upgrading proprietary DMP	0.0%	0.00	0.00	**0.00**	**0.00**	N/A
Upgrading full service content,production, exchange and distribution platform	0.0%	0.00	0.00	**0.00**	**0.00**	N/A
Visual optimization of Huabian Platform	0.0%	0.00	0.00	**0.00**	**0.00**	N/A
Expanding business						
Enlarging advertiser and media partner bases	73.1%	947.68	320.48	**320.48**	**0.00**	N/A
Enhancing content production capabilities	5.5%	71.60	0.00	**0.00**	**0.00**	N/A
Expanding domestic and international footprints	3.7%	47.93	0.00	**0.00**	**0.00**	N/A
Pursuit of strategic investments and acquisitions	3.6%	46.79	46.30	**46.30**	**0.00**	N/A
Working capital and general corporate purposes	10.0%	129.69	24.46	**24.46**	**0.00**	N/A
Total	100.0%	1,296.93	417.24	**417.24**	**0.00**	

As at December 31, 2022, the Group had utilized the net proceeds from the global offering of HK$1,296.93 million, and no net proceeds were remaining.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

Save as disclosed in the section headed "Material Acquisition, Disposal of Subsidiaries, Associates and Joint Ventures and Significant Investment" in this report, the Group did not have any other future plans for material investment and capital assets as of the date of this report.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

During the Reporting Period, the transaction amount with the top five customers of the Group accounted for 27.4% of the total revenue of the Group as compared to 25.1% in 2021, and the transaction amount with the single largest customer of the Group accounted for 11.2% of the total revenue of the Group as compared to 8.1% in 2021.

Major Suppliers

During the Reporting Period, the transaction amount with the top five suppliers of the Group accounted for 92.05% of the total purchases of the Group during the Reporting Period as compared to 94% in 2021, and the transaction amount with the single largest supplier of the Group accounted for 28.5% of the total purchases of the Group as compared to 66.9% in 2021.

During the Reporting Period, none of the Directors, any of their close associates or any Shareholders who, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company, had an interest in the top five customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, details of the changes in the property, plant and equipment of the Company and the Group are set out in Note 13 to the consolidated financial statements in this annual report.

SHARE CAPITAL

During the Reporting Period, the details of the changes in the Company's share capital are set out in Note 27 to the consolidated financial statements in this annual report.

RESERVES

The details of the changes in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on page 147 of this annual report.

DISTRIBUTABLE RESERVE

During the Reporting Period, the distributable reserve of the Company amounted to approximately RMB1,411.32 million (as at December 31, 2021: RMB1,619.20 million).

TAX CREDIT

The Directors are not aware of any tax credit available to the Shareholders by reason of their holding of the Company's securities.

BANK BORROWINGS AND OTHER BORROWINGS

Details of the bank borrowings and other borrowings of the Company and its subsidiaries during the Reporting Period are set out in Note 25 to the consolidated financial statements in this annual report.

DIRECTORS

During the Reporting Period and up to the date of this annual report, the Directors are as follows:

Executive Directors:

Mr. Xu Jiaqing *(Chairman)*
Mr. Wang Chen *(Chief Executive Officer)*
Mr. Lin Qian *(Chief Financial Officer, appointed on March 31, 2022)*
Ms. Zha Lijun *(appointed on March 31, 2022)*

Non-Executive Directors:

Mr. Dai Liqun
Mr. Wang Jianshuo
Mr. Qin Miaomiao *(resigned on March 31, 2022)*

Independent Non-Executive Directors:

Mr. Chen Changhua
Dr. Ru Liyun
Ms. Cui Wen

Pursuant to Article 109(a) of the Articles of Association, at each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

Pursuant to Article 113 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a vacancy or as an additional Director, provided that the number of Directors so appointed shall not exceed the maximum number determined from time to time by the Shareholders at the AGM. Any Director appointed by the Board to fill a casual vacancy or to join the present Board shall hold office only until the first AGM of the Company after his appointment and shall be eligible for re-election. Any Director appointed under this Rule shall not be taken into account when deciding the number of directors or directors who at prepared to retire by rotation at the AGM of the Company.

Accordingly, Mr. Wang Chen, Mr. Wang Jianshuo and Mr. Chen Changhua will retire by rotation at the AGM and, being eligible, have offered themselves for re-selection at the AGM.

DIRECTORS AND SENIOR MANAGEMENT

The details of the biographies of Directors and senior management are set out in the section headed "Directors and Senior Management" on pages 32 to 37 of this annual report.

CHANGE IN DIRECTORS' INFORMATION

Save as disclosed in this report, the Directors, including the chief executive officer, confirm that there has been no change in any Director's information, including the chief executive officer's information, since the publication of the 2022 interim report up to the date of this report that is required to be disclosed in accordance with paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received a confirmation from each of the independent non-executive Directors confirming their independence under Rule 3.13 of the Listing Rules, and the Company considers that all independent non-executive Directors are independent throughout the Reporting Period and up to the date of this annual report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of Mr. Xu and Mr. Wang, being executive Directors, has entered into a service contract with the Company on November 17, 2020. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

Each of Mr. Lin Qian and Ms. Zha Lijun, being executive Directors, has entered into a service contract with the Company on March 31, 2022. Each service contract is for an initial term of three years commencing from March 31, 2022. The service contracts may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

Each of Mr. Dai and Mr. Wang Jianshuo, being non-executive Directors, and Mr. Chen Changhua, Dr. Ru Liyun and Ms. Cui Wen, being independent non-executive Directors, has entered into a letter of appointment with the Company on November 17, 2020. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with the Memorandum and Articles of Association and the applicable laws, rules and regulations.

None of the Directors has entered into or intends to enter into any service contract with any member company of the Group which is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

CONTRACT WITH CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Contractual Arrangements" of this directors' report and Note 1 and Note 32 to the consolidated financial statements in this annual report, for the year ended December 31, 2022, none of the Company or any of its subsidiaries entered into any contracts of significance with the Controlling Shareholder or any of its subsidiaries other than the Company, nor was there any contracts of significance between the Company or any of its subsidiaries and the Controlling Shareholder or any of its subsidiaries other than the Company in relation to provision of services during the Reporting Period.

DIRECTORS' INTERESTS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Contractual Arrangements" of this directors' report and Note 1 and Note 32 to the consolidated financial statements in this annual report, for the year ended December 31, 2022, none of the Directors had, directly or indirectly, a material interest in any transaction, arrangement or contract to which the Company, any of its subsidiaries or fellow subsidiaries is a party and is of significance to the business of the Group.

MANAGEMENT CONTRACTS

For the year ended December 31, 2022, the Company has not signed or entered into any contract for the management and administration of the whole or any substantial part of its business.

REMUNERATION POLICY

The Remuneration Committee has been established with an aim to review the remuneration policies and remuneration structure of the Group for the Directors and senior management of the Company based on the Group's operating results, the personal performance of Directors and senior management of the Company, and comparable market practices.

Details of the remunerations of the Directors and the five highest paid individuals during the Reporting Period are set out in Note 8 and Note 9 to the consolidated financial statements in this annual report.

RETIREMENT AND EMPLOYEE BENEFITS SCHEMES

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

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

Details of the Company's pension and employee benefit schemes are set out in Note 2.4 to the consolidated financial statements in this annual report.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES

As at December 31, 2022, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which have been entered in the register required to be kept pursuant to section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

(i) Interests in the Shares of the Company

Name of Director/ Chief executive	Nature of interest	Number of Shares	Approximate percentage of the total number of the Company's shares[(2)]
Mr. Wang[(3)(4)]	Founder of a discretionary trust/Interest in a controlled corporation/Beneficial owner	114,014,831 (L)	14.33%
Mr. Xu[(5)(6)]	Founder of a discretionary trust/Interest in a controlled corporation/Beneficial owner	96,482,288 (L)	12.13%
Mr. Dai[(7)(10)]	Founder of a discretionary trust/Interest in a controlled corporation	52,981,959 (L)	
	Interest of spouse	218,524 (L)	
		53,200,483 (L)	6.69%
Mr. Wang Jianshuo[(8)]	Interest in a controlled corporation	72,637,002 (L)	9.13%
Ms. Peng Ting[(9)(10)]	Beneficial owner	218,524 (L)	
	Interest of spouse	52,981,959 (L)	
		53,200,483 (L)	6.69%
Ms.Zha Lijun[(11)]	Beneficial owner	148,261 (L)	0.02%
Mr.Lin Qian[(12)]	Beneficial owner	50,000 (L)	
	Trust beneficiary	560,000 (L)	
		610,000 (L)	0.08%

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES (Continued)

(i) Interests in the Shares of the Company (Continued)

Notes:

1. The letter "L" denotes a long position in these shares.

2. As at December 31, 2022, the Company had 795,658,000 issued shares in total.

3. Mr. Wang is interested in 218,524 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.

4. Wang SPV is the Direct Holding SPV of The Longhills Trust, which is set up by Mr. Wang (as the economic settlor and the protector) and Derun Investments (as the settlor). Derun Investments is the Offshore Holding Company wholly owned by Mr. Wang. Therefore, Mr. Wang (as the founder of The Longhills Trust and the sole shareholder of Derun Investments) is deemed to be interested in the Shares directly held by Wang SPV by virtue of the SFO.

5. Mr. Xu is interested in 333,135 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.

6. Xu SPV is the Direct Holding SPV of The FS Trust, which is set up by Mr. Xu (as the economic settlor and the protector) and Quantum Computing (as the settlor). Quantum Computing is the Offshore Holding Company wholly owned by Mr. Xu. Therefore, Mr. Xu (as the founder of The FS Trust and the sole shareholder of Quantum Computing) is deemed to be interested in the Shares directly held by Xu SPV by virtue of the SFO.

7. Dai SPV is the Direct Holding SPV of The RGRGU Trust, which is set up by Mr. Dai (as the economic settlor and the protector) and Global Awesomeness (as the settlor). Global Awesomeness is the Offshore Holding Company wholly owned by Mr. Dai. Therefore, Mr. Dai (as the founder of The RGRGU Trust and the sole shareholder of Global Awesomeness) is deemed to be interested in the Shares directly held by Dai SPV by virtue of the SFO.

8. Kijiji is a wholly-owned subsidiary of Baixing Net. Mr. Wang Jianshuo is entitled to exercise the voting rights attached to approximately 40.84% shares of Baixing Net which are directly held by himself and three entities (i.e. Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi). Each of Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi is a limited partnership established in the PRC, the sole general partner of which is Mr. Wang Jianshuo. Therefore, Baixing Net and Mr. Wang Jianshuo are deemed to be interested in the Shares directly held by Kijiji by virtue of the SFO.

9. Ms. Peng Ting, vice president and joint company secretary of the Company, is interested in 218,524 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to her upon the fully exercise of all the options granted to her under the Post-IPO Share Option Scheme.

10. Ms. Peng Ting is the spouse of Mr. Dai. Therefore, Ms. Peng and Mr. Dai are deemed to be interested in each other's interests by virtue of the SFO.

11. Ms. Zha is interested in 148,261 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to her upon the fully exercise of all the options granted to her under the Post-IPO Share Option Scheme.

12. Mr. Lin is interested in 560,000 underlying shares. Such underlying shares are restricted shares granted under the Restricted Share Unit Scheme, which are subject to the vesting schedule and are not subject to any performance targets or any callback mechanism.

INTERESTS AND SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES OR DEBENTURES (Continued)

(ii) Interests in associated corporation

Name of Director/ Chief executive	Nature of interest	Name of associated corporation	Attributable registered capital (RMB)	Approximate percentage
Mr. Wang	Beneficial interest	Netjoy Network	10,156,872	18.97%
	Beneficial interest	Tradeplus	2,000,000	40.00%
Mr. Xu	Beneficial interest	Netjoy Network	8,581,778	16.03%
Mr. Dai	Beneficial interest	Netjoy Network	5,992,656	11.20%
	Beneficial interest	Tradeplus	3,000,000	60.00%

On March 31,2022, Mr. Wang, Mr. Xu and Mr. Qin (the "**concerted action contracting party**") entered into a termination agreement for the concerted action agreement, and the concerted action arrangement between them was terminated by mutual consent, with effect from March 31, 2022. After the execution of the termination agreement, the parties acting in concert are no longer obliged (including) to act in concert by voting unanimously at the board meeting or shareholders' meeting of any member company of the Group (if applicable). As of the date of this report, Mr. Wang, Mr. Xu and Mr. Qin are not regarded as having each other's interests in Netjoy Network. For details, please refer to our announcement dated March 31, 2022.

Save as disclosed above, as of December 31, 2022, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which shall be entered in the register required to be kept pursuant to section 352 of the SFO, or which shall be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHT TO PURCHASE SHARES OR DEBENTURES

Except as disclosed in this annual report, the Company or its subsidiaries or Consolidated Affiliated Entities did not enter into any arrangement at any time during the Reporting Period to enable the Directors to acquire benefits by purchasing the shares or debentures of the Company or any other corporation, and no directors or their spouses or children under the age of 18 had been granted any right to subscribe for the equity or debt securities of the Company or any other corporation, or had exercised any such right.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES

As at December 31, 2022, to the knowledge of the Directors, the following persons (not being Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of interest	Number of shares	Approximate percentage of the total number of the Company's shares[2]
PraxisIFM Fiduciaries (Hong Kong) Limited[3][5][7][8]	Trustee	315,313,070 (L)	39.63%
Mr. Wang[4][5]	Founder of a discretionary trust/Interest in a controlled corporation/Beneficial owner	114,014,831 (L)	14.33%
Derun Investments[5]	Founder of a discretionary trust	113,796,307 (L)	14.30%
Wang SPV[5]	Beneficial owner	113,796,307 (L)	14.30%
Derun International[5]	Interest in a controlled corporation	113,796,307 (L)	14.30%
Mr. Xu[6][7]	Founder of a discretionary trust/Interest in a controlled corporation/Beneficial owner	96,482,288 (L)	12.13%
Quantum Computing[7]	Founder of a discretionary trust	96,149,153 (L)	12.08%
Xu SPV[7]	Beneficial owner	96,149,153 (L)	12.08%
FSS Investment[7]	Interest in a controlled corporation	96,149,153 (L)	12.08%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES (Continued)

Name of Shareholder	Nature of interest	Number of shares	Approximate percentage of the total number of the Company's shares[(2)]
Mr. Dai[(8)(10)]	Founder of a discretionary trust/Interest in a controlled corporation	52,981,959 (L)	
	Interest of spouse	218,524 (L)	
		53,200,483 (L)	6.69%
Global Awesomeness[(8)]	Founder of a discretionary trust	52,981,959 (L)	6.66%
Dai SPV[(8)]	Beneficial owner	52,981,959 (L)	6.66%
Baxter Investment[(8)]	Interest in a controlled corporation	52,981,959 (L)	6.66%
Ms. Peng Ting[(9)(10)]	Beneficial owner	218,524 (L)	
	Interest of spouse	52,981,959 (L)	
		53,200,483 (L)	6.69%
Kijiji[(11)]	Beneficial interest	72,637,002 (L)	9.13%
Baixing Net[(11)]	Interest in a controlled corporation	72,637,002 (L)	9.13%
Mr. Wang Jianshuo[(11)]	Interest in a controlled corporation	72,637,002 (L)	9.13%
Wutong Holding	Beneficial interest	54,629,666 (L)	6.87%
Jingheng Jianyong[(12)] (as defined below)	Beneficial interest	40,468,390 (L)	5.09%
Beijing Jingheng[(12)] (as defined below)	Interest in a controlled corporation	40,468,390 (L)	5.09%
Mr. Song Lingjie[(12)]	Interest in a controlled corporation	40,468,390 (L)	5.09%
Ms. Liu Yongyan[(12)]	Interest in a controlled corporation	40,468,390 (L)	5.09%
Schroders Plc[(13)]	Investment manager	96,647,000 (L)	12.15%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES (Continued)

Notes:

1. The letter "L" denotes a long position in these shares.

2. As at December 31, 2022, the Company had 795,658,000 issued shares in total.

3. PraxisIFM Fiduciaries (Hong Kong) Limited (formerly known as PraxisIFM Nerine Fiduciaries (Hong Kong) Limited) is the trustee of the Family Trusts, the discretionary family trusts set up by Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai and Mr. Ru respectively. Therefore, PraxisIFM Fiduciaries (Hong Kong) Limited is deemed to be interested in the Shares directly held by Wang SPV, Xu SPV, Qin SPV, Dai SPV, and Ru SPV by virtue of the SFO.

4. Mr. Wang is interested in 218,524 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.

5. Wang SPV is wholly owned by Derun International, which is in turn the holding vehicle of the Trustee of The Longhills Trust. The Longhills Trust is set up by Mr. Wang (as the economic settlor and the protector) and Derun Investments (as the settlor). Derun Investments is the Offshore Holding Company wholly owned by Mr. Wang. Therefore, each of Mr. Wang (as the founder of The Longhills Trust and the sole shareholder of Derun Investments), Derun Investments (as the founder of The Longhills Trust), Derun International (as the sole shareholder of Wang SPV) is deemed to be interested in the Shares directly held by Wang SPV by virtue of the SFO.

6. Mr. Xu is interested in 333,135 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to him upon the fully exercise of all the options granted to him under the Post-IPO Share Option Scheme.

7. Xu SPV is wholly owned by FSS Investment, which is in turn the holding vehicle of the Trustee of The FS Trust. The FS Trust is set up by Mr. Xu (as the economic settlor and the protector) and Quantum Computing (as the settlor). Quantum Computing is the Offshore Holding Company wholly owned by Mr. Xu. Therefore, each of Mr. Xu (as the founder of The FS Trust and the sole shareholder of Quantum Computing), Quantum Computing (as the founder of The FS Trust), FSS Investment (as the sole shareholder of Xu SPV) is deemed to be interested in the Shares directly held by Xu SPV by virtue of the SFO.

8. Dai SPV is wholly owned by Baxter Investment, which is in turn the holding vehicle of the Trustee of The RGRGU Trust. The RGRGU Trust is set up by Mr. Dai (as the economic settlor and the protector) and Global Awesomeness (as the settlor). Global Awesomeness is the Offshore Holding Company wholly owned by Mr. Dai. Therefore, Mr. Dai (as the founder of The RGRGU Trust and the sole shareholder of Global Awesomeness), Global Awesomeness (as the founder of The RGRGU Trust), Baxter Investment (as the sole shareholder of Dai SPV) is deemed to be interested in the Shares directly held by Dai SPV by virtue of the SFO.

9. Ms. Peng Ting, vice president and joint company secretary of the Company, is interested in 218,524 underlying shares. Such underlying shares are the relevant shares that may be allotted and issued to her upon the fully exercise of all the options granted to her under the Post-IPO Share Option Scheme.

10. Ms. Peng Ting is the spouse of Mr. Dai. Therefore, Ms. Peng and Mr. Dai are deemed to be interested in the interests of each other by virtue of the SFO.

11. Kijiji is a wholly-owned subsidiary of Baixing Net. Mr. Wang Jianshuo, a non-executive Director, is entitled to exercise the voting rights attached to approximately 40.84% shares of Baixing Net which are directly held by himself and three entities (i.e. Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi). Each of Shanghai Xiangnong, Shanghai Paisen, and Shanghai Fangxi is a limited partnership established in the PRC, the sole general partner of which is Mr. Wang Jianshuo. Therefore, Baixing Net and Mr. Wang Jianshuo are deemed to be interested in the Shares directly held by Kijiji by virtue of the SFO.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES (Continued)

Notes: (Continued)

12. Hangzhou Jingheng Jianyong Equity Investment Partnership (Limited Partnership) (杭州靜衡堅勇股權投資合夥企業(有限合夥)) ("**Jingheng Jianyong**") is controlled by its general partner Beijing Jingheng Investment Management Co., Ltd. (北京靜衡投資管理有限公司) ("**Beijing Jingheng**"), which is in turn owned by Ms. Liu Yongyan (劉勇燕) as to 90%. Mr. Song Lingjie (宋靈潔) is a limited partner of Jingheng Jianyong holding approximate 41.96% (more than one third) interests therein. Therefore, Beijing Jingheng, Mr. Song Lingjie and Ms. Liu Yongyan are deemed to be interested in the Shares directly held by Jingheng Jianyong by virtue of the SFO.

13. These Shares are directly held by Schroder Investment Management North America Limited as to 1,985,000, Schroder Investment Management Limited as to 375,000, Schroder Investment Management (Hong Kong) Limited as to 85,547,000 and Schroder Investment Management (Singapore) Ltd as to 8,740,000, respectively. Schroder Investment Management North America Limited is direct wholly-owned by Schroder Investment Management Limited, each of Schroder Investment Management (Hong Kong) Limited, Schroder Investment Management (Singapore) Ltd and Schroder Investment Management Limited is direct wholly-owned by Schroder International Holdings Limited, which is indirect wholly-owned by Schroder Administration Limited. Schroder Administration Limited is indirect wholly-owned by Schroders Plc, therefore Schroders Plc is deemed to be interested in these Shares by virtue of the SFO.

Save as disclosed above, as at December 31, 2022, to the knowledge of the Directors, no other persons (not being Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which are required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or which shall be entered in the register referred to in section 336 of the SFO.

POST-IPO SHARE OPTION SCHEME

The Company has adopted the Post-IPO Share Option Scheme approved by a written resolution passed by the then Shareholders on November 17, 2020 and has taken effect from the Listing Date.

(a) Purpose of the Post-IPO Share Option Scheme

The purpose of the Post-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and Shareholders as a whole. The Post-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Selected participants to the Post-IPO Share Option Scheme

Any individual, being an employee, director, officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate who the Board or its delegate(s) considers, in their sole discretion, to have contributed or will contribute to the Group is entitled to be offered and granted options.

(c) Maximum number of Shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Post-IPO Share Option Scheme and any other schemes is 80,000,000, being no more than 10% of the Shares in issue on the date the Shares commence trading on the Stock Exchange (the "**Option Scheme Mandate Limit**") (excluding any Shares which may be issued pursuant to the exercise of the options which may be granted under the Post-IPO Share Option Scheme). Options which have lapsed in accordance with the terms of the rules of the Post-IPO Share Option Scheme shall not be counted for the purpose of calculating the Option Scheme Mandate Limit. The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Post-IPO Share Option Scheme and any other share option schemes of the Company at any time (and to which the provisions of Chapter 17 of the Listing Rules are applicable) must not exceed 30% of the Shares in issue from time to time (the "**Option Scheme Limit**"). No options may be granted under any schemes of the Company (or our Subsidiaries) if this will result in the Option Scheme Limit being exceeded. The Option Scheme Mandate Limit may be refreshed at any time by obtaining prior approval of the Shareholders in general meeting and/or such other requirements prescribed under the Listing Rules from time to time. However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the Shares in issue as at the date of such approval. Options previously granted under the Post – IPO Share Option Scheme and any other share option schemes of the Company (and to which provisions of Chapter 17 of the Listing Rules are applicable) (including those outstanding, canceled or lapsed in accordance with its terms or exercised), shall not be counted for the purpose of calculating the refreshed Option Scheme Mandate Limit. The Company may also grant options in excess of the Option Scheme Mandate Limit, provided such grant is to specifically identify selected participant and is first approved by Shareholders in general meeting.

POST-IPO SHARE OPTION SCHEME (Continued)

(d) Maximum entitlement of a grantee

Unless approved by the Shareholders, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted under the Post-IPO Share Option Scheme and any other share option scheme(s) of the Company to each selected participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of Shares in issue (the "**Individual Limit**"). Any further grant of options to a selected participant which would result in the aggregate number of Shares issued and to be issued upon exercise of all options granted and to be granted to such selected participant (including exercised, canceled and outstanding options) in the 12 month period up to and including the date of such further grant exceeding the Individual Limit shall be subject to separate approval of the Shareholders (with such selected participant and his associates abstaining from voting).

(e) Subscription price

The amount payable for each Share to be subscribed for under an option (the "**Subscription Price**") in the event of the option being exercised shall be determined by the Board in its absolute discretion but shall be not less than the higher of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the date of grant;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five Business Days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant.

POST-IPO SHARE OPTION SCHEME (Continued)

(f) Options granted to Directors or substantial shareholders

Each grant of options to any director, chief executive or substantial shareholder of the Company (or any of their respective associates) shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of the Company (or any of their respective associates) would result in the number of Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% (or such other higher percentage as may from time to time be specified by the Stock Exchange) of the Shares in issue; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million (or such other higher amount as may from time to time be specified by the Stock Exchange),

such further grant of options shall be subject to prior approval of the Shareholders (voting by way of poll) in a general meeting. In obtaining the approval, the Company shall send a circular to the Shareholders in accordance with and containing such information as is required under the Listing Rules. The relevant selected participants, their associates, and all core connected persons of the Company shall abstain from voting at such general meeting, except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular to be sent to the Shareholders in connection therewith.

(g) Grant offer letter and notification of grant of options

An offer shall be made to selected participants by a letter in duplicate which specifies the terms on which the option is to be granted. Such terms may include any minimum period(s) for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part, and may include at the discretion of the Board such other terms either on a case basis or generally.

An offer shall be deemed to have been accepted and the option to which the offer relates shall be deemed to have been granted and to have taken effect when the duplicate of the offer letter comprising acceptance of the offer duly signed by the grantee with the number of Shares in respect of which the offer is accepted clearly stated therein, together with a remittance in favor of the Company of HK$1.00 by way of consideration for the grant thereof, which must be received by the Company within 20 Business Days from the date on which the offer letter is delivered to the grantee.

Any offer may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares or a multiple thereof. To the extent that the offer is not accepted within 20 Business Days from the date on which the letter containing the offer is delivered to that selected participant, it shall be deemed to have been irrevocably declined.

(h) Time of exercise of an option

An option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to the Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

(i) Duration

The Post-IPO Share Option Scheme shall be valid and effective for the period of ten years commencing on the Listing Date (after which, no further options shall be offered or granted under the Post-IPO Share Option Scheme), but in all other respects the provisions of the Post-IPO Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the rules of the Post-IPO Share Option Scheme.

As of December 31, 2022, the remaining term of the Post-IPO Share Options Scheme is approximately 8 years.

POST-IPO SHARE OPTION SCHEME (Continued)

On January 27, 2022 (after trading hours), the Company cancelled a total of 8,808,000 Shares Options granted on January 15, 2021, with effect from January 27, 2022. On the same day, the Company further decided to grant Options to a total of sixty-eight (68) eligible participants under the Post-IPO Share Option Scheme (the "**Options**"), and to subscribe for a total of 5,281,600 shares, with an exercise price of HK$2.462 per share, accounting for about 0.664% of the total issued shares as at December 31, 2022. For details, please refer to the announcement of the Company dated January 28,2022.

The Share Options granted shall be valid from January 27, 2022 to January 14, 2031 (including the first and last two days). The Share Options shall be vested in accordance with the timetable below (for this purpose, the date or each such date on which the Share Options are vested being hereinafter referred to as a "**Vesting Date**"), subject to the grantees' achievement of performance targets as of each Vesting Date:

Vesting Date	Percentage of share options to vest
January 27, 2022	Approximately one-third of the total number of Share Options granted
January 14, 2023	Approximately one-third of the total number of Share Options granted
January 14, 2024	Approximately one-third of the total number of Share Options granted

The Remuneration Committee considers that the vesting of Share Options according to the above schedule is more appropriate and in line with the purpose of the Post-IPO Share Option Scheme. Because the grantees of the newly granted Options are the grantees of the cancelled Options, and these grantees have already met the vesting period of the cancelled Options, it is fair and reasonable to vest according to the above timetable.

On September 5, 2022 (after trading hours), the Company decided to grant Options to a total of thirteen (13) eligible participants under the Post-IPO Share Option Scheme, and they can subscribe for a total of 2,395,588 shares, with the exercise price of HK$2.462 per share, accounting for about 0.301% of the total issued shares as of December 31, 2022. For details, please refer to the announcement of the Company dated September 5, 2022.

Vesting Date	Percentage of share options to vest
September 5, 2023	Approximately one-third of the total number of Share Options granted
September 5, 2024	Approximately one-third of the total number of Share Options granted
September 5, 2025	Approximately one-third of the total number of Share Options granted

The Share Options granted shall be valid for ten (10) years after the grant date, i.e. September 5, 2022. The Share Options shall be vested in accordance with the timetable below (for this purpose, the Vesting Date of the Share Options), subject to the grantees' achievement of performance targets as of each Vesting Date.

Details of valuation of the Share Options during the Reporting Period, including the accounting standard and policy adopted for the Post-IPO Share Option Scheme are set out in Note 28 to the consolidated financial statements in this annual report.

Particulars and movements of the Share Options granted to the Directors, chief executive, senior management and other employees of the Group in under the Post-IPO Share Option Scheme during the Reporting Period are as follows.

POST-IPO SHARE OPTION SCHEME (Continued)

Name of grantee[1]	Date of grant	Vesting Date[2][3]	Exercise price per Share (HKD)	Number of Shares subject to outstanding options as at January 1, 2022	Granted during the year ended December 31, 2022	Exercised during the year ended December 31, 2022	Cancelled during the year ended December 31, 2022	Lapsed during the year ended December 31, 2022	Number of Shares subject to outstanding options as at December 31, 2022
Directors									
Mr. Wang	January 15, 2021	January 14, 2022	7.680	95,333	–	–	(95,333)	–	–
		January 14, 2023	7.680	95,333	–	–	(95,333)	–	–
		January 14, 2024	7.680	95,334	–	–	(95,334)	–	–
	January 27, 2022	January 27, 2022	2.462	–	72,841	–	–	–	72,841
		January 14, 2023	2.462	–	72,841	–	–	–	72,841
		January 14, 2024	2.462	–	72,842	–	–	–	72,842
Mr. Xu	January 15, 2021	January 14, 2022	7.680	145,333	–	–	(145,333)	–	–
		January 14, 2023	7.680	145,333	–	–	(145,333)	–	–
		January 14, 2024	7.680	145,334	–	–	(145,334)	–	–
	January 27, 2022	January 27, 2022	2.462	–	111,045	–	–	–	111,045
		January 14, 2023	2.462	–	111,045	–	–	–	111,045
		January 14, 2024	2.462	–	111,045	–	–	–	111,045
Vice president and joint company secretary									
Ms. Peng Ting	January 15, 2021	January 14, 2022	7.680	95,333	–	–	(95,333)	–	–
		January 14, 2023	7.680	95,333	–	–	(95,333)	–	–
		January 14, 2024	7.680	95,334	–	–	(95,334)	–	–
	January 27, 2022	January 27, 2022	2.462	–	72,841	–	–	–	72,841
		January 14, 2023	2.462	–	72,841	–	–	–	72,841
		January 14, 2024	2.462	–	72,842	–	–	–	72,842
Senior management and other employees	January 15, 2021	January 14, 2022	7.680	2,033,000	–	–	(2,033,000)	–	–
		January 14, 2023	7.680	2,033,000	–	–	(2,033,000)	–	–
		January 14, 2024	7.680	2,033,000	–	–	(2,033,000)	–	–
	January 27, 2022	January 27, 2022	2.462	–	1,503,805	–	–	(157,979)	1,345,826
		January 14, 2023	2.462	–	1,503,806	–	–	(157,980)	1,345,826
		January 14, 2024	2.462	–	1,503,806	–	–	(157,980)	1,345,826
	September 5, 2022	September 5, 2023	2.462	–	798,529	–	–	–	798,529
		September 5, 2024	2.462	–	798,529	–	–	–	798,529
		September 5, 2025	2.462	–	798,530	–	–	–	798,530
Total				7,107,000	7,677,188	–	(7,107,000)	(473,939)	7,203,249

POST-IPO SHARE OPTION SCHEME (Continued)

Notes:

(1) There are no options granted to suppliers of goods or services or other participants.

(2) The Share Options granted shall be valid from January 27, 2022 to January 14, 2031 (including the first and last two days).

(3) The validity period of the granted options will be ten (10) years from the date of grant, i.e. September 5, 2022.

(4) The closing price of the Shares immediately (i.e. January 26, 2022) before the date of which the Share Options were granted, i.e. January 27, 2022, was HK$2.310. The fair value of the Share Options at the date of grant was HK$2.310 per Share.

(5) The closing price of the Shares immediately (i.e. September 2, 2022) before the date of which the Share Options were granted, i.e. September 5, 2022, was HK$1.310. The fair value of the Share Options at the date of grant was HK$1.310.

During the Reporting Period, the vesting of the above-mentioned share options granted under the Post-IPO Share Option Scheme was not restricted by any performance target or callback mechanism of the Group or each eligible participant. During the Reporting Period, except as disclosed above, the Company did not grant or agree to grant other share options under the Post-IPO Share Option Scheme. On January 1, 2022, a total of 71,192,000 shares could be granted under the Post-IPO Share Option Scheme, accounting for about 8.948% of the total issued shares (i.e. 795,658,000 shares). As at December 31, 2022, the total number of share options granted under the Post-IPO Share Option Scheme was 63,514,812, accounting for 7.983% of the total number of issued shares (i.e. 795,658,000 shares). The total number of Shares that may be issued in respect of Options granted under the Post-IPO Share Option Scheme divided by the weighted average number of Shares in issued for the Reporting Period was 0.99%. As of the date of this annual report, the total number of Shares that can be issued under the Post-IPO Share Option Scheme is 70,532,483, accounting for 8.865% of the total number of issued Shares (i.e. 795,658,000 shares).

RESTRICTED SHARE UNIT SCHEME

The Restricted Share Unit Scheme (the "**RSU Scheme**") was adopted and approved by a resolution of the Board of Directors on October 18, 2021 (the "**Adoption Date**"). The following is a summary of the principal terms of the RSU Scheme:

Purpose

The purpose of the RSU Scheme is to recognize and reward Participants for their contribution to the Group, to attract best available personnel to provide service to the Group, and to provide additional incentives to them to remain with and further promote the success of the Group's business.

Effectiveness and Duration

Subject to any early termination as may be determined by the Board pursuant to terms of the RSU Scheme, the RSU Scheme shall be valid and effective for a period of ten (10) years commencing on the Adoption Date, after which no further Awards will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and the Awards granted during the term of the RSU Scheme may continue to be valid in accordance with their respective terms of grant. As at December 31, 2022, the remaining term of the RSU Scheme is about nine (9) years.

RESTRICTED SHARE UNIT SCHEME (Continued)

RSU Limit

The total number of Shares underlying the RSU Scheme (excluding the Shares underlying the RSUs that have lapsed or been cancelled in accordance with the relevant provisions of the RSU Scheme) shall not exceed 80,000,000 Shares (the "**RSU Limit**"), representing 10% of the issued Shares as of the Adoption Date.

Administration

The RSU Scheme shall be subject to the administration of a committee consisting of the Board or certain members authorized by the Board from time to time (the "**Administrator**") in accordance with the terms and conditions of the RSU Scheme. The Administrator shall have the sole and absolute right to (i) interpret and construe the provisions of the RSU Scheme; (ii) determine the persons who will be granted Awards under the RSU Scheme, the terms and conditions on which Awards are granted and when the RSUs granted pursuant to the RSU Scheme may vest; (iii) make such appropriate and equitable adjustments to the terms of the Awards granted under the RSU Scheme as it deems necessary; and (iv) make such other decisions or determinations as it shall deem appropriate or desirable in respect of the foregoing (i), (ii) and (iii). All the decisions, determinations and interpretations made by the Administrator in accordance with the RSU Scheme shall be final, conclusive and binding on all parties.

Subject to any applicable laws, regulations and rules, the powers and obligations of the Trustee will be limited as set forth in the Trust Deed and the Trustee shall, prior to the Shares being transferred to the Grantees pursuant to the RSU Scheme, exercise all powers and rights attached to the Shares (including the voting rights thereof) under the RSU Scheme pursuant to the authorization and instruction by the Administrator but shall be required to give a proxy (after specifying voting direction) to the chairman of each general meeting in terms of the voting over the Shares held by the Trustee. The Trustee will hold the Trust Funds (including the Shares to be acquired by the Trustee for the purpose of the RSU Scheme) in accordance with the terms of the Trust Deed.

Who May Join

The Participants include: (i) full-time employees (including directors, officers and members of senior management) of any member of the Group; (ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity; (iii) any adviser (professional or otherwise), consultant to or expert in any area of business or business development of any member of the Group or any Invested Entity; and (iv) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group (the "**Participants**").

RESTRICTED SHARE UNIT SCHEME (Continued)

Grant and Acceptance of Awards

Subject to limitations and conditions of the RSU Scheme, the Administrator may grant to each of the selected Participants an offer of grant of Award by way of a restricted share unit award agreement or any such notice or document in such form as the Administrator may from time to time determine for acceptance by the selected Participant (the "**Award Agreement**"), subject to additional terms and conditions that the Administrator thinks fit which shall be stated in the Award Agreement.

If the selected Participant intends to accept the Grant as specified in the Award Agreement, he/she is required to sign the Award Agreement to confirm his/her acceptance and return it to the Administrator within the time period and in a manner prescribed in the Award Agreement. Upon the receipt from the selected Participant of a duly executed Award Agreement and payment of total consideration (if any), the RSUs shall be granted to such Participant in respect of a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof, and such Participant shall become a Grantee pursuant to the RSU Scheme. To the extent that the Grant or any term or condition set out in the Award Agreement is not accepted by any selected Participant within the time period or in a manner prescribed in the Award Agreement, it shall be deemed that such Grant has irrevocably lapsed and terminated and that the RSUs that would have been granted under the Grant have immediately lapsed.

Restrictions on Grant of Awards

No Grant shall be made to, nor shall any Grant be capable of acceptance by, any selected Participant at a time when the selected Participant would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable rules, regulations or law.

For as long as the Shares are listed on the Stock Exchange, a Grant must not be made after inside information has come to the knowledge of the Administrator or the Company until such inside information has been announced in accordance with the requirements of the Listing Rules.

For as long as the Shares are listed on the Stock Exchange, a Grant shall not be made on any day on which the financial results of the Company are published and during the period of:

(i) 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results;

(ii) 30 days immediately preceding the publication date of the quarterly results (if any) and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results; and

(iii) a specified period, where a Grant is prohibited under the Listing Rules, the SFO or other applicable laws from time to time or where such Grant would render the Company the subject of a mandatory offer under the Codes on Takeovers and Mergers and Share Buybacks from time to time.

RESTRICTED SHARE UNIT SCHEME (Continued)

Restrictions on Grant of Awards (Continued)

The Administrator may not grant any Awards to any Participants in any of the following circumstances:

(i) the requisite approvals for that Grant from any applicable regulatory authorities have not been obtained;

(ii) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the Grant or in respect of the RSU Scheme, unless the Administrator determines otherwise;

(iii) where the Grant would result in a breach of any applicable securities laws, rules or regulations by any member of the Group or any of its directors; or

(iv) the Grant would result in a breach of the RSU Limit or other rules of the RSU Scheme.

For as long as the Shares are listed on the Stock Exchange, if required by the Stock Exchange or the Listing Rules, the grant of an Award shall be subject to the compliance with the requisite requirements under the Listing Rules or otherwise required by the Stock Exchange. In particular, the grant of Award to any director, chief executive or substantial shareholder of the Company or its subsidiaries, or any of their respective associates (as defined under the Listing Rules), shall be subject to compliance with requirements of Chapter 14A of the Listing Rules.

Vesting of Awards

Upon fulfilment or waiver (by the Administrator in its sole and absolute discretion) of the vesting period and vesting conditions (if any) applicable to a Grantee or a Grant, a vesting notice will be sent to the Grantee by the Administrator, or by the relevant Trustee under the authorization and instruction by the Administrator, confirming (i) the extent to which the vesting period and vesting conditions have been fulfilled or waived; (ii) the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of these Shares) or the amount of cash the Grantee will receive; and (iii) where the Grantee will receive Shares, the lock-up arrangements for such Shares (if applicable). The Grantee is required to execute, after receiving the vesting notice, certain documents set out in the vesting notice that the Administrator considers necessary (which may include, without limitation, a certification that he or she has complied with all the terms and conditions set out in the RSU Scheme and the Award Agreement). In the event that the Grantee fails to execute the required documents within 30 Business Days after receiving the vesting notice, the vested RSUs will lapse.

RESTRICTED SHARE UNIT SCHEME (Continued)

Vesting of Awards (Continued)

Subject to the execution of documents by the Grantee as set out above, the RSUs which have vested shall be satisfied at the Administrator's sole and absolute discretion within a reasonable period from the vesting date of such RSUs, either by:

(i) subject to the terms of the RSU Scheme, the Administrator directing and procuring the Trustee to transfer the Shares underlying the RSUs (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the Grantee or his/her wholly-owned entity (as represented by the Grantee) from the Trust Funds; and/or

(ii) the Administrator directing and procuring the Trustee to pay to the Grantee or his/her wholly-owned entity (as represented by the Grantee) in cash an amount which is equivalent to the market value of the Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) set out in paragraph (i) above by making on market sales of such Shares and after deduction or withholding of any tax, fees, levies, stamp duty and other charges applicable to the entitlement of the Grantee and the sales of any Shares to fund such payment and in relation thereto.

Notwithstanding the foregoing, if the Company, the Trustee or any Grantee would or might be prohibited from dealing in the Shares by the Listing Rules (where applicable) or by any other applicable laws, regulations or rules, the date on which the relevant Shares shall be transferred to the Grantee shall occur as soon as possible after the date when such dealing is permitted by the Listing Rules or by any other applicable laws, regulations or rules.

Transferability

Any RSU granted pursuant to the RSU Scheme shall be personal to the Grantee and shall not be assignable or transferable unless and until such Shares underlying the RSUs are actually transferred to the Grantee upon the vesting of the RSUs, except assignment or transfer from a Grantee to a company wholly-owned by him or between two companies both of which are wholly-owned by him. The terms of the RSU Scheme and the Award Agreement shall be binding upon the assigns and transferees of the Grantee.

Notwithstanding the above, no Grantee shall in any way sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favour of any other person over or in relation to any RSU or any property held by the Trustee on trust for the Grantees, Awards, Shares underlying any Awards or RSUs or any interest or benefits therein, unless and until such Shares underlying the RSUs are actually transferred to the Grantee upon the vesting of the RSUs.

RESTRICTED SHARE UNIT SCHEME (Continued)

Lapse

(i) Unless otherwise specified in the Award Agreement, subject to terms and conditions of the RSU Scheme, the unvested RSUs shall automatically lapse upon the earliest of:

(a) the date of the termination of Grantee's employment or service by any member of the Group for Causes, subject to the below paragraph (iii);

(b) the date on which the Grantee commits a breach of the above clause of transferability;

(c) the date on which the Administrator reasonably believes it is no longer possible for any outstanding conditions to vesting to be satisfied; or

(d) the date on which the Administrator has decided that the unvested RSUs shall not be vested for the Grantee in accordance with the rules of the RSU Scheme and the terms and conditions as set out in the Award Agreement.

(ii) For the purpose of circumstance (a) in the above paragraph (i), the Administrator or the board of directors of the relevant Group Company shall have the right to determine what constitutes Cause, whether the Grantee's employment or service has been terminated for Cause and the effective date of such termination, and such determination by the Administrator or the Board of the relevant Group Company shall be final and conclusive.

(iii) If the Grantee's employment or service with the Company or any of the Group Companies is terminated for any reason other than for Cause (including by reason of resignation, retirement, death, Disability or non – renewal of the employment or service agreement upon its expiration for any reason other than for Cause), the Administrator shall determine at its sole and absolute discretion and shall notify the Grantee whether any unvested RSU granted to such Grantee shall vest and the period within which such RSU shall vest. If the Administrator determines that such RSU shall not vest, such RSU shall automatically lapse with effect from the date on which the Grantee's employment or service is terminated.

(iv) Where any unvested RSUs of a Grantee lapse in accordance with the rules of the RSU Scheme, the Administrator shall direct the Trustee to refund to the Grantee the consideration (if any) in correspondence to such unvested RSUs paid by the Grantee pursuant to the terms of the RSU Scheme and the terms and conditions as set out in the Award Agreement. To the extent the Trust Fund does not have sufficient cash to pay and settle such refund, the Trustee shall notify the Company/the Administrator of such shortfall and the Company/the Administrator shall pay to the Trustee the shortfall amount within 30 Business Days upon its receipt of such notice from the Trustee.

(v) Notwithstanding any other provisions of the RSU Scheme, in each case, the Administrator may in its sole and absolute discretion decide that any RSU shall not lapse or shall be subject to such conditions or limitations as the Administrator may decide.

RESTRICTED SHARE UNIT SCHEME (Continued)

Cancellation of RSUs

The Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

(a) The Company or any member of the Group pay to the Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board;

(b) The Company or the relevant member of the Group provides to the Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be cancelled; or

(c) The Board makes any arrangement as the Participant may agree in order to compensate him/her for the cancellation of the RSUs.

Reorganization of Capital Structure

(i) In the event of any alteration in the capital structure of the Company, such as capitalization issue, consolidation, sub-division and reduction of the share capital of the Company, the Administrator may make equitable adjustments that it considers appropriate, at its sole and absolute discretion, including:

  (a) make arrangements for the grant of substitute RSUs of equivalent fair value to an Award in the purchasing or surviving company;

  (b) reach such accommodation with the Grantee as it considers appropriate, including the payment of cash compensation to the Grantee equivalent to the fair value to any RSU to the extent not vested;

  (c) waive any conditions to vesting of any RSU to the extent not already vested; or

  (d) permit the continuation of an Award in accordance with its original terms.

RESTRICTED SHARE UNIT SCHEME (Continued)

Reorganization of Capital Structure (Continued)

(ii) Without prejudice to the above paragraph (i):

(a) In the event the Company undertakes an open offer of new securities in respect of any Shares which are held by the Trustee under the RSU Scheme, the Trustee shall not subscribe for any new Shares. In the event of a rights issue, the Trustee shall not take up any rights Shares and shall, if possible, sell the amount of the nil-paid rights allotted to it during a specific period and at a specific price range as directed and instructed by the Administrator in its sole and absolute discretion and the net proceeds of sale of such rights shall be held as income of the Trust Funds and be applied in accordance with the terms of the RSU Scheme.

(b) In the event the Company issues bonus warrants in respect of any Shares which are held by the Trustee, the Trustee shall not subscribe for any new Shares by exercising any of the subscription rights attached to the bonus warrants and shall, if possible, sell the bonus warrants created and granted to it during a specific period and at a specific price range as directed and instructed by the Administrator in its sole and absolute discretion and the net proceeds of sale of such bonus warrants shall be held as income of the Trust Funds and be applied in accordance with the terms of the RSU Scheme.

(c) In the event the Company undertakes a scrip dividend scheme, the Trustee shall elect cash dividend and the cash dividend will be treated as income of the Trust Funds and be applied in accordance with the terms of the RSU Scheme.

(d) In the event of other non-cash and non-scrip distribution made by the Company in respect of Shares held upon the Trust, the Trustee shall dispose of such distribution as directed and instructed by the Administrator in its sole and absolute discretion, the net sale proceeds thereof shall be deemed as income of the Trust Funds and shall be applied in accordance with the terms of the RSU Scheme.

Rights Attached to RSUs and Shares

The RSUs do not carry any right to vote at general meetings of the Company. No Grantee shall enjoy any of the rights of a Shareholder by virtue of the grant of an Award pursuant to the RSU Scheme, unless and until such Shares underlying the RSUs are actually transferred to the Grantee upon the vesting of the RSUs. In particular, no Grantee shall exercise any of the voting rights in respect of the Shares underlying the RSUs prior to the vesting of the RSUs. Unless otherwise specified by the Administrator in its sole and absolute discretion in the Award Agreement, the Grantees do not have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying an RSU prior to the vesting of the RSU.

Any Shares to be transferred to a Grantee or his/her wholly-owned entity upon the vesting of RSUs granted pursuant to the RSU Scheme shall be subject to all the provisions of the Memorandum and Articles of Association and shall rank pari passu in all respects with the existing fully paid Shares in issue on the date of transfer, or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members, and accordingly shall entitle the holder of such Shares to participate in all dividends or other distributions paid or made on or after the date of transfer and to exercise all voting rights in respect of such Shares, or if that date falls on a day when the register of members of the Company is closed, the first day of the re-opening of the register of members.

RESTRICTED SHARE UNIT SCHEME (Continued)

Alteration of the RSU Scheme

The terms of the RSU Scheme may be altered, amended or waived in any respect by the Board.

Termination

The RSU Scheme may be terminated at any time prior to the expiry of its term by the Board provided that such termination shall not affect any subsisting rights of any Grantee hereunder. For the avoidance of doubt, no further Awards shall be granted after the RSU Scheme is terminated but in all other respects the provisions of the RSU Scheme shall remain in full force and effect. All RSUs granted prior to such termination and not vested on the date of termination shall remain valid. In such event, (i) the Trustee shall act in accordance with the instruction of the Administrator to notify all Grantees of such termination and how the Trust Funds held by the Trustee on trust and other interests or benefits in relation to the outstanding RSUs shall be dealt with, and (ii) to the extent that any part of the Trust Funds will not be transferred to the Grantees under paragraph (i), the Trust Funds held by the Trustee and any income thereof shall be held by the Trustee for the purpose of the future incentive schemes of the Company or as otherwise instructed by the Administrator.

Grant of Awards, Purchase of Shares and the RSUs

As at December 31, 2022, the trustee appointed by the Company to manage the RSU Scheme has purchased a total of 20,470,000 shares in the market, accounting for about 2.573% of the total issued shares (i.e. 795,658,000 shares) as of December 31, 2022. On September 5, 2022 (after trading hours), the Company granted a total of 1,868,186 RSUs to one director and four employees of the Group under the RSU Scheme, accounting for about 0.235% of the total issued shares as at December 31, 2022. The above-mentioned grantee of RSUs is not required to pay fees for any restricted share units granted under the RSU Scheme or for exercising such RSUs. For details, please refer to the announcement issued by the Company on September 5, 2022.

As at December 31, 2022, the trustee held a total of 20,470,000 shares in trust for the benefit of participants under the RSU Scheme, of which (i) 1,868,186 shares have been used to satisfy the RSUs granted on September 5, 2022, and (ii) the remaining 18,601,814 shares, accounting for 2.338% of the total number of issued Shares as of the date of this report.

RESTRICTED SHARE UNIT SCHEME (Continued)

The term of validity of RSUs is ten (10) years after the date of grant. The 1,868,186 RSUs granted to the grantee of RSUs will be vested as follows:

(i) About one-third of the RSUs will vest on September 5, 2023;

(ii) About one third of the RSUs will vest on September 5, 2024; and

(iii) About one third of the RSUs will vest on September 5, 2025.

Details and changes of restricted RSUs granted to directors, the top executives, senior management and other employees of the Group under the RSU Scheme during the Reporting Period are as follows:

Name of grantee[1]	Date of grant	Vesting Date[2][3]	Exercise price per Share (HKD)	Number of Shares subject to RSUs as at January 1, 2022	Granted during the year ended December 31, 2022	Exercised during the year ended December 31, 2022	Cancelled during the year ended December 31, 2022	Lapsed during the year ended December 31, 2022	Number of Shares subject to RSUs as at December 31, 2022
Director									
Mr. Lin Qian	September 5, 2022	September 5, 2023	–	–	186,666	–	–	–	186,666
		September 5, 2024	–	–	186,667	–	–	–	186,667
		September 5, 2025	–	–	186,667	–	–	–	186,667
Other employees	September 5, 2022	September 5, 2023	–	–	436,062	–	–	212,666	223,396
		September 5, 2024	–	–	436,062	–	–	212,667	223,395
		September 5, 2025	–	–	436,062	–	–	212,667	223,395
Total				–	1,868,186	–	–	638,000	1,230,186

Notes:

(1) There are no RSUs granted to suppliers of goods or services or other participants.

(2) The validity period of the granted RSUs will be ten (10) years from the date of grant, i.e. September 5, 2022.

(3) The closing price of shares immediately (i.e. September 2, 2022) before the grant date of RSUs, i.e. September 5, 2022 was HK$1.310. The fair value of the RSUs at the date of grant was HK$1.310.

The vesting of RSUs granted to the grantee of RSUs is not restricted by any performance target or callback mechanism of the Group or the grantee of RSUs. During the Reporting Period, except as disclosed above, as of the date of this report, the Company did not grant or agree to grant, vest, transfer, expire or cancel any RSUs according to the RSU Plan.

EQUITY-LINKED AGREEMENT

Except as disclosed in the section headed "Post-IPO Share Option Scheme" and "Restricted Share Unit Scheme" above, there was no equity-linked agreement entered into by the Company or subsisting during the year ended December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Save as disclosed above, during the Reporting Period, none of the Company or any of its subsidiaries or any of its consolidated affiliated entities had purchased, sold or redeemed any of the listed securities of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders (collectively, the "**Covenantors**" and each, a "**Covenantor**") entered into a deed of non-competition (the "**Deed of Non-competition**") in favor of the Company on November 17, 2020, pursuant to which each of the Covenantors has, among other things, irrevocably and unconditionally undertaken, jointly and severally, with the Company that, at any time during the period commencing from the Listing Date and expiring on the earlier of (i) the date when the Covenantors and, as the case may be, any of their close associates, cease to hold, or otherwise control or be interested in, beneficially in aggregate whether directly or indirectly, 30% or more (or such other percentage of shareholding as stipulated in the Listing Rules to constitute a controlling shareholder) of the issued share capital of the Company; or (ii) the date on which the Shares cease to be listed on the Stock Exchange (except for temporary suspension of trading of the Shares), the Covenantor shall not, and shall procure that his/its close associates (other than members of the Group) will not, directly or indirectly, carry on, engage in, invest in, participate in, attempt to participate in, render any services to, provide any financial support to or otherwise be involved in or interested in, whether alone or jointly with another person and whether directly or indirectly or on behalf of or to assist or act in concert with any other person, any business or investment activities in the PRC, Hong Kong and other territories where the Company carries out business which is the same as, similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time. Please refer to the section headed "Non-Competition Undertaking" in the Prospectus for details.

The Company has received an annual confirmation from each of the Covenantors that they have complied with the Deed of Non-competition during the Reporting Period, for disclosure in this annual report.

The independent non-executive Directors have reviewed the performance of the Deed of Non-competition during the Reporting Period based on the information and confirmation provided or given by the Controlling Shareholders, and are satisfied that the Covenantors have complied with the Deed of Non-competition.

On March 31, 2022, each of the Controlling Shareholders (i.e. the AIC Parties) entered into the Termination Agreement to terminate the acting-in-concert arrangement among them upon mutual agreement, with effect from March 31, 2022. Upon the execution of the Termination Agreement, the AIC Parties are no longer controlling shareholders of the Company, and they will no longer be bound by the Deed of Non-competition according to the terms of the Deed of Non-competition. For details, please refer to the announcement of the Company dated March 31, 2022.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As of December 31, 2022, Mr. Wang Jianshuo was the chairman of the board of Baixing Net, and together with the persons acting in concert with him, held approximately 40.84% of the registered capital of Baixing Net, which primarily operates one of the largest classified information internet platforms in the PRC (i.e. www.baixing.com) that enables local merchants and consumers to exchange information and conduct business with each other.

As disclosed in the Prospectus, Baixing Net engages in information stream business with a focus on traffic distribution as an advertising agency, which are similar to the online marketing solutions business of the Group. For details of the delineation of the business of the Group and those of Baixing Net, please refer to the section headed "Directors and Senior Management" of the Prospectus.

Save as disclosed above, as of December 31, 2022, none of the Directors or their associates has any interest in any business that directly or indirectly competes with or may compete with the business of the Group.

CONNECTED TRANSACTIONS

Save as disclosed in the section headed "Contractual Arrangements" of this report, during the Reporting Period, there was no other related party transaction or continuing related party transaction set out in Note 32 to the consolidated financial statements in this annual report which constitutes discloseable connected transaction or continuing connected transaction under the Listing Rules. In respect of the connected transactions and the continuing connected transactions, the Company has complied with the disclosure requirements of the Listing Rules (as amended from time to time).

CONTRACTUAL ARRANGEMENTS

Reasons for Entering into Contractual Arrangements

Foreign investment activities in the PRC are mainly governed by the Catalog and the Special Administrative Measures for Access of Foreign Investment (Negative List) (2021 Edition) (the "**Negative List**", together with the Catalog, the "**Relevant PRC Regulations**"), promulgated and amended from time to time jointly by the Ministry of Commerce of the People's Republic of China and the National Development and Reform Commission of the People's Republic of China. Pursuant to the Relevant PRC Regulations, foreign investments in certain industries are subject to restriction or prohibition.

Below table sets out a summary of our businesses and the corresponding business sectors which are subject to foreign investment restriction or prohibition carried out by our PRC operating company under the Relevant PRC Regulations as confirmed by our PRC Legal Advisors:

Operating company of the Group	Description of business	Business sector under the Relevant PRC Regulations	Category under the Relevant PRC Regulations
Netjoy Network	Operating a pan entertainment-oriented content platform	Value-added telecommunications services	Restricted
	Planning and production of short video	Radio and TV programs production and operation services	Prohibited
Tradeplus	Planning and production of short video	Radio and TV programs production and operation services	Prohibited
	Operating a one-stop short video programmatic advertising and data management platform (the businesses carried out by Netjoy Network and Tradeplus are collectively referred to herein as the "**Relevant Businesses**")	Value-added telecommunications services	Restricted

CONTRACTUAL ARRANGEMENTS (Continued)

Reasons for Entering into Contractual Arrangements (Continued)

We also have minority interest in four companies through Netjoy Network, namely Shanghai Buwei, Horgos Buwei Culture Media Co., Ltd. (霍爾果斯不維文化傳媒有限公司) ("**Horgos Buwei**") (the wholly-owned subsidiary of Shanghai Buwei), and Yunlin (Tianjin) Culture Media Co., Ltd. (韻林(天津)文化傳媒有限公司) ("**Yunlin Culture**") and Wuhan Junhaokan Network Technology Co., Ltd. (武漢劇好看網絡科技有限公司) ("**Wuhan Juhaokan**") together with Shanghai Buwei and Horgos Buwei and Yulin Culture (the "**Relevant Entities**"). Our PRC Legal Advisors are of the view that the businesses carried on by the Relevant Entities are also subject to foreign investment prohibition or restriction under the Relevant PRC Regulations. The table below sets out the Group's equity interest in the Relevant Entities and their businesses and categories:

Name of entities	Equity interest held by the Group	Description of business	Business sector under the Relevant PRC Regulations	Category under the Relevant PRC Regulations
Shanghai Buwei	20% equity interests held by Netjoy Network	Planning, production and distribution of internet short videos	Radio and TV programs production and operation services	Prohibited
Horgos Buwei	20% equity interest held by Netjoy Network through Shanghai Buwei	Planning, production and distribution of internet short videos	Radio and TV programs production and operation services	Prohibited
Yunlin Culture[(1)]	30% equity interests held by Netjoy Network	Production and distribution of internet videos for internet content marketing	Radio and TV programs production and operation services	Prohibited
Wuhan Juhaokan[(2)]	100% equity interests held by Netjoy Network	Preparation to run a small program	Value-added telecommunication service	Restricted
		Planning and production of short plays	Radio and television program production and operation services	Prohibited
		Network performance	Network culture management	Prohibited

Notes:

(1) Yunlin Culture was cancelled on September 27, 2022.

(2) Wuhan Juhaokan was registered and established according to the PRC laws on September 7, 2022. At the time of its establishment, its sole shareholder was Mr. Xu (connected person). On March 21, 2023, Mr. Xu transferred his 100% equity of Wuhan Drama Watching to Netjoy Network. After the transfer is completed, Netjoy Network holds 100% equity of Wuhan Juhaokan. As the applicable percentage rate of equity transfer and transactions under it is lower than 0.1% according to the Listing Rules, it is exempted from the requirements of announcement and independent shareholders' approval under Chapter 14A of the Listing Rules.

CONTRACTUAL ARRANGEMENTS (Continued)

Reasons for Entering into Contractual Arrangements (Continued)

In order to comply with PRC laws and regulations while availing ourselves of international capital markets and maintaining effective control over all of our business operations, we determined that it was not viable for the Company to hold Netjoy Network and Tradeplus directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment restrictions, we would gain effective control over Netjoy Network and Tradeplus through the Contractual Arrangements.

Furthermore, as illustrated above, given the fact that the businesses carried on by the Relevant Entities are also subject to foreign investment prohibition or restriction under the current PRC laws and regulations, we determined that it was not viable for the Company to hold the minority interest in the Relevant Entities directly through equity ownership. Instead, we decided that, in line with common practice in industries in the PRC subject to foreign investment prohibition or restriction, we would hold the minority interest in the Relevant Entities through Netjoy Network under the Contractual Arrangements.

We, through Yunxiang Information, entered into the Contractual Arrangements with the Registered Shareholders of Netjoy Network and the Netjoy Network on March 30, 2020, pursuant to which, Yunxiang Information has acquired effective control over the financial and operational policies of Netjoy Network and has become entitled to all the economic benefits derived from its operations.

We, through Yunxiang Information, entered into the Contractual Arrangements with the Registered Shareholders of Tradeplus and the Tradeplus on June 16, 2021, pursuant to which, Yunxiang Information has acquired effective control over the financial and operational policies of Tradeplus and has become entitled to all the economic benefits derived from its operations.

Given that the Consolidated Affiliated Entities have obtained the necessary radio and television program production license and value-added telecommunication business license for all our business operations, the Board believes that the Consolidated Affiliated Entities are of great significance to the Group.

CONTRACTUAL ARRANGEMENTS (Continued)

Summary of the Material Terms of Contractual Arrangements

(a) Exclusive Business Cooperation Agreements

Yunxiang Information entered into an exclusive business cooperation agreement with each of Netjoy Network and Tradeplus on March 30, 2020 and June 16, 2021, respectively (the "**Exclusive Business Cooperation Agreements**"), pursuant to which, in exchange for a service fee, Yunxiang Information agreed to provide Netjoy Network/Tradeplus with technical support, consultation and other services, including but not limited to:

- the use of any relevant intellectual property rights and software legally owned by the Yunxiang Information;
- development, maintenance and updating of software in respect of the Netjoy Network's/Tradeplus' business;
- design, installation, daily management, maintenance and updating of network systems, hardware and database;
- providing technical support and staff training services to relevant employees of Netjoy Network/Tradeplus;
- providing assistance in consultancy, collection and research of technology and market information (excluding market research business that wholly foreign owned enterprises are prohibited from conducting under the PRC laws);
- providing corporate management consultation;
- providing corporate strategy and development consultation;
- providing financial consultation and management services;
- providing business operation related information consultation;
- providing marketing and promotional services;
- providing customer order management and customer services;
- transfer, leasing and disposal of equipment or properties; and
- other relevant services requested by Netjoy Network/Tradeplus from time to time to the extent permitted under the PRC laws.

CONTRACTUAL ARRANGEMENTS (Continued)

Summary of the Material Terms of Contractual Arrangements (Continued)

(a) Exclusive Business Cooperation Agreements (Continued)

The service fee under the Exclusive Business Cooperation Agreements shall consist of 100% of the total consolidated profits of Netjoy Network/Tradeplus under IFRSs, after offset by any accumulated deficit in respect of the preceding financial year(s) (if any) and deducting relevant operating costs, expenses, taxes, statutory surplus reserves legally to be withdrawn and other statutory contributions. Notwithstanding the foregoing, Yunxiang Information may adjust the scope and amount of services fees according to PRC tax law and tax practices and with reference to the need of the working capital of Netjoy Network/Tradeplus, and Netjoy Network/Tradeplus will accept such adjustments.

(b) Exclusive Option Agreements

Yunxiang Information, with each of Netjoy Network and its Registered Shareholders and with each of Tradeplus and its Registered Shareholders entered into an exclusive option agreement on March 30, 2020 and June 16, 2021, respectively (the "**Exclusive Option Agreements**"), pursuant to which Yunxiang Information (or its designee(s)) was granted an irrevocable and exclusive right (the "**Exclusive Option Rights**") to purchase from the Registered Shareholders all or any part of their equity interests in Netjoy Network/Tradeplus, at any time and from time to time, at the amount of the registered capital of Netjoy Network/Tradeplus multiply by the proportion of the purchased equity interests in the total equity interests of Netjoy Network/Tradeplus or a lowest price legally permissible under the applicable laws of PRC, in which case the purchase price shall be the lowest amount under such request. Upon receiving all the duly executed share transfer documents and approvals and after deducting necessary tax expenses, Yunxiang Information or its designee(s) shall pay the purchase price within 10 Business Days to the designated bank accounts of the Registered Shareholders. Subject to relevant PRC laws and regulations, the Registered Shareholders shall return any amount of the purchase price within 10 Business Days after they have received relevant remedies from Yunxiang Information or its designee(s). Upon receiving the notice issued by Yunxiang Information (or its designee(s)) to exercise their Exclusive Option Rights (the "**Notice**"), the Registered Shareholders of Netjoy Network and Netjoy Network or the Registered Shareholders of Tradeplus and Tradeplus, within 30 days, shall execute all other contracts, agreements or documents with relevant parties, and shall take all necessary actions to engage in, complete, or obtain the approval, filing, registration procedures and consent with regulatory authorities without any delay, so that the relevant equity interests in Netjoy Network/Tradeplus as set out in the Notice, without any security interest attached to them, can be effectively transferred to and registered under the name of Yunxiang Information (or its designee(s)).

(c) Equity Pledge Agreements

Yunxiang Information, with each of Netjoy Network and its Registered Shareholders and with each of Tradeplus and its Registered Shareholders entered into an equity pledge agreements on March 30, 2020 and June 16, 2021, respectively (the "**Equity Pledge Agreements**"), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in Netjoy Network/Tradeplus as the first sequence to guarantee the payment of the secured debts of, the performance of the obligations of, and the representations, undertakings, and warrants provided by, Netjoy Network and its Registered Shareholders and Tradeplus and its Registered Shareholders under the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS (Continued)

Summary of the Material Terms of Contractual Arrangements (Continued)

(d) Powers of Attorneys

Yunxiang Information, with each of Netjoy Network and its Registered Shareholders and with each of Tradeplus and its Registered Shareholders entered into a powers of attorneys on March 30, 2020 and June 16, 2021, respectively (the "**Powers of Attorneys**"), pursuant to which the Registered Shareholders unconditionally and irrevocably appoint Yunxiang Information or its designee(s) (including but not limited to directors of Yunxiang Information and the Company and their successors and liquidators replacing the directors but excluding those non-independent or who may give rise to conflict of interests) as their attorney – in-fact, to exercise on their behalf, pursuant to the instructions of Yunxiang Information, all the rights that they have as the shareholders of Netjoy Network/Tradeplus as set out in the then-valid articles of association of Netjoy Network/Tradeplus.

(e) Spouse Undertakings

The spouse of each of the individual Registered Shareholders, where applicable, has signed an undertaking (collectively, the "**Spouse Undertakings**") to the effect that, among others, (i) the equity interests (together with any other interests therein) of Netjoy Network/Tradeplus held and to be held by each of the Registered Shareholders do not fall within the scope of communal properties; (ii) she unconditionally and irrevocably waives any rights or interests that may be granted to her under the applicable laws of any jurisdictions in respect of equity interests in Netjoy Network/Tradeplus, and she undertakes not to claim such rights or interests; (iii) no authorization or consent of her is required when performance, modification or termination of the Contractual Arrangements or execution of other documents in place of any agreements under the Contractual Arrangements; (iv) she will execute all necessary documents and take all necessary actions to ensure the appropriate performance of the Contractual Arrangements; (v) she will not, at any time, take any actions in conflict with the Spouse Undertakings and the Contractual Arrangements; and (vi) she will not take any actions to prevent the performances under the Contractual Arrangements in any circumstances, including but not limited to divorce of him or her with spouse.

(f) Confirmation from Registered Shareholders

Each of the individual Registered Shareholders undertakes to Yunxiang Information that, in the event of death, incapacity, divorce, or other circumstances regarding the Registered Shareholders which may affect the exercise of his direct or indirect equity interests (together with any other interests therein) in Netjoy Network/Tradeplus, the Registered Shareholder's respective spouse, successor, custodian, creditor, and any other person/entity which may as a result of the above events claim rights or other benefits on the equity interests (together with any other interests therein) in Netjoy Network/Tradeplus directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

CONTRACTUAL ARRANGEMENTS (Continued)

Summary of the Material Terms of Contractual Arrangements (Continued)

For further details of the Contractual Arrangements, please refer to the "Contractual Arrangements" section of the Prospectus.

Save as disclosed above, during the Reporting Period, the Group did not enter into, renew and/or reproduce other new contractual arrangements with the Consolidated Affiliated Entities. During the Reporting Period, there were no significant changes in the Contractual Arrangements and/or the circumstances under which the Contractual Arrangements were adopted.

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of these restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2022, the Company did not encounter any interference or hindrance by any PRC regulatory authority when operating its business through the Consolidated Affiliated Entities according to the Contractual Arrangements.

Accounting Aspects of the Contractual Arrangements

As a result of the Exclusive Business Cooperation Agreement and the Exclusive Option Agreement, the Company has obtained control of the Consolidated Affiliated Entities through Yunxiang Information and, at the Company's sole discretion, can receive all of the economic interest returns generated by the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows are consolidated into the Company's financial statements.

Qualification Requirements

On December 11, 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the "**FITE Regulations**"), which were amended on September 10, 2008 and February 6, 2016. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services, including ICP services. According to the FITE Regulations, foreign investors investing in value-added telecommunications business in the PRC must possess prior experience in operating value-added telecommunications businesses and a proven track record of business operations overseas with good performance (the "**Qualification Requirements**"). On March 29, 2022, the State Council promulgated the Decision of the State Council on Amending and Abolishing Some Administrative Regulations (the "**2022 Decision**"), which took effect on May 1, 2022. According to the decision of 2022, the above qualification requirements have been abolished.

However, our PRC legal adviser informed that as of December 31, 2022, no applicable laws, regulations or rules have provided clear guidance or interpretation on the 2022 decision, and the actual interpretation and implementation of the 2022 decision and related regulations by government agencies are still uncertain.

CONTRACTUAL ARRANGEMENTS (Continued)

PRC Laws on Foreign Investment

The Foreign Investment Law (2019) was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force on January 1, 2020 (the "**FIL 2019**"). The FIL 2019 is intended to replace the current foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》).

Our PRC Legal Advisors are of the view that since Contractual Arrangements are not specified as "foreign investments" under the FIL 2019 and if there is no applicable law or regulation that explains "other means" of foreign investment under the FIL 2019, or if "other means" of foreign investment are specified under applicable laws or regulations not to include Contractual Arrangements, it is unlikely that our Contractual Arrangements will be deemed as "foreign investments" under the FIL 2019 and therefore (i) the Contractual Arrangements shall neither be subject to the "negative list" nor be regulated by relevant authorities in accordance with the requirements of the "negative list;" and (ii) the FIL 2019 would not apply to the Contractual Arrangements as it does not substantially change the principle of recognition and treatment of Contractual Arrangements as compared with the current PRC laws and regulations, and the legality and validity of the Contractual Arrangements would not be affected.

If the operation of our Relevant Businesses is not on the "negative list" and we can legally operate such businesses under PRC laws, Yunxiang Information will exercise the option under the Exclusive Option Agreement to acquire the equity interests of Netjoy Network and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of our Relevant Businesses is on the "negative list," unless applicable laws or regulations define Contractual Arrangements are one of the "other means" of foreign investment, the probability that Contractual Arrangements will be deemed as "foreign investment" under the FIL 2019 and be regulated by relevant authorities in accordance with the requirements of the "negative list," which could result in the Contractual Arrangements being deemed as invalid or being required to meet the requirements of the "negative list," is low. In addition, considering that a number of existing entities are operating under Contractual Arrangements and some of which have obtained listing status abroad, our PRC Legal Advisors are of the view that the PRC government is likely to take a relatively cautious attitude towards the supervision of Contractual Arrangements and the enactment of laws and regulations impacting them, and will make decisions according to different situations in practice.

CONTRACTUAL ARRANGEMENTS (Continued)

Details of Consolidated Affiliated Entities

Netjoy Network, a limited liability company established in the PRC on November 15, 2012, is a Consolidated Affiliated Entity indirectly controlled by the Company through the Contractual Arrangements. Netjoy Network principally engages in (i) operating our Huabian Platform, a pan entertainment-oriented content platform; and (ii) planning and production of short video.

As of December 31, 2022, Netjoy Network is 100% held by the following Registered Shareholders of Netjoy Network:

Shareholder	Attributable registered capital (RMB)	Approximate percentage of shareholding
Mr. Wang	**10,156,872**	18.97%
Mr. Xu	**8,581,778**	16.03%
Kijiji	**6,956,880**	13.00%
Mr. Dai	**5,992,656**	11.20%
Wutong Holding	**5,368,203**	10.03%
Guzon Asset	**5,143,560**	9.61%
Jingheng Jianyong	**3,612,000**	6.75%
Mr. Qin	**2,818,158**	5.26%
Mr. Ru	**2,140,096**	4.00%
Aofa Management	**1,372,000**	2.56%
Qipu Xinzhe	**700,000**	1.31%
Wideview Asset	**686,000**	1.28%
Total	**53,528,203**	100.00%

Tradeplus, a limited liability company established in the PRC on May 6, 2021, is a Consolidated Affiliated Entity indirectly controlled by the Company through the Contractual Arrangements. Tradeplus principally engages in (i) operating a one-stop short video programmatic advertising and data management platform; and (ii) planning and production of short video.

CONTRACTUAL ARRANGEMENTS (Continued)

Details of Consolidated Affiliated Entities (Continued)

As of December 31, 2022, Tradeplus is 100% held by the following Registered Shareholders of Tradeplus:

Shareholder	Attributable registered Capital (RMB)	Approximate percentage of shareholding
Mr. Wang	2,000,000	40.00%
Mr. Dai	3,000,000	60.00%
Total	5,000,000	100.00%

Earnings and assets under the Contractual Arrangements

During the Reporting Period, the revenue of Netjoy Network was approximately RMB42.38 million, accounting for approximately 1.28% of the total revenue of the Group. As of December 31, 2021, the total assets of Netjoy Network was approximately RMB282.06 million, accounting for approximately 12.01% of the total assets of the Group.

During the Reporting Period, the revenue of Tradeplus was approximately RMB17.57 million, accounting for approximately 0.53% of the total revenue of the Group. As of December 31, 2021, the total assets of Tradeplus was approximately RMB30.13 million, accounting for approximately 1.28% of the total assets of the Group.

Implications under Listing Rules and Exemption from Stock Exchange

For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the Consolidated Affiliated Entities will be treated as the Company's wholly-owned subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the Consolidated Affiliated Entities and their respective associates will be treated as connected persons of the Company (excluding, for this purpose, the Consolidated Affiliated Entities), and transactions between these connected persons and the Group (including, for this purpose, the Consolidated Affiliated Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

Since certain parties to the Contractual Arrangements (namely Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai and Kijiji) are the Registered Shareholders and connected persons of the Company, according to the Listing Rules, the transactions contemplated under the Contractual Arrangements constitute the continuing connected transactions of the Company.

CONTRACTUAL ARRANGEMENTS (Continued)

Implications under Listing Rules and Exemption from Stock Exchange (Continued)

In respect of the Contractual Arrangements, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of (i) the announcement, circular and independent Shareholders' approval under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval;

(b) No change without independent Shareholders' approval;

(c) The Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities;

(d) On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between the Company and our subsidiaries in which the Company has direct shareholding, on one hand, and the Consolidated Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements; and

(e) We will disclose details relating to the Contractual Arrangements on an on-going basis.

CONTRACTUAL ARRANGEMENTS (Continued)

Annual Review by Independent Non-executive Directors and Auditor

During the Reporting Period, the independent non-executive Directors have reviewed the above Contractual Arrangements and confirmed that the Contractual Arrangements have:

(i) been entered into in the usual and ordinary course of business of the Group;

(ii) been conducted based on normal commercial terms or better; or been entered into based on the terms no less favorable to the Group than those available from or provided by independent third parties; and

(iii) been carried out according to the agreements for related transactions with terms that are fair and reasonable and in line with the interests of the Shareholders as a whole.

During the Reporting Period, independent non-executive Directors have also reviewed the above Contractual Arrangements and confirmed that:

(1) the transactions carried out during the Reporting Period have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

(2) no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and

(3) any new contracts entered into, renewed or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company carried out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements in compliance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and provided a letter to the Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Contractual Arrangements, and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group.

CONTRACTUAL ARRANGEMENTS (Continued)

Risks relating to Contractual Arrangements and Measures Taken to Mitigate Such Risks

The following are some of the risks involved in Contractual Arrangements. For details, please refer to the section headed "Risk Factors" in the Prospectus.

- If the PRC government finds that the agreements that establish the structure for operating our businesses in the PRC do not comply with applicable PRC laws and regulations, or if these laws or regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in the Consolidated Affiliated Entities.

- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership. Netjoy Network and its shareholders and Tradeplus and its shareholders may fail to perform their obligations under our Contractual Arrangements.

- We may lose the ability to use, or otherwise benefit from, the licenses, approvals and assets held by the Consolidated Affiliated Entities that are material to our business operations if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.

- The shareholders of Netjoy Network/the shareholders of Tradeplus may have conflicts of interest with us, which may materially and adversely affect our business.

- If we exercise the option to acquire equity ownership of Netjoy Network/Tradeplus, the ownership transfer may subject us to certain limitations and substantial costs.

- Our Contractual Arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of the Shareholders' investment.

CONTRACTUAL ARRANGEMENTS (Continued)

Risks relating to Contractual Arrangements and Measures Taken to Mitigate Such Risks (Continued)

The Group has adopted the following measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

- as part of the internal control measures, major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- our Board, particularly our independent non-executive Directors, will review the overall performance of and compliance with the Contractual Arrangements at least once a year, and the confirmation from our independent non-executive Directors will be disclosed in our annual report;
- the Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports and interim reports to update the Shareholders and potential investors;
- the Company and the Directors undertake to provide periodic updates in our annual and interim reports regarding (a) our plan and progress in acquiring the relevant experience to meet the Qualification Requirement, (b) our status of compliance with the FIL 2019, and (c) the latest regulatory development in relation with the FIL 2019;
- the Company will engage external legal advisors or other professional advisors, if necessary, to assist our Board to review the implementation of the Contractual Arrangements, review the legal compliance of Yunxiang Information and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements;
- the company seals, financial seals, contract seals and crucial corporate certificates of Netjoy Network/Tradeplus are kept by the Group's finance and legal departments, respectively. Any employee of the Group who wishes to use the seals will have to obtain internal approval from the head of the business, legal and/or finance department(s) (as the case may be) of the Group, as well as approval from relevant superior departments of the Company;
- because the Contractual Arrangements will constitute continuing connected transactions of the Group upon Listing, the Company has applied to the Stock Exchange, and the Stock Exchange has granted a waiver. The Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given; and

CONTRACTUAL ARRANGEMENTS (Continued)

Risks relating to Contractual Arrangements and Measures Taken to Mitigate Such Risks (Continued)

- our Board (including the independent non-executive Directors) will ensure that Netjoy Network/Tradeplus shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software, copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Yunxiang Information or any other legally held member of the Group shall be the registered owner of any other newly developed trademarks which will be material to the business of the Group.

The Group will adjust or unwind (as the case may be) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations which allow the Relevant Businesses to be conducted and operated by owned subsidiaries of the Company without such arrangements in place.

CHARITABLE DONATIONS

The Group has always been committed to understanding the needs of its community and actively undertaking social responsibilities. During the Reporting Period, the Group donated 289 boxes of snack packages to provide support to volunteers in COVID-19 pandemic, with a total value of more than RMB57,000.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, the Company was not involved in any material legal proceeding or arbitration. To the knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatened against the Company.

PERMITTED INDEMNITY PROVISIONS

In accordance with article 192 of the Articles of Associations, the Directors and other officers shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty in their offices, except such (if any) as they shall incur or sustain through their own fraud or dishonesty.

The Company has purchased appropriate director and officer liability insurance for its Directors and officers to provide appropriate protection for its Directors and officers. Save as disclosed above, during the year ended December 31, 2022 and up to the date of this report, there were no permitted indemnity provisions which were or are currently in force, and are beneficial to the Directors (whether made by the Company or otherwise) or any directors of the Company's associated companies (if made by the Company).

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining a high standard of corporate governance practices. Information about the corporate governance practices adopted by the Company is set out in the corporate governance report on pages 88 to 107 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, at least 25% (being the minimum public float prescribed by the Stock Exchange and the Listing Rules) of the Company's entire issued share capital were held by the public at any time during the year ended December 31, 2022.

REVIEW OF ANNUAL RESULTS

The Audit Committee has, together with the senior management and the external auditor of the Company, reviewed the accounting principles and practices adopted by the Group, and the audited consolidated financial statements for the year ended December 31, 2022.

AUDITOR

Ernst & Young Certified Public Accountants ("**Ernst & Young**") is the auditor for the year ended December 31, 2022. Ernst & Young has audited the accompanying consolidated financial statements which were prepared in accordance with the IFRS. The Company has engaged Ernst & Young since the date it began to prepare for the Listing. The Company has not changed its auditor in the past three years.

Ernst & Young is subject to retirement as auditor of the Company at the conclusion of the forthcoming AGM of the Company, and, being eligible, offers itself for re-appointment. A resolution for re-appointment of Ernst & Young as auditor of the Company will be proposed at the AGM.

SUBSEQUENT EVENTS

Details of the significant events after the Reporting Period are set out in Note 36 to the consolidated financial statements in this annual report.

By order of the Board
XU Jiaqing
Chairman of the Board
Shanghai • China, March 31, 2023

Corporate Governance Report

The Board is pleased to present this corporate governance report set out in this annual report of the Company for the year ended December 31, 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its Shareholders and enhance its value and accountability. The Company has adopted the corporate governance code set out in Appendix 14 of the Listing Rules as its corporate governance practice. For the year ended December 31, 2022, the Company has always complied with all the applicable principles and code provisions set out in the Corporate Governance Code. The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Nomination Committee and the Remuneration Committee (collectively, the "**Board Committees**"). The Board Committees should seek independent professional advice to perform their responsibilities at the Company's expense, if necessary. The Company is provided the sufficient resources to the Board Committees to perform their duties. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference, which are available for inspection on the websites of the Company and the Stock Exchange.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

COMPOSITION OF THE BOARD

During the Reporting Period and as of the date of this report, the Board comprises four executive Directors, two non – executive Directors and three independent non-executive Directors as detailed below:

Executive Directors:

Mr. Xu Jiaqing *(Chairman)*
Mr. Wang Chen *(Chief Executive Officer)*
Mr. Lin Qian *(Chief Financial Officer, appointed on March 31, 2022)*
Ms. Zha Lijun *(appointed on March 31, 2022)*

Non-executive Directors:

Mr. Dai Liqun
Mr. Wang Jianshuo
Mr. Qin Miaomiao *(resigned on March 31, 2022)*

Independent Non-executive Directors:

Mr. Chen Changhua
Dr. Ru Liyun
Ms. Cui Wen

The biographies of the Directors are set out in section headed “Directors and Senior Management” in this annual report.

COMPOSITION OF THE BOARD (Continued)

For the year ended December 31, 2022, the Board has met the requirements at all times, of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board. Each of the independent non-executive Directors has confirmed his/her independence during the year ended December 31, 2022 pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

The Company has adopted a board diversity policy which sets out the approach to achieve and maintain an appropriate balance of perspectives of our Board that are relevant to our business growth. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merits and contributions that the selected candidates will bring to the Board. Details of the board diversity policy are available on the website of the Company.

The Directors have a balanced mix of knowledge and skills, including overall management and strategic development, product operation, accounting and financial management, information technology and human resources. They obtained degrees in various majors, including in science and engineering, printing technology, Chinese language and literature, computer science and technology, marketing, and economics. Three independent non-executive Directors have different industry backgrounds, representing one-third of the Board. In addition, our Board has a wide range of age, ranging from 35 years old to 60 years old. We have also taken and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at the Board and senior management levels. In particular, one of our executive Directors, one of our independent non-executive Directors and our two joint company secretaries are female upon Listing. During the Reporting Period, the male to female ratio (including senior management) of the Group is approximately 41:59. The Group targets to enhance the gender equality and continues review and monitor the gender ratio and make the relevant adjustment if necessary to reflect further business development. Taking into account our existing business mode and specific needs as well as the different background of the Directors, we are of the view that the composition of our Board satisfies the Company's board diversity policy. During the Reporting Period, the Board has reviewed the implementation of the Company's board diversity policy and its continued effectiveness.

The Company has established a mechanism to ensure that, after making a request to the Board of Directors, each director can generally seek independent professional advice, opinions and viewpoints under appropriate circumstances, and the expenses shall be borne by the Company. The Board has adopted the policy that directors seek independent professional advice, and will review the implementation and effectiveness of this policy every year. During the year ended December 31, 2022, the Board has reviewed the implementation of this policy and confirmed that it is still valid.

The Company has reviewed the members, structure and composition of the Board, and believes that the structure of the Board is reasonable, and the Directors possess experience and skills in various aspects and fields, which can enable the Company to maintain operation at a high standard.

COMPOSITION OF THE BOARD (Continued)

Since each of the independent non-executive Directors has confirmed his/her independence during the year ended December 31, 2022 pursuant to Rule 3.13 of the Listing Rules, the Company considers each of them to be independent.

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge, and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Board Committees including Audit Committee, Remuneration Committee and Nomination Committee.

As regards to the code provisions under the Corporate Governance Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules, and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position, and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The joint company secretaries of the Company update and provide the Directors with written training materials in relation to their roles, functions, and duties from time to time.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT (Continued)

Based on the information provided by the Directors, a summary of the trainings received by the Directors during the year ended December 31, 2022 is as follows:

Name of Director	Nature of continuous professional development courses
Executive Directors:	
Mr. Xu Jiaqing	D
Mr. Wang Chen	D
Mr. Lin Qian (appointed on March 31, 2022)	C, D
Ms. Zha Lijun (appointed on March 31, 2022)	C, D
Non-executive Directors:	
Mr. Dai Liqun	D
Mr. Wang Jianshuo	D
Mr. Qin Miaomiao (resigned on March 31, 2022)	D
Independent Non-executive Directors:	
Mr. Chen Changhua	D
Dr. Ru Liyun	D
Ms. Cui Wen	D

Notes:

A: *Attended at seminars and/or meetings and/or forums and/or briefings*

B: *Made speeches at seminars and/or meetings and/or forums*

C: *Attended at trainings provided by lawyers and trainings related to the Company's business*

D: *Read materials regarding various topics, including corporate governance, duties as a director, Listing Rules and other relevant laws*

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Under Code Provision C.2.1 of the Corporate Governance Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. Mr. Xu Jiaqing is the chairman of the Board, Mr. Wang Chen is the chief executive officer, and the two different positions are clearly defined by their respective functions. The chairman is responsible for providing strategic recommendations and advice in respect of the Group's development, while the chief executive officer is responsible for the day-to-day operations of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of Mr. Xu and Mr. Wang, being executive Directors of the Company, has entered into a service contract with the Company on November 17, 2020. Each service contract is for an initial term of three years commencing from the Listing Date. The service contracts may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

Each of Mr. Lin and Ms. Zha, being executive Directors, has entered into a service contract with the Company on March 31, 2022. Each service contract is for an initial term of three years commencing from March 31, 2022. The service contracts may be renewed in accordance with the Articles and the applicable laws, rules and regulations.

Each of Mr. Dai and Mr. Wang Jianshuo, being non-executive Directors, and Mr. Chen Changhua, Dr. Ru Liyun and Ms. Cui Wen, being independent non-executive Directors, has entered into a letter of appointment with the Company on November 17, 2020. Each letter of appointment is for an initial term of three years commencing from the Listing Date. The letters of appointment may be renewed in accordance with the Memorandum and Articles of Association and the applicable laws, rules and regulations.

None of the Directors has entered into any service contract with the Company or any member of the Group which is not terminable by the Group within one year without compensation (except for statutory compensation).

According to the Articles of Association, at each AGM one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

The procedures and process of appointment, re-election, and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, and for making recommendations and advices to the Directors on the appointment, re-election, and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are dispatched at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the joint company secretaries with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

During the year ended December 31, 2022, the Chairman of the Board of Directors held a meeting with independent non-executive directors, and no executive directors attended this meeting.

During the Reporting Period, the Board held seven board meetings and one shareholders' meeting. The attendance of each Director at Board meetings and shareholders' meeting are as follows:

Directors	Board meetings attended/Board meetings eligible to attend	Shareholders' meeting attended/ Shareholders' meeting eligible to attend
Executive Directors:		
Mr. Xu Jiaqing	7/7	1/1
Mr. Wang Chen	7/7	1/1
Mr. Lin Qian (appointed on March 31, 2022)	5/5	1/1
Ms. Zha Lijun (appointed on March 31, 2022)	5/5	1/1
Non-executive Directors:		
Mr. Qin Miaomiao (resigned on March 31, 2022)	2/2	0/0
Mr. Dai Liqun	7/7	1/1
Mr. Wang Jianshuo	7/7	1/1
Independent Non-executive Directors:		
Mr. Chen Changhua	7/7	1/1
Dr. Ru Liyun	7/7	1/1
Ms. Cui Wen	7/7	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Group has adopted the Model Code as its code of conduct regarding the securities transactions by Directors and relevant employees (as defined in the Model Code). Specific enquiry has been made to all the Directors, and each of the Directors has confirmed that he/she has strictly complied with the required standards as set out in the Model Code during the Reporting Period.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors, and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration, and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTION

The Board confirmed that corporate governance is a collective responsibility of the Directors, whose corporate governance functions includes:

(a) review and monitor the Company's policies and practices in complying with legal and regulatory requirements;

(b) review and monitor the training and continuous professional development of the Directors and senior management;

(c) develop, review, and monitor the code of conduct and compliance manual applicable to employees and the Directors;

(d) develop and review the Company's corporate governance policies and practices, and make recommendations and report on related issues to the Board;

(e) review the Company's compliance with the corporate governance code and disclosures in the Corporate Governance Report; and

(f) review and monitor the Company's compliance with its whistleblowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of three members, namely, two independent non-executive Directors, Mr. Chen Changhua (chairman) and Dr. Ru Liyun, and one non-executive Director, Mr. Dai Liqun.

The main duties of the Audit Committee include, among others, the following:

1. conducting inspections on our compliance, accounting policies, financial reporting procedures as well as our financial wellbeing;

2. organizing and leading our annual audit work;

3. advising on the engagement or change of external auditors;

4. ensuring the truthfulness, accuracy and completeness of the financial reports during the audit process and submitting them to the Board of Directors for review;

5. conducting inspections on our internal control system;

6. performing other responsibilities in accordance with applicable laws and regulations; and

7. performing other responsibilities as authorized by the Board.

The responsibilities and rules of procedure of the Audit Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Audit Committee held two meetings to discuss and consider the following:

- reviewed the consolidated financial statement, annual results announcement and annual report of the Group for the year ended December 31, 2021, and the audit report prepared by the external auditor on accounting matters and major findings during the audit process, and submitted them to the Board for approval;

- reviewed the unaudited financial statement, interim result announcement of the Group for the six months ended June 30, 2022 and interim report for the year 2022, and submitted them to the Board for approval;

- reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and procedures as well as the re-appointment of the external auditor; the Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor; and

- discussed the audit plan for the year ended December 31, 2022 with the external auditor.

BOARD COMMITTEES (Continued)

Audit Committee (Continued)

During the Reporting Period, the attendance of each Audit Committee member at meetings is as follows:

Directors	Meetings attended/ Meetings eligible to attend
Mr. Chen Changhua	2/2
Mr. Dai Liqun	2/2
Dr. Ru Liyun	2/2

Nomination Committee

The Nomination Committee consists of three members, namely, one executive Director, Mr. Xu Jiaqing (chairman), and two independent non-executive Directors, Mr. Chen Changhua and Dr. Ru Liyun.

The main duties of the Nomination Committee of the Company include, among others, the following:

1. reviewing the structure, size and composition of the Board annually, and advising on any changes of the Board proposed in accordance with the strategies of the Company;

2. formulating the criteria and procedures for selecting Directors and senior management members, and making recommendations to the Board;

3. extensively identifying qualified candidates for Directors and senior management members, and making recommendations to the Board;

4. conducting the preliminary examination of qualifications of candidates for directorships and senior management positions, and making recommendations to the Board on the selection;

5. assessing the independence of independent non-executive Directors; and

6. reviewing the Board diversity policy and nomination policy.

The Nomination Committee evaluates candidates or incumbents based on the criteria such as integrity, experience, skills, and the time and effort devoted to performing their duties. The recommendations of the Nomination Committee will be subsequently submitted to the Board for decision.

The responsibilities and rules of procedure of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

BOARD COMMITTEES (Continued)

Nomination Committee (Continued)

During the Reporting Period, the Nomination Committee held one meeting to discuss and consider the following:

- reviewed the structure, size and composition of the Board;
- assessed the independence of independent non-executive Directors of the Company;
- discussed and proposed candidate of retiring directors for re-election to the Board;
- discussed and suggested the appointment of new directors to the Board; and
- reviewed board diversity policy and director nomination policy, and the execution of such policies, and ensured that these policies are still effective.

During the Reporting Period, the attendance of each Nomination Committee member at meetings is as follows:

Directors	Meetings attended/ Meetings eligible to attend
Mr. Xu Jiaqing	1/1
Mr. Chen Changhua	1/1
Dr. Ru Liyun	1/1

Remuneration Committee

The Remuneration Committee consists of three members, namely, two independent non-executive Directors, Dr. Ru Liyun (chairman) and Mr. Chen Changhua, and one non-executive Director, Mr. Dai Liqun.

The main duties of the Remuneration Committee include, among others, the following:

1. contemplating the criteria for appraising Directors and senior management members, conducting the appraisal, and submitting the appraisement reports to the Board;
2. reviewing the system and policy of our remuneration management, contemplating and reviewing the policy and plan for Directors' and senior management's remuneration and contemplating the establishment of a formal and transparent procedure for developing remuneration policy, and making recommendations to the Board;
3. reviewing and approving compensations receivable by the executive Directors and senior management members for any loss or termination of office or appointment to ensure that such compensations are consistent with contractual terms and are otherwise fair and not excessive; and
4. reviewing and approving compensation arrangements relating to dismissal or removal of any Director for his misconduct to ensure that such arrangements are consistent with contractual terms and are otherwise reasonable and appropriate.

BOARD COMMITTEES (Continued)

Remuneration Committee (Continued)

The responsibilities and rules of procedure of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

During the Reporting Period, the Remuneration Committee held three meetings to discuss and consider the following:

- reviewed and assessed the performance and the remuneration of Directors and senior management of the Company for the year 2021;
- reviewed and recommended the remuneration of new directors to the Board;
- reviewed and recommended the cancellation of existing share options and the grant of new share options to the Board;
- reviewed and recommended the grant of share options and the grant of RSUs by the Company to the Board; and
- reviewed the recommending the remuneration policy and structure of Directors and Senior Management members of the Company for the year 2022 to the Board.

During the Reporting Period, the attendance of each Remuneration Committee member at meetings is as follows:

Directors	Meetings attended/ Meetings eligible to attend
Dr. Ru Liyun	3/3
Mr. Dai Liqun	3/3
Mr. Chen Changhua	3/3

Remunerations of Directors and Senior Management

The Company has formulated a sound management performance assessment method and salary management method. The Company's human resources department is responsible for the formulation of the Company's management salary policy and salary plan. In 2022, the remuneration of the Company's senior management was paid in accordance with the 2022 Annual Remuneration Plan agreed by the Remuneration Committee and reviewed and approved by the Board, and the annual performance appraisal objectives (tasks) signed. In determining the remuneration of senior management, the following factors should be taken into consideration: (i) business needs and company goals; (ii) duties and personal contributions of senior managers; and (iii) related market changes, such as fluctuations in supply and demand and changes in competitive conditions.

The remuneration of Directors (including Mr. Qin Miaomiao who resigned as Director on March 31, 2022) and senior management of the Company (whose biographies are set out on pages 32 to 37 of this annual report) during the Reporting Period falls under the following bands:

Band of Remuneration (RMB)	Number
1-200,000	6
200,001-500,000	1
500,001-800,000	4

DIRECTION NOMINATION POLICY

The Company has adopted a nomination policy. During the Reporting Period, the Nomination Committee recommended the Board for the appointment of Directors in accordance with the following procedures and process:

i. The Nomination Committee will, giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

ii. The Nomination Committee may consult any source it considers appropriate in identifying or selecting suitable candidates, such as referrals from existing Directors, advertising, recommendations from a third party agency firm and proposals from the Shareholders with due consideration given to the criteria which include but are not limited to:

    (a) Diversity in the aspects of gender, age, cultural and educational background, professional experience, skills, knowledge and length of service;

    (b) Commitment for responsibilities of the Board in respect of available time and relevant interest;

    (c) Qualifications, including accomplishment and experience in the relevant industries in which the Group's business is involved;

    (d) Independence of the candidates for a position of independent non-executive Director;

    (e) Reputation for integrity;

    (f) Potential contributions that the individual can bring to the Board; and

    (g) Plan(s) in place for the orderly succession of the Board.

iii. The Nomination Committee may adopt any process it considers appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third party reference checks;

iv. The Nomination Committee will consider a broad range of candidates who are in and outside of the Board's circle of contacts;

v. Upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

vi. The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of the remuneration package of such selected candidate;

vii. The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and the Remuneration Committee will make the recommendation to the Board on the policy and structure for the remuneration;

DIRECTION NOMINATION POLICY (Continued)

viii. The Board may arrange for the selected candidate to be interviewed by the members of the Board, who are not members of the Nomination Committee and the Board will thereafter deliberate and decide the appointment as the case may be; and

ix. All appointment of Directors will be confirmed by the filing of the consent to act as Director of the relevant Director (or any other similar filings requiring the relevant Director to acknowledge or accept the appointment as Director, as the case may be) to be filed with the relevant regulatory authorities, if required.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the audited consolidated financial statements of the Company for the Reporting Period which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's audited consolidated financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the Company's performance and prospects.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors regarding their reporting responsibilities on the audited consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 139 to 143 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges that it is responsible for the risk management and internal control systems and reviewing their effectiveness on an annual basis. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Company has an internal audit function which primarily carries out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. The Board was satisfied with the internal audit function.

We have established risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. In particular, we have adopted and implemented risk management policies in various aspects of our business operations such as financial reporting, information system, regulatory compliance and human resources.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Financial Reporting Risk Management

We have in place a set of accounting policies in connection with our financial reporting risk management, such as financial report management policies, budget management policies, financial statements preparation policies and finance department and staff management policies. We have various procedures in place to implement these accounting policies, and our finance department reviews our management accounts based on such procedures. We also provide regular trainings to our finance department staff to ensure that they understand our accounting policies.

Information System Risk Management

We have implemented various measures to ensure our compliance with the relevant laws and regulations on data privacy and security in the PRC. We have designated personnel responsible for data protection and monitoring the operation of our information technology infrastructure, who has over 20 years of experience in information technology industry.

Our data assets are encrypted and stored on our firewall-protected cloud-based servers in Shanghai and Zhejiang Province and we back-up our data assets on a daily basis. We conduct data restore tests to examine the status of the backup system on a regular basis. We strictly restrict the range of data each employee is authorized to access based on his/her seniority and function. We keep detailed records of access log, which are subject to our regular auditing. We provide trainings on data protection to our employees from time to time and have entered into confidential agreements with our employees to prevent improper use or disclosure of data.

In addition to data security, we have several information system risk management measures in place to ensure the reliability and security of our information system. Firstly, we require our employees to update their power-on password every two months which shall contain at least a total of eight numbers, characters and special symbols to prevent code breaking. We also require responsible employees to encrypt confidential data and documents during their respective daily operations, and heads of each department are responsible for managing the passwords of such encrypted data and documents. We designate specific employees to examine and update such passwords every quarter. Secondly, we conduct regular health check of our software to protect them from computer viruses. We utilize anti-virus software built-in our operating system that delivers comprehensive, ongoing and real-time protection, to protect our information system from software threats, such as computer viruses, malware and spyware. Lastly, for details regarding our data protection and measures to safeguard against system hacking, please refer to section headed "Our Information Technology Infrastructure" in the Prospectus.

As of December 31, 2022, we did not experience any material information leakage or loss of data, nor did we experience any material infringement and/or unauthorized use of our copyrighted software intellectual properties.

Regulatory Compliance Risk Management

We have designed and adopted strict internal procedures to ensure the compliance of our business operations with the relevant rules and regulations. Our legal and compliance department performs the basic function of reviewing and updating the form of contracts we enter into with our suppliers and customers. Our legal and compliance department also works with our external legal counsel to ensure that we have obtained and maintained all the necessary permits and licenses required for our operations. We continually improve our internal policies according to changes in laws, regulations and industry standards to ensure ongoing compliance.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. We have in place an employee handbook approved by our management and distributed to all our employees, which contains internal rules and guidelines regarding best commercial practice, work ethics, negligence and corruption. We provide employees with regular trainings and resources to explain the guidelines contained in the employee handbook.

Credit Risk Management

Our credit risk is primarily attributable to trade receivables, financial assets included in prepayments, other receivables and other assets, and cash deposits at banks. We manage credit risks primarily through the following measures:

- we have established risk management committee, consisting of chief executive officer, financial controller, vice president at sales and marketing department, and risk management director, primarily responsible for designing risk management structure and strategies, reviewing and monitoring the implementation of risk management policies, identifying risks, approving trading limit and credit limit, and updating our risk management policies in response to changes;

- we have implemented "know-your-customer" procedures and credit check to ascertain the background of our potential customers;

- we perform credit assessment on potential customers, and require them to prepay for our services before reaching certain threshold to minimize our credit risk exposure;

- we closely monitor the level of our trade receivables and other financial assets and take appropriate action to recover or minimize our loss where we foresee that our customer may default in its obligation;

- we have credit policy with respect to the transaction limit and credit period granted to our customers, which are subject to our on-going review and revision; and

- we use a provision matrix to calculate the expected credit losses in respect of our trade receivables and other financial assets to assess our exposure to credit risks.

We have established the Audit Committee to monitor the implementation of our risk management policies on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations.

Our finance department is responsible for reviewing the effectiveness of internal controls and reporting to the Audit Committee on any issues identified. Members of finance department hold regular meetings to discuss any internal control issues we face and the corresponding measures to implement toward resolving such issues. The finance department reports to the Audit Committee to ensure that any major issues identified thus are channeled to the committee on a timely basis. The Audit Committee then discusses the issues and reports to the Board if necessary.

RISK MANAGEMENT AND INTERNAL CONTROL (Continued)

In relation to the handling of inside information in compliance with the SFO, the Board and the senior management will hold meetings to discuss and ascertain whether the relevant information constitutes inside information of the Group and are responsible for the dissemination of those inside information, if any.

The Board, through the review made by the Audit Committee, has reviewed the effectiveness of the financial reporting system, risk management system and internal control system of the Group for the year ended December 31, 2022. The review covered all material aspects, including the adequacy of resources, staff qualifications and experience, training programmes and budget of the accounting, internal audit and financial reporting functions. The Board believes the risk management and internal control systems of the Group are adequate and effective for the year ended December 31, 2022, and there are sufficient reports on the Company's environmental, social and governance performance. For the major risks faced by the Group, please refer to the section "Major Risks and Uncertainties" in the annual report "Report of the Board of Directors".

DIVIDEND POLICY

The Company had adopted an overall dividend policy subject to the following conditions.

The declaration and payment of dividends shall be determined at the absolute discretion of the Board and subject to all applicable requirements (including but not limited to the restrictions on dividend declaration and payment) under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Articles of Association and the any applicable law of Cayman Islands.

In proposing any dividend payout, the Board shall also consider, among other things:

- the actual and expected financial results of the Group;
- shareholders' interests;
- general business conditions and strategies;
- retained earnings and distributable reserves of the Company and each of the other members of the Group;
- levels of the Group's debt to equity ratio and return on equity, and any financial restrictions imposed on the Group;
- any contractual restriction on the distribution and payment of dividends by the Company to the Shareholders or the distribution and payment of dividends by the Company's subsidiaries to the Company;
- the Group's expected working capital requirements and future expansion plans;
- liquidity position and future commitments at the time of declaration of dividend;
- taxation considerations;
- possible effects on the Group's creditworthiness;

DIVIDEND POLICY (Continued)

- legal and compliance restrictions;
- general economic conditions, business cycle of the Group's business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems appropriate.

The Board will propose the payment of dividend per share of the Company, if any.

Except for interim dividends (see below), any dividends declared by the Company must be approved by an ordinary resolutions of the Shareholders at the AGM, and shall not exceed the amount of dividends recommended by the Board.

When the Directors verify that the Company has profit available for distribution, the Board may pay interim dividends to the Shareholders from time to time. In addition to cash, dividends may be distributed in the form of Shares if it does not contravene and follow the procedures of the Articles of Association.

The Company will continue to review this policy and reserve its sole and absolute discretion to update, revise, and (or) modify this policy at any time, and this policy shall, in no event, constitute a legally binding covenant of the Company on any specific amount of dividends to be declared by the Company, and the Company has no obligation to declare dividends at any time or from time to time.

ANTI-CORRUPTION POLICY AND REPORTING POLICY

The Group strictly implements anti-corruption work requirements, actively carries out anti-corruption, anti-money laundering, business information confidentiality, declaration of conflict of interest and prevention of unfair transactions, etc., regulates business operations and employee behaviors, advocates a clean corporate culture, and safeguards the legitimate rights and interests of the Company. The Group has also set up a reporting channel to encourage all employees and stakeholders to report any suspected or actual violation of professional ethics and corruption cases to the legal department. For further details about the Group's anti-corruption policy and reporting policy, please refer to the "Environmental, Social and Governance Report" of the Company.

AUDITOR'S REMUNERATION

The auditor's approximate remuneration in respect of the audit and non-audit services provided to the Company during the Reporting Period is as follows:

Type of services	Amount (RMB)
Audit services	3,100,000.00
Non-audit services[1]	185,000.00
Total	**3,285,000.00**

Note:

(1) The non-audit services include tax compliance and advisory services, financial and tax due diligence services and other advisory services.

JOINT COMPANY SECRETARIES

Ms. Peng Ting ("**Ms. Peng**") is a joint company secretary of the Company, responsible for making recommendations to the Board on corporate governance matters, and ensuring compliance with the Board's policies and procedures, applicable laws, rules and regulations.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company also engages Ms. Leung Shui Bing ("**Ms. Leung**"), listing services manager of TMF Hong Kong Limited (a global corporate service provider), as the other of joint company secretary to assist Ms. Peng in performing her duties as the company secretary of the Company. Her primary contact person in the Company is Ms. Peng.

During the Reporting Period, Ms. Leung and Ms. Peng had completed no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONSHIP

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance, and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions. During the Reporting Period, the Board has reviewed the implementation and effectiveness of the shareholders' communication policy, and considers that it is still effective.

The AGMs provide opportunity for Shareholders to communicate directly with the Directors. The chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies, and auditor's independence.

To promote effective communication and to build an inter-relationship and communication channel between the Company and the Shareholders, the Company adopts a Shareholders' communication policy and maintains a website (www.netjoy.com), where the up-to-date information on the Company's business operations and developments, financial information, corporate governance practices, and other information are available for public access. The Company provides the contact email address (ir@netjoy.com) and telephone number (021-54722297) in the investor relations website, and actively established contact with shareholders and investors through the above methods, so that shareholders and investors can know about the company.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS BY SHAREHOLDERS

According to the Articles, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Extraordinary general meetings shall also be convened on the requisition of one or more Shareholders holding, as at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the Secretary for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two Months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to make enquiries to the Board on matters regarding the Company may send their enquiries to the Investor Relations Department of the Company through email at ir@netjoy.com.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

Except for the amendment of the memorandum and articles of association and the adoption of the second revised and restated memorandum and articles of association approved by special resolution at the AGM of the Company held on June 20, 2022, the memorandum and articles of association of the Company remained unchanged during the Reporting Period, and the existing memorandum and articles of association of the Company will remain valid.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Netjoy Holdings Limited (the "**Company**" or "**Netjoy**"), its subsidiaries and consolidated affiliated entities from time to time (collectively the "**Group**" or "**we**") are pleased to release the 2022 Environmental, Social and Governance ("**ESG**") Report ("**this Report**") to introduce the Group's policy, management approaches and initiatives in environmental and social aspects to stakeholders and demonstrate our commitment to sustainable development. For information on corporate governance of the Group, please refer to the section headed "Corporate Governance Report" on pages 88 to 107 of this annual report.

SCOPE OF REPORT

The scope of this Report covers the environmental and social performance of the Group's core businesses during the period from January 1, 2022 to December 31, 2022 (the "**Reporting Period**" or "**2022**"), which are online marketing solutions business, short video marketing cloud services and other business, including but not limited to the new business segment such as the rapidly developed talent economy and brand live broadcast operations, operated in the People's Republic of China (the "**PRC**" or "**China**").

REPORTING STANDARDS

This Report has been prepared in accordance with the ESG Reporting Guide as set out in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), and follows the ESG reporting principles of materiality, quantitative, balance and consistency.

✓ Materiality: Adhering to the reporting principle of materiality, the board of directors of the Company (the "**Board**") and senior management identify, determine and regularly review ESG issues of most significance for business and operations through stakeholder engagement and materiality assessment results. For details, please refer to the corresponding sections of this Report.

✓ Quantitative: This Report has specified the statistical standards and methodologies used in the calculation of quantitative key performance indicators ("**KPIs**") (such as greenhouse gas emissions/energy consumption), and the sources of conversion factors. Please refer to the "Performance Data Summary" of this Report.

✓ Balance: During the preparation of this Report, the Group will describe the environmental, social and governance results as well as the difficulties encountered and their solutions in a balanced manner in an attempt to report the environmental, social and governance performance of the Group objectively and truthfully.

✓ Consistency: Unless otherwise stated, the methods of data collection and statistics remain consistent with last year.

This Report has observed the "comply or explain" provisions set out in the ESG Reporting Guide. Except for those the Group considers not applicable to our business operation, relevant explanations have been given in the corresponding sections and the ESG Reporting Guide Index at the end of this Report.

APPROVAL OF REPORT AND LANGUAGE

This Report is announced with the approval of the Board on the websites of the Company and the Stock Exchange in English and Chinese. In case of any discrepancy between the English version and the Chinese version, the Chinese shall prevail.

CONTACT AND FEEDBACK

We welcome all stakeholders to provide their comments and suggestions on this Report, which will help us improve our ESG management and performance. You may contact us through the contact details below to provide your comments or views on this Report.

Address: 5/F, No. 3, 396 Guilin Road, Xuhui District, Shanghai, the PRC
Tel.: (86) 21-5472-2297
Email: ir@netjoy.com

AWARDS AND CERTIFICATES

Awards/Certificates	Award time
TikTok E-commerce Brand Service Provider in 2022	January 2022
The 16th Jinrui Marketing Award "Best Innovative MarTech Enterprise of the Year"	January 2022
The 6th Golden Hong Kong Stock Awards Ceremony "Best SaaS Company"	January 2022
Alimama Creative Ecology Center "Best Partner"	March 2022
Alimama Creative Ecology Center "Best Creative Service Provider"	March 2022
Little Red Book Channel Partner Conference "Most Potential Partner of the Year" in 2022	April 2022
China Xinchuang Industry Fist Award "Best Investment Value Brand" in 2022	May 2022
The 11th Financial Summit and Sustainable Business Conference 2022 Outstanding Listed Company Award	May 2022
The 13th Golden Mouse Digital Marketing Competition "Best Digital Marketing Platform of the Year"	June 2022
"Excellent Partner of the Year" of 2022 Magnetic Engine Juxing Channel Center	June 2022
"Excellent Partner of the Year" of 2022 Magnetic Taurus Channel Department	June 2022
"Excellent Partner of the Year" of 2022 Magnetic Engine Effect Channel Center	June 2022
"Top Ten New Partners of the Year" of 2022 Magnetic Engine	June 2022
TikTok E-commerce Service Provider Conference "Content Power Brand Service Provider of the Year" in 2022	July 2022
Ocean Engine Channel Partner "Co-engine Award and Innovation Breakthrough Award" in 2022	November 2022
Silver Award of the 15th Golden Award for Business Creativity	November 2022
The 7th Zhitong Financial Listed Company selected "Best TMT Company"	December 2022
Snowball Platform Selected "Potential Listed Companies in 2022"	December 2022

ESG MANAGEMENT

An effective ESG governance mechanism is an important foundation for the sustainable development of the Group. The Group has established and continuously improved its ESG governance structure, specifically stipulates the authorities and responsibilities at all levels, identified material ESG issues of the Group through continuous and effective stakeholder communications, and incorporated the issues into the consideration of the Group's operational decisions to continuously enhance ESG governance.

ESG GOVERNANCE MECHANISM

The Group has established a three-tier ESG governance structure and is committed to realizing our sustainable development philosophy and commitment to stakeholders into physical actions. The Board is the highest decision – making body of the Group's ESG work and is responsible for the approval of ESG reports and major decisions. The Board oversees the Group's ESG matters, determines the overall ESG management objectives, management strategy and management approach, and oversees and approves the Company's management approach, management strategy and ESG matters.

To further optimize the Company's ESG regulatory mechanism, the Board has established an ESG Working Group with the delegation from the Board to assist the Board in guiding and monitoring the Company's governance functions related to ESG matters, including regular reporting to the Board on ESG management, assisting the establishment of an appropriate and effective ESG risk management and internal control system, managing ESG objectives and assisting the Board in reviewing the progress of ESG objectives. The ESG Working Group is also responsible for communicating the Board's decisions downwards and reporting upwards on the progress and feedback from various functions.

The ESG Working Group is responsible for the implementation of the ESG work by applying the Company's ESG strategy in daily operation with the support of various functions in respect to their ESG work division.

The Board

- ✧ Monitor and approve ESG strategy, work plan, performance and report.
- ✧ Evaluate, prioritize and manage significant risks related to ESG and explore opportunities.
- ✧ Review progress in achieving environmental, social and governance-related goals and objectives.

ESG Working Group

- ✧ Assist in establishing ESG risk management and internal monitoring system.
- ✧ Assist in Board to review the progress of ESG objectives.
- ✧ Pass on the decisions of the Board on the work progress of various functional departments.

Functional Department

- ✧ Implement ESG related measures and report the progress to ESG working group.

STAKEHOLDER ENGAGEMENT

The Group attaches great importance to regular communication with stakeholders and listens to and responds to their expectations. We disclose our information on platform operation and development strategy to stakeholders in a timely manner to enhance their understanding and recognition of us. Based on our own business conditions, we identify six major stakeholder groups, including customers, employees, governments and regulators, shareholders and investors, business partners, media and communities, recognise their concerns and formulate action plans and measures to respond to the expectations and concerns of the stakeholders with a view of establishing a mutual trust and friendly relationship through joint efforts. The channels of our communication with the stakeholders are set out in the table below:

Stakeholders	Expectations and Concerns	Channels of Communication
Customers	• Steady and compliance operation • Service quality and diversification • Data security and privacy protection • Protection of consumers' rights and interests	• Company's website • Regular meetings • Email, mailbox, telephone • Online platforms • Customers' feedbacks and complaints
Employees	• Employees' benefits • Labour relations • Occupational health and safety • Opportunities for training and career development	• Email and suggestion box • Regular meetings and interviews • Annual employee performance appraisal • Staff training • Employee activities and team building activities • Seminars/Workshops/Lectures
Governments and regulators	• Compliance operation • Stringent internal control and risk management • Information transparency	• Regular submission of documents • Regular communication with regulators • Compliance examination and evaluation • Forums/Seminars/Meetings
Shareholders and investors	• Robust operation • Return on investment • Business growth and development • Effective enterprise governance and risk management • Information transparency	• Company's website • Investor conferences • Corporate announcements, annual reports and interim reports • Annual general meetings and other general meetings
Business partners (suppliers, service providers and contractors)	• Long-term stable business partnership • Business ethics and integrity • Fair and open procurement • Anti-corruption business operation	• Ongoing direct communication • Regular meetings and visits • Cooperation agreement • Supplier selection and appraisal • Procurement and bidding
Media and communities	• Information transparency	• Company's website • Press release • Online platforms (such as Weibo and WeChat)

MATERIALITY ASSESSMENT

The Group has given due consideration to the extent of impacts of ESG issues on the Group's development, with an aim to reflect the Group's sustainable development performance to the greatest extent possible in the content of this report. We have continued to improve the process of identification and determination of the materiality of ESG issues by combining our own business needs and the information needs of our key stakeholders regarding the Group, and have fully disclosed the material ESG issues.

The Group took the following steps this year to assess ESG issues that have a significant impact on the Group:

Identify potential ESG issues

- Identify potential ESG issues that reflect the environmental and social impacts of the Group's business and influence stakeholders' assessments and decisions about the Group, based on the Group's existing business, environmental, social and governance reporting guidelines and industry of ESG management priorities.

Review material ESG issues

- Give due consideration to business operations, industry trends and ESG related standards and guidelines, and in conjunction with the material ESG issues identified last year, review the materiality of these ESG issues to the Group and identify the material ESG issues for the year, which are to be confirmed by the Group's management.

Respond to material ESG issues

- Determine the disclosure approach of the report and the important aspects of ESG management based on the materiality of ESG issues and the key concerns of key stake-holders

After the materiality assessment analysis of the issues, the management of the Group identified the following ESG issues that are material to the Group's business operations and stakeholders in the Reporting Period. Such issues will be the focus of disclosure in this Report and provide an important basis for the Group's continuous improvement of its sustainability management system.

Highly Important ESG Issues			
Staff recruitment and talent retention	Employee communication and interaction	Employee diversity and equal opportunities	Anti-discrimination
Occupational health and safety	Staff training and career development	Eradicating child and forced labour	Product and service quality management
Project innovation and R&D capacity	Customers' health and safety	Customers' privacy	Information security and confidentiality
Customer satisfaction	Supply chain management	Compliance marketing and publicity	Protection of intellectual property rights
Anti-corruption	Employment rights and benefits		

OUR EMPLOYEES

Employees are the most important wealth of the Group and an important guarantee for the Group's sustainable development. Employees' creativity, expertise and experience are crucial to diversifying content production services and products and improving infrastructure and technology and optimizing operations, and the important protection for the Group's sustainable development. Adhering to the enterprise culture of "Pursuing Excellence", "Self-motivated", "Frankness and Directness" and "Mutual achievement", the Group strictly complies with the relevant laws and regulations including the Labour Law of the PRC, the Labour Contract Law of the PRC, Social Insurance Law of the PRC, the Law of the PRC on the Protection of Women and Children's Rights and Interests, Regulations on the Implementation of the Labour Contract Law, the Law of the PRC on the Protection of Minors, Provisions on Prohibition of Child Labour. We have formulated a set of human resource policies and management systems based on our own situation, to standardize human resource management, including employees' salary and benefits, working hours, recruitment and employment, assessment, rewards and punishments. During the Reporting Period, the Group has strictly complied with relevant labour laws and regulations and there were no non-compliance cases noted with respect to the employment and use of child and forced labour.

In addition to protecting the basic rights and interests of employees and offering generous benefits, the Group endeavours to provide an equal and harmonious workplace, enhance intercommunication between company and employees, and constantly maintain a good and mutual respect relationship with employees. The Group also provides trainings of professional skills for employees, commits to creating a diversified career development platform for employees, and grows together with employees.

EMPLOYMENT PRACTICES AND LABOUR STANDARDS

Remuneration and Welfare

In order to attract and retain outstanding employees, the Group provides competitive remuneration and benefits to full-time employees. Other than annual leave and statutory holidays, all employees are entitled to paid leaves such as marriage leave, home leave, maternity leave, paternity leave, sick leave, breastfeeding leave and funeral leave. In addition to basic wage, we offer a variety of allowances and subsidies such as post allowance and meal subsidy on the basis of nature and level of employees' positions. We also pay housing provident funds and social insurance (i.e. pension insurance, medical insurance, unemployment insurance, maternity insurance, injury insurance and housing provident funds) for employees in accordance with the laws and local standards. The standard labour time system the Group implements for general posts is 8 hours a day and 5 days a week, and the irregular labour time system is adopted for some management staff. We encourage employees to work efficiently during normal working time but not advocate working overtime. If an employee needs to extend working hours or work overtime on days off and legal holidays due to the business needs or special reasons, we will offer overtime compensation or days off in lieu to employees according to relevant labour laws and regulations after negotiation and management approval. We will regularly review and adjust employees' wages on the grounds of business performance, market level of wages, attendance record, employee performance and seniority of work, ensuring that they can receive fair remunerations, which comply with the current market conditions and practices.

In addition, we conduct regular performance appraisal of every employee, evaluating employees according to their past work performance and achievements, personal qualification/experience/ability and other aspects. The evaluation results are directly linked to salary increase, performance bonus and post promotion. In this way, we motivate our employees to make continuous progress, commend their hard work for their contribution to the Group and allow them to share the results of business commission.

EMPLOYMENT PRACTICES AND LABOUR STANDARDS (Continued)

Recruitment, Dismissal and Labour Standards

The Group has made clear provisions on recruitment management and dismissal in the Management Rules on Human Resources of the employee manual. Following the principle of "Fairness, Justice and Openness", we recruit talents through open recruitment, self-recommendation, recommendation and other ways. During the recruitment, we select suitable candidates based on objective factors like interview performance, qualification and work experience and don't discriminate against people due to different ethnicity, native place, gender, language, religion and other factors. We sign labour contracts with candidates who are formally hired and employees according to the law to protect their legitimate labour rights and interests. Meanwhile, if employees severely violate the company's rules and regulations, they will be subject to disciplinary punishments, or immediate dismissal, after investigation and confirmation of the relevant cases.

The Group respects and protects human rights and rigorously prohibit hiring any child or forced labour in our workplace. During the recruitment and handling of admission procedure, we check the identity documents, educational backgrounds and work reference records of the candidates and employees, so as to ensure that they meet the minimum age requirement of the law and the job qualifications for relevant positions. At the same time, we also requires suppliers and service providers to follow the compliant recruitment practices. If we find that they use child or forced labour, we will terminate the business cooperation. During the Reporting Period, the Group did not discover any violation of relevant labour laws and regulations.

Staff Relations

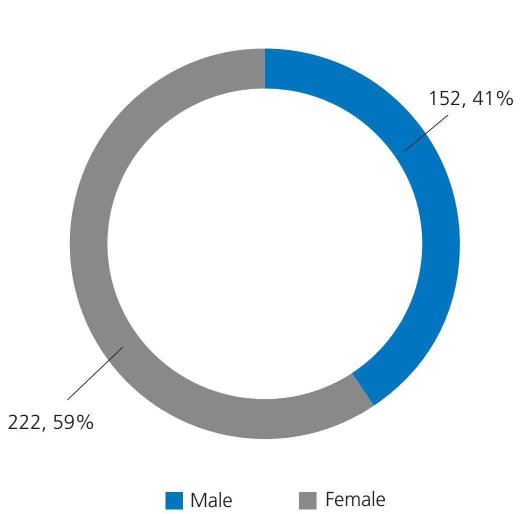
The Group has set various communication channels, such as email, WeChat groups and DingTalk office platform software, to encourage open communication. We have set up human resources business partners to collect and timely deal with employees' difficulties, feedbacks and suggestions on daily operation and work of the enterprise to intensify employees' mutual communication and give assistance to their development. On the other hand, the Group holds a series of employee activities on a regular basis, such as Sports Day and employee birthday party, and prepare a gift for every employee in the traditional festivals, in an effort to create a harmonious family atmosphere and express our love and care for employees. Furthermore, we also organise team building activities and trips for employees from time to time, advocate work-life balance and deepen their mutual understanding. We firmly believe that care for employees and improvement of effective intercommunication can enhance employees' sense of belonging to the Company, make them more willing to express their thoughts on business and daily management of the enterprise, which is conducive to the overall growth and development of the enterprise.

EMPLOYMENT PRACTICES AND LABOUR STANDARDS (Continued)

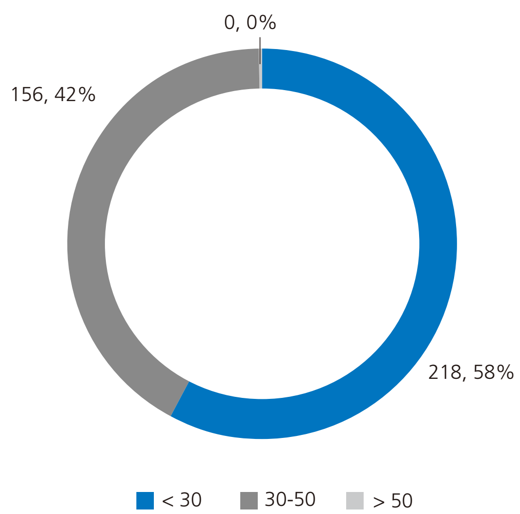
Staff Overview

As of December 31, 2022, the Group had 374 employees, all in China. The total number of employees by gender, age and employment category is shown below.

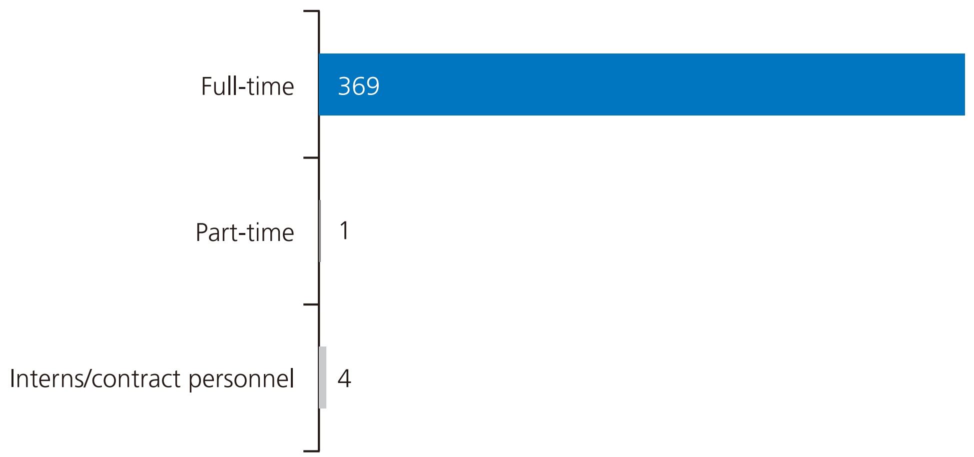
Number of employees by gender



Number of employees by age



Number of employees by employment category



HEALTH AND SAFETY

The Group is mainly engaged in online marketing solutions business and pan-entertainment content service and our business is mainly operated in the office. Given our business nature, the occupational health and safety risks our employees face in the office are lower than those in other industries. Nevertheless, we strictly observe relevant laws and regulations on occupational health and safety such as the Law of the PRC on the Prevention and Control of Occupational Diseases, and give priority to providing a safe, healthy and comfortable working environment for employees. We have implemented a series of office safety management guidelines and measures to enhance employees' safety awareness, prevent occupational diseases or accidents in the office and minimize office safety risks.

We have first-aid kits in the offices to treat minor injuries and also arrange for department representatives to provide training on the Red Cross First Aid Certificate, so that relevant staff can have basic first-aid knowledge. If any employee has any physical discomfort or is affected by any accident and needs first aid, our colleagues can provide appropriate assistance. Besides, we prohibit employees from smoking in the workplace and require them to maintain indoor air quality. We not only keep good housekeeping in our offices (such as keeping office corridors clear, storing materials properly, regularly cleaning offices and so on) to help avoid accidents and make office operations more efficient, but also provide employees with a comfortable working environment, such as providing desks of a right height, adjustable chairs, and sufficient lighting to lower potential health hazard. We also pay attention to office fire safety, clearly marking the fire evacuation route on the notice board to help employees get familiar with the evacuation route and raise their awareness of the actual emergency.

Since the outbreak of novel coronavirus (COVID-19) pandemic, the Group has strictly obeyed relevant pandemic prevention policies, regulations, rules and health recommendations of the provincial government with regard to COVID-19. In conjunction with our operational needs, the Group adopted a rigorous disease prevention plan and formulated a number of measures to reduce the risk of employees being infected by COVID-19. During the Reporting Period, We took the following major prevention measures, including:

- Appoint dedicated staff to be responsible for the ranking and inspection of various pandemic prevention data and to pay attention to the latest development of the pandemic;
- Purchase and prepare enough pandemic prevention supplies (such as masks and disinfectors) and necessary protective articles;
- Keep the office environment clean and disinfect the workplace (especially the frequently contacted equipment) regularly;
- Require employees to check body temperature regularly and keep good personal hygiene;
- Encourage employees to wear surgical masks most of time when working in the office; allow employees to work at home according to their own situations; and
- Track the history of outbound travel and health condition of employees and their immediate family members. For example, the employee stays at home, seeks for medical care and reports to relevant department for record when he/she feels unwell or has symptoms related to COVID-19.

During the Reporting Period, the Group complied with relevant laws and regulations on occupational health and safety, and did not find any major accidents, major claims or lawsuits related to health and safety.At the same time, there were no work-related deaths and injuries among employees of the Group.

DEVELOPMENT AND TRAINING

The Group is well aware that employees are our core wealth and the basis for our continuous export of quality products. We regularly carry out targeted training courses and set clear career development plans for employees to realize the common growth of employees and the Company. We have developed a set of employee training management systems and built a professional and excellent staff team with overall quality to meet the rapid changes in the industry and maintain the competitiveness of the Group. In line with needs from employees of different ranks, we provide extensive internal and external trainings and career development opportunities and encourage employees to keep continuous learning and further study in their professions to achieve business objectives and conform to long-term business development strategies whilst promoting their personal development.

- ❖ Induction training for new employees: It mainly covers enterprise introduction, corporate culture, professional quality, organization and operation, and various business trainings to help them understand the company background and job requirements and adapt to the new working environment.

- ❖ Universal training: conducted in the form of knowledge sharing meeting, divided into independent training of various departments, open training and all staff training, including data analysis, professional technology, financial knowledge, network prevention and control and the use of network tools. The training aims to provide all-round basic application skills, improve employees' basic skills beyond professional knowledge, and make business operations smooth and effective.

- ❖ Special training for job positions: Emphasis is placed on the training of employees in various business departments, and appropriate professional training of business orientation will be provided according to employees' functions (such as content production, advertising operation, editing, screenwriter, director, etc.), and the professional knowledge learned from the training will be applied to work to improve work efficiency and quality.

- ❖ Middle and senior staff training: pay more attention to the role cognition, leadership and management ability of managers. The relevant training will be taught by external professionals to ensure the quality of training, so as to lead and train high-quality work teams.

- ❖ Certificate demand training: organize employees to obtain relevant certificates, help employees to develop and plan their careers, and train more professionals for enterprises.

OUR SERVICES

As a large online marketing solutions provider in China, the Group is committed to providing high-quality, innovative and diversified online marketing solutions and content production to meet customers' needs of marketing and publicity service. The Group values business integrity and strives to maintain good business ethics standards, and adopts a zero-tolerance attitude towards any form of bribery, fraud and corruption, so as to fulfil corporate responsibilities and maintain market fairness, stability, and strives for sustainable development.

Service Quality

We provide integrated services, comprising creative design, production, programmatic precise distribution, performance tracking and reporting of short video marketing content, to help customers improve the efficiency of product marketing and strengthen their market competitiveness. Our full cycle services can produce original content for advertisers, especially short videos; promote the content exchange between advertisers and content providers, and provide advertising customers with high-quality and high-traffic online publishers, and distribute content to Internet users, making them most likely to be exposed to target audiences and achieving their marketing goals more efficiently. To meet the needs of customers in specific industries and groups, we provide customised, agile, and intelligent vertical marketing services with specific functions for a wide array of industry verticals including online gaming, financial services, e-commerce, internet services and tools, etc.

At the initial stage of discussing cooperation with customers, we will conduct internal reviews of potential customers' business qualifications, industry reputation, credit history and financial status to reduce operational risks. We only enter into annual framework agreements and contracts with potential customers who have passed our review and assist advertisers and media partners to open accounts on online publishers. After confirming prices and signing advertising campaign orders with advertisers, we will determine target audiences and the time and duration of the campaign, plan and produce ad creatives and set campaign parameters according to the client's advertising budget, effectiveness, performance indicators and other requirements. After launching the advertising campaign, we and the target online publisher obtain traffic and bid for advertising inventory, and then advertise to target audiences, and deliver it to target audiences according to the parameters of the campaign. By receiving an array of raw data (including ad performance data and user behaviour data) from the online publisher in a real-time connection with the API, or operating the advertiser's account on the online publisher, aided by our proprietary DMP and AI technical support, the big data analytics aims to help us accurately analyse the audience groups for our customers, continue to monitor, analyse and review ad performance data and optimise the campaign performance.

OUR SERVICES (Continued)

Service Quality (Continued)

Under the wave of digital economy in China, the commercialization of short video is a competitive track in the digital transformation path of enterprises. Adhering to corporate vision's "Promoting Customer Growth with Creative Content and Innovative Technology", we constantly improve our capabilities in innovative technology and creative content, so that more corporate customers can enjoy the new opportunities in the Internet market and benefit from them in the long run. We have an in-house video production team, including screenwriters, directors, editors and other professionals in different fields and post-production crew to produce customised, appealing and attention catching ad creatives and original short video content to improve the marketing efficiency of our advertisers. We will design the creative concept of the advertising campaign according to the specific requirements of the advertiser, and then the concept will be transformed into a script by the in-house screenwriter. After that, we hire actors or sometimes talented internal employees to star in our videos and shoot them. Our in-house director will coordinate with other production crew (such as camera and lighting) to produce alternative shots and scenarios to be selected for inclusion in the final video. After the filming, the director will work with our in-house editors and post-production crew to select scenes to assemble to the final video, including video and sound editing, creating and recording music, adding special effects and colour grading. Our legal and compliance department will review relevant content to ensure that we comply with applicable laws and regulations, ethical standards, and internal policies of relevant online publishers. Advertising needs to be reviewed and approved by advertisers and online publishers, and finally place advertisements after being reviewed and approved by advertisers and online platforms.

In the short video business, we have steadily promoted the three core development strategies of "Platformization", "Diversification" and "Internationalization". Under the strategy of technology platformization, we focus on R&D investment, empower large customer groups in various industries with the continuously optimized and upgraded "Tradeplus" platform, effectively release the growth potential of small and medium-sized customers with small and medium-sized industry solutions, and launch "Tianji" to further improve the degree of ecological automation in short video marketing links. "Tradeplus" improves customers' large-scale control ability by providing intelligent cross-platform delivery strategy, and improves customers' delivery effect through the development of algorithm technology such as attribution. By providing functions such as data overview, detailed inquiry of statements and running water, self-account recharge and transfer, Tianji helps customers to complete efficient cross-platform and multi-account self-management and collaboration, and gradually expands the service target from large customers to middle-aged customers. During the Reporting Period, we also launched SME marketing cloud products based on software solutions, which helped small and medium-sized customers to complete marketing work such as video enterprise number construction, automatic generation of short video AI, automatic promotion of video and tracking and feedback of customer leads in a one-stop service mode, and won the official homepage recommendation of Qunfeng Service Marketplace.

In terms of diversified services, we continue to rely on our own short video marketing technology and professional services with industry advantages to strategically expand diversified business areas such as brand live broadcast operation, talent economy and local life, so as to deepen the depth of customer service. During the Reporting Period, our brand live broadcast operation business established special live broadcast bases and professional teams in Shanghai and Xi 'an, providing one-stop services such as short video drainage material creation, accurate streaming, live broadcast room planning and operation, data management and analysis for brand customers in clothing, pet food, food and daily chemical industries.

OUR SERVICES (Continued)

Service Quality (Continued)

In addition, we continue to expand the international short video market, carry out commercial and content cooperation with overseas short video platforms, and strategically invest in the first batch of "Sleeping Rabbit Network" engaged in cross-border brand marketing industry in China, helping domestic overseas enterprises to seize the growth opportunities of overseas short video and market, and accelerate the global expansion of marketing business.

The Group strictly abides the Law of the PRC on Product Quality, the Law of the PRC on the Protection of Consumer Rights and Interests, the Company Law of the PRC and the Civil Code of the PRC related to products and services. At the same time, we provide high-quality and customised services, so as to help target customers acquire, convert and retain consumers in a more effective and efficient manner, and to avoid compensation to consumers due to product quality problems, which causes damages to the finance and corporate brands of the Group. During the Reporting Period, the Group has complied with relevant laws and regulations and no non-compliance cases related to service quality were found.

Feedback Management

Customers can submit complaints, suggestions and opinions on our services to our legal and compliance department via email. The legal department will conduct internal investigations on the issues raised by customers and return the results to customers in a timely manner. During the Reporting Period, the Group did not receive any complaints about products and services.

ADVERTISING PROMOTION AND COMPLIANCE

The Group strictly complies with the *Advertisement Law of the PRC*, the *Interim Measures on Internet Advertisement* and the *Administrative Regulations on Radio and Television* and other relevant laws and regulations. Such laws and regulations require the Group to standardize the authenticity and legality of the released advertising content, ensure proper competition in advertising and protect consumers' legal rights and interests. If the relevant provisions are not followed, the Group shall assume civil and criminal liabilities according to laws, which will have material and adverse impacts on the operations and brands of the Group. The Group has adopted a series of management measures to ensure that the advertising content which is produced or distributed by us is true, accurate and lawful. Before reaching advertising customers, we will conduct basic background check. For the advertising content related to certain types of products and services, such as alcohol, cosmetics, medicines and medical procedures, we must confirm that advertisers have obtained the necessary government approvals, including such information as business qualification, quality inspection certificates of advertising products, government pre-approval of the relevant content of the advertisements, and record filed with local government agencies. In the contracts, we also clearly require our advertising agencies to declare to us that they ensure that their advertisements comply with all applicable laws and regulations. At the same time, when making online marketing solutions, through algorithm-based screening and manual review, the internal advertising content produced in-house by us and advertising customers is reviewed to ensure that the advertising content is not false, fraudulent or misleading, free of improper use of words and infringement and other misbehaviours. If we find the above-mentioned problems in the process of distributing advertisements, we will communicate with customers in a timely manner, and verify and modify the content of the advertisements to ensure compliance with relevant laws and regulations.

INTELLECTUAL PROPERTY RIGHTS

The Group knows that the protection of intellectual property rights is of vital importance to our success and competitiveness. The Group has complied with the *Copyright Law of the PRC*, the *Computer Software Protection Regulations*, the *Computer Software Copyright Registration Measures*, the *Trademark Law of the PRC*, the *Patent Law of the PRC*, the *Administrative Measures for Internet Domain Names*, to prevent our intellectual property rights from being infringed by any unauthorized third party or our infringement of the intellectual property right of other related parties to result in lawsuits or claims against us. The potential lawsuits will have material and adverse impacts on our business, financial situation and operation performance. Given all this, the Group has implemented measures to protect the intellectual property rights of our data assets, proprietary technologies, and software copyright[(1)]. For example, when we enter into an annual framework agreement with advertising customers, we clearly specify the ownership and terms of use of intellectual property rights, and communicate with customers to confirm that the intellectual property rights of the advertising content we produce belong to us, and the advertising customers only have the right to allow the content to be used in advertising campaigns launched or managed by us to reduce the risk of infringement upon intellectual property rights. In addition, to maintain the exclusive rights of our intellectual property rights and prevent unauthorised use of the Group's intellectual property rights, the Group also specifies the confidentiality clauses about the ownership of intellectual property rights in the Employee Handbook, stipulating that employees shall not disclose or transfer to any third parties, publish or apply any business secrets and confidential information outside the Group without our written consent whether they are employed by or have left the Company.

DATA PRIVACY AND SECURITY

The Group has strictly complied with the laws and regulations related to data privacy and security, such as the *Network Security Law of the PRC* and the *Measures for Data Security Management*, and has formulated the *Database Protection Mechanism* and the *Administrative Regulations for Information Confidentiality* and taken a number of measures to standardise the handling and management of its confidential information procedures and rules to ensure the security of data assets and customer information. The establishment of relevant management system helps to prevent loss of customer sources, reduced use of services, brand damage, etc. as the result of improper use or disclosure of data.

The Group's data assets are encrypted and stored on our firewall-protected cloud-based servers in Shanghai and Zhejiang Province, and we back up our data assets every day. We regularly conduct data recovery tests to check the status of the backup system. We strictly limit the scope of the data that each employee is authorised to access based on his/her seniority and function. We keep detailed records of access log, and conduct regular reviews. We have also designated experienced employees to be responsible for data protection and monitoring the operation of our IT infrastructure to ensure its security, reliability and stability. To prevent the system from being invaded by hackers, we have put in place multiple security measures for the Group's internal network to isolate the database from unauthorised access, and use complicated security procedures for internal and external communication and transmission of encrypted data. We also use firewalls to prevent unauthorised access to our systems. Furthermore, we also have an automatic monitoring system to monitor the key indicators of our business operations and IT infrastructure, and an alarm is triggered when any indicator exceeds the safety limit, so that we can quickly respond to emergencies. To ensure the security of the Group's data and avoid data loss, a variety of data backup methods, including MySQL and incremental backup, as well as local backup and cloud backup, are used. We provide employees with data protection training from time to time, and have entered into confidentiality agreements with employees to prevent improper use or disclosure of data.

Note:

(1) *The Group's intellectual property assets include: data assets, proprietary technologies, software copyrights, registered trademarks, computer software, copyrights and domain names.*

DATA PRIVACY AND SECURITY (Continued)

The website (hepai.video) operated by the Group, involves online data-related activities for the collection, storage and use of website user data. The user information collection system on the website uses encrypted transmission to ensure the security of information submitted by users online. User registration information can only be accessed by our specific department specialists, and the security of account passwords must be properly managed. Disclosure to other unauthorised persons by means of borrowing, helping or any other forms is prohibited.

In terms of risk management measures for information systems, we require our employees to update the power-on password every two months. The password contains at least eight numbers, characters and special symbols to prevent it from being cracked. We also require employees to be responsible for encrypting confidential data and documents in their daily work. The heads of each department are responsible for managing the passwords for encrypted data and documents. Double encryption is used to prevent important information from being divulged. We also assign specific employees to check and update the password on a quarterly basis. To mitigate the risk of infecting computer virus, we conduct regular health checks for software, and install an anti-virus software in the operating system to provide comprehensive and real-time protection for our information system against threats from computer viruses, malware, spyware, and other software.

During the Reporting Period, the Group did not identify any non-compliance with laws and regulations related to data privacy.

ANTI-CORRUPTION

The Group strictly implements the requirements of anti-corruption and anti-bribery and actively carries out various work related to anti-corruption, anti-money laundering, confidentiality of business information, declaration of conflict of interest and elimination of improper transactions to regulate business operations and employee behaviours, advocate a clean corporate culture and safeguard the Company's legal rights and interests.

To ensure a corporate working environment with a high standard of integrity, as stipulated in the *Employee Code of Conduct, Integrity Clause* and *Confidentiality Obligation* in the *Employee Handbook*, as well as the *Code of Professional Ethics and Business Conduct*, the Group requires employees to strictly abide by business ethics when performing their duties. Among them, the Group strictly prohibits employees from directly or indirectly accepting entertainment, banquets and gifts or money from customers or partners. If, for the sake of the maintenance of courtesy and business partnership, the relevant gifts that cannot be immediately rejected should be reported and handed over to the human resources department for processing, to show fairness and integrity. Except for the consent and authorisation from the Company's management or legal requirements, employees must keep all confidential information confidential to protect the interests of the Group and prevent unfair competition or improper use of inside information or utilise their powers to seek their own interests from business transactions.

ANTI-CORRUPTION (Continued)

To minimise the risk of anti-money laundering in its daily operations, the Group has also formulated the *Measures for Anti-Money Laundering Management*. Our Audit Department and Risk Management Department are responsible for implementing and supervising the anti-money laundering internal control system. We emphasised the identification of customers in the *Measures for Anti-Money Laundering Management*. When the Group signs financial business contracts with customers, all customers are requested to go through strict identification procedures to ensure the authenticity, integrity and security of their identity information. The Group will also assign risk levels to customers based on factors such as industry, geographic location and identity. For customers from countries (regions) with weak supervision over anti-money laundering and anti-terrorist financing activities and customers with high risk levels, we adopt more stringent and frequent audits. If the customer's identity is suspicious, like being suspected of being involved in terrorist activities, having the same name as a financial criminal, etc., his/her identity will be re-reviewed carefully. Once any suspicious persons or transactions are found, the Risk Management Department will report to the Board and China Anti-Money Laundering Monitoring and Analysis Centre (if necessary). The Audit Department will also conduct regular internal reviews on anti-money laundering to eliminate any possibility of corruption and bribery.

The Group has also set up reporting channels to encourage all employees and stakeholders to report any suspected or actual violations of professional ethics and corruption cases to the legal department. When the legal department receives the reported case, it will file the case for investigation to verify the reported case. All report materials of reported cases will be kept confidential, and all report materials, records and investigation results will be properly recorded and handled after the case is investigated. Relevant investigation results and work reports will be reported to the Board. Once a corruption case is confirmed, the Group will immediately take appropriate remedial measures and evaluate their effectiveness and internal control procedures to avoid the recurrence of corruption cases. Moreover, the punishment results will be discussed with the management, and appropriate disciplinary actions taken against the offenders, and the investigation results may be reported to internal and external third parties and law enforcement agencies when necessary. The Group recognizes the importance of anti-corruption and anti-money laundering efforts and therefore conducts anti-corruption and anti-money laundering trainings for its employees on a regular basis to enhance their awareness of compliance with business ethics and anti-corruption.

During the Reporting Period, the Group has complied with relevant applicable laws and regulations, such as the *Prevention of Bribery Ordinance* (Cap. 201 of the Laws of Hong Kong) and the *Anti-Money Laundering and Counter – Terrorist Financing Ordinance* (Cap. 615 of the Laws of Hong Kong), the *Criminal Law of the PRC*, the *Anti-Unfair Competition Law of the PRC* and the *Anti-Money Laundering Law of the PRC*, to avoid adverse impacts on our operations, business and finance due to disciplinary punishments or restrictions on related parts of our business imposed by government authorities and relevant financial regulators. The Group has not found any violation of relevant laws and regulations on bribery, extortion, fraud and money laundering activities, nor has it filed and concluded any corruption lawsuits against the Group or its employees.

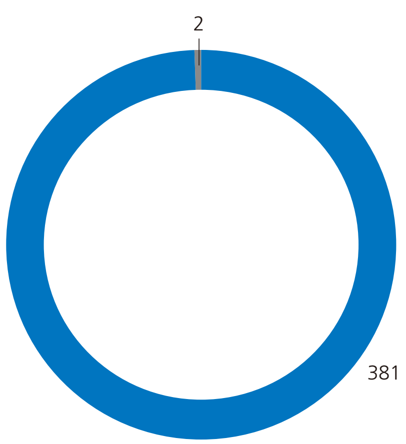
SUPPLY CHAIN MANAGEMENT

The Group upholds the principles of openness, fairness and impartiality and maintains close cooperation with our business partners (media partners, including online publishers and media agents which engage with us on behalf of online publishers, third-party content distribution partners bringing and importing traffic to our online platforms, as well as suppliers of supplies required for daily operations and professional services providers) and a high-quality level of service.

The Group has formulated the *Procurement Management System*, which aims to regulate the management of suppliers, provide clear regulations and implement monitoring on procurement procedures, bidding procedures, and contract signing procedures to optimise procurement costs, improve efficiency and product service quality, comply with the *Anti-Monopoly Law of the PRC*, and maintain fair and open competition. We will select and hire suppliers by adopting agreement procurement, bidding procurement, negotiation procurement, and inquiry procurement methods, making comparisons (except for the procurement of some customised products), and taking into account the suppliers' corporate qualifications and the track records of supply/service quality of relevant companies, legal compliance, credit level and financial stability to assess their qualifications and capabilities. The Group will follow the provisions of the *Contract Management System* and sign procurement contracts with all suppliers. The contracts specify in detail the contract terms, the rights and obligations of both parties, and the liabilities for breach of contract, and require mutual compliance in the business cooperation between the two parties. We attach great importance to business ethics and integrity, and maintain long-term cooperative relationships with suppliers and media partners and agencies. We strictly prohibit suppliers from providing any benefits or gifts to employees. In addition, the Group will also take into account the environmental and social performance of suppliers during supplier admission and evaluation and drove suppliers to build a green supply chain together.

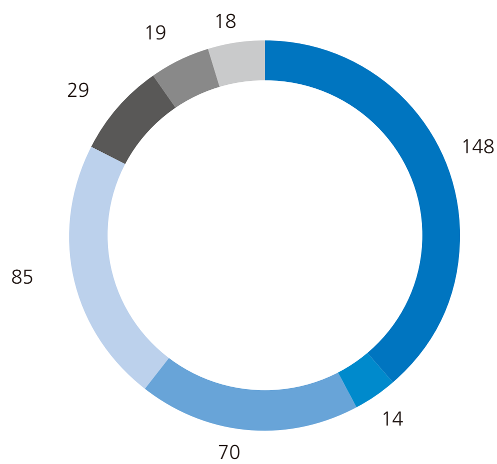
As of December 31, 2022, the Group employed a total of 383 major suppliers (media partners) in China to support our business development. The following table shows the number of suppliers by type and region:

Number of suppliers by type



- Video procurement/ technical procurement/ celebrity procurement
- Online publishers

Number of suppliers by region



- Eastern China
- Southern China
- Central China
- Northern China
- North-western China
- South-western China
- North-eastern China

OUR ENVIRONMENT

The Group actively fulfills its corporate responsibilities in environmental protection, and devotes itself to implementing the concept of green operation, focusing on energy conservation and emission reduction in overall operations, and using resources in a responsible and sustainable manner to protect the environment. The Group is a short video marketing solutions provider and online entertainment platform, therefore our own business operations have a relatively low impact on the environment. Nevertheless, the Group is dedicated to practicing the concept of green operations and has implemented green office initiatives in various business segments to increase employees' environmental awareness to reduce greenhouse gas emissions, properly dispose of waste, optimise the use of resources and other materials, and reduce the environmental footprint of overall operations.

The Group has complied with the *Environmental Protection Law of the PRC, the Air Pollution Prevention and Control Law of the PRC, the Water Pollution Prevention and Control Law of the PRC, the Law of the PRC on the Prevention and Control of Solid Waste Pollution, the Law on Energy Conservation of the PRC* and other relevant laws and regulations. Since the Group operates mostly in offices, such environmental laws and regulations relatively did not have material impacts on the Group. During the Reporting Period, the Group did not identify any violations of relevant laws and regulations regarding air, greenhouse gas emissions, water and land pollution, and the generation of hazardous waste and non-hazardous waste.

EMISSION MANAGEMENT

In view of the nature of the Group's business, the Group's operations are mainly carried out in the office area and the Group did not use vehicles during the Reporting Period. Therefore, there was no source of air pollutants generated during the operation, and the relevant data is not disclosed in this Report.

WASTE MANAGEMENT

The Group is dedicated to adopting the 4R principles ("Reduce", "Reuse", "Replace" and "Recycle") in its daily operations to reduce waste from the source and optimise the use of resources and materials to avoid wasting resources.

Hazardous Wastes

The hazardous wastes generated during the Group's operations mainly include ink cartridges, waste batteries, waste lamps and old electronic products. All hazardous wastes generated will be handed over to service providers and the property management company for collection and recycling. As the amount of hazardous wastes generated is limited and the Group believes that the hazardous wastes generated from operations during the current year have relatively slight impact on the environment, the relevant data will not be disclosed.

WASTE MANAGEMENT (Continued)

Non-hazardous Wastes

The non-hazardous wastes generated by the Group mainly include household garbage, paper, glass bottles and plastics. Therefore, the Group strictly implements garbage classification according to local requirements: dry garbage, wet garbage and recyclable garbage. And recyclable waste will be properly classified and handed over to the property management company for collection and recycling.

The Group has taken measures to reduce waste at source, such as:

- Implement double-sided printing, reuse single-sided printing paper, and place waste paper recycling bins next to photocopiers and printers for recycling;
- Use computer technology and communication equipment to share information or for internal communication and document circulation, reducing paper printing;
- Use reusable products (single-sided paper, envelopes, file folders, paper bags and plastic bags);
- Reduce disposable items (such as stationery, paper cups, tissues and paper towels, etc.); and
- Divide recyclable wastes into five categories: plastic bottles, aluminium cans, stationery, plastics and cartons to be collected and recycled.

According to the results of materiality assessment and reporting principles, the management of non-hazardous wastes is not a material issue of the Group. We will continue to evaluate the impact of this issue on our stakeholders and business operations, and then set relevant targets for reducing harmless waste in the future.

USE OF RESOURCES

The major resources used in the Group's daily operations are electricity, water and paper. The Group is committed to improving the efficiency of the use of resources to achieve green operations. We actively instil the awareness of resource conservation and environmental protection in our employees and business partners, so that we can work together in business activities to optimise the use of resources and reduce the adverse impact on the environment.

USE OF RESOURCES (Continued)

Energy Use and Greenhouse Gas Emission Management

The main energy consumption of the Group is electricity use. The Group has formulated office management methods and energy-saving measures, and made use of administrative, technical and equipment upgrades to save energy. The Group improves employees' environmental awareness in daily operations, and properly manages our energy consumption, thereby reducing greenhouse gas emissions during the overall operations. The key measures include but are not limited to:

- Post "environmental protection messages" on office equipment and workplaces, such as reminding employees to turn off lights when leaving, to further enhance employees' environmental awareness;
- The internal communication app reminds employees to turn off the lighting system, air-conditioning system and computer-related equipment when they get off work or leave the office for a long time;
- Make full use of natural light during office hours to reduce the energy consumption of lighting equipment;
- When natural ventilation can be used in the office area, minimise the use of air conditioners;
- Maintain the indoor temperature at a comfortable energy-saving level of 24 to 26 degree Celsius;
- Switch to more energy-efficient lighting, such as using LED tubes and compact fluorescent lamps in offices;
- Procure, use and switch to more energy-efficient electrical appliances (such as those with first-level certification of China's energy efficiency label) to reduce electricity consumption;
- Encourage employees to use public transportation; and
- Use video conference calls to avoid unnecessary travel arrangements.

According to the results of materiality assessment and reporting principles, energy efficiency is not a material issue for the Group. We will continue to evaluate the impact of this issue on our stakeholders and business operations, and then set energy efficiency-related targets in the future.

Use of Water Resources

The water resources used mainly include the domestic water used in our daily office operations. We encourage all employees to develop the habit of saving water, and strengthen their responsibility and awareness of saving water in this regard. There are water conservation signs posted in the tea room and toilets, reminding employees to turn off the taps after using water, so as to avoid leaving the tap running and reduce water waste. According to the results of materiality assessment and reporting principles, water efficiency is not a material issue for the Group. We will continue to evaluate the impact of this issue on our stakeholders and business operations, and then set water efficiency-related goals in the future. During the Reporting Period, as the water used in the operations of the Group was supplied by the property management company, the Group did not encounter any problems in obtaining suitable water sources.

USE OF RESOURCES (Continued)

Use of Paper

The Group advocates paperless office, and reduces printing and paper consumption by using the OA system to work online and computer technology applications for internal communication, storage of documents and document circulation. We adjust the printer to the double-sided printing model as a permanent state, and require employees to implement the principle of "thinking it over before printing" and carefully select the documents to be printed. When copying or printing documents, efforts must be made to print on both sides. The Group also encourages the reuse of paper printed on one side and puts the waste paper with both sides used into the recycling bin for recycling.

RESPONSE TO CLIMATE CHANGE

Climate change has led to changes in the frequency, intensity, extent of impacts and duration of extreme weather events, which have also affected socio-economics, human health, food security and terrestrial and marine ecological systems. In view of the recent occurrence of extreme weather events, the Group recognizes the potential impact of climate risk on its business operations and has identified the following climate risks and opportunities that may have an impact on the Group's business operations.

Physical Risk

- Extreme risk: Increasingly severe extreme weather events (such as frost, rain and hail) could cause damage to our office buildings, disrupt network lines, and further impact our business operations. Extreme weather events may also increase the safety risk of employees during commute.

- Long-term risk: An increase in the severity and frequency of extreme weather events (such as flooding caused by rising seawater levels, extreme cold waves, heat waves) may result in flooding of the office buildings in which we are located and further disrupt our business operations, thereby increasing the Group's energy consumption and operating costs.

Transition Risk

- Policy, market and reputation risks: Increasing regulations and changing public preferences require companies' transition to a low-carbon economy at a faster pace. Such trend may increase operating costs, thereby creating potential risks of financial instability for companies.

- Product and service opportunities: Changing customer preferences may lead to increased demand for eco-friendly and low-carbon goods and design services, and more activities and services may be conducted online instead of offline in the future, bringing opportunities for the Group's business operations.

To minimize the negative impact of climate change on our operations and to seize climate change opportunities, we will continue to pay attention to the updates of policies and regulations in China and strictly comply with all applicable laws. We will monitor the performance of our suppliers in response to climate change as well. In the future, we will integrate climate risks and opportunities into the Group's internal risk assessment process to effectively monitor and manage the above identified risks.

COMMUNITY INVESTMENT

The Group is fully aware that corporate development is closely linked to the development of the communities in which we operate. We are committed to understanding the needs of the communities in which we operate and fulfilling our social responsibilities actively. The Group is committed to using our expertise and resources to promote the young generation to join the short video industry and help with the sustainable development of the short video industry. We also encourage employees to actively participate in various volunteer services and charitable activities, and care for those in need in the community. During the Reporting Period, the Group donated 289 boxes of snack packages to provide support to volunteers in the COVID-19 pandemic, with a total value exceeding RMB57,000. In the future, the Group will continue to undertake corporate social responsibility, and increase investment in all aspects of the community while promoting economic development. We will use our existing resources to practice the social value of enterprises, achieve the goal of sustainable development, share economic achievements with the society and feed back the society.

OUTLOOK

In the future, the Group will adhere to the general tone of development, implement the concept of sustainable development, deepen the leadership, accountability and participation of the Board of Directors in ESG matters, and constantly improve the governance structure of sustainable development reporting to the Board of Directors. The Group will continue to keep close contact with stakeholders and actively understand and respond to the expectations of stakeholders in ESG. The Group will continue to strengthen risk and internal control management, and continue to pay attention to and manage ESG risks. We will continue to safeguard employees' rights and interests, promote green operations, and strive to undertake and fulfill social responsibilities.

In terms of business, we will continue to promote technology platform upgrading, enhance the research and development and application of the latest digital technology, and will, as always, focus on the optimization and development of technical assets. In terms of internal technology, we will improve our AI application ability and big data analysis ability through excellent internal R&D technical team and cooperation with external head technology companies, and continue to promote the platform upgrade of technology to achieve large-scale business expansion. We will also take short video marketing cloud service technology as the core to develop the marketing SaaS service capability for emerging or specific vertical industries. In addition, we will explore more SaaS application fields, expand SaaS capabilities to other existing business areas, and further broaden the Company's business income channels.

We will seize new opportunities in the industry, deepen multi-directional cooperation with media channels, and improve the diversified short video eco-technology service layout. We will explore more new business forms than short video technology services to help corporate customers seize new opportunities in the wave of industry development and promote its efficient growth. On the one hand, on the basis of our in-depth cooperation with diversified domestic media partners, we will continue to actively explore new forms of cooperation with the head Internet platform in the field of short video technology services; On the other hand, we will accelerate the development of these advantages in the upstream and downstream industrial chains, derivative industrial chains and other related ecological industries of short video marketing, and seek more diversified business models and considerable commercial scale growth driven by technology. Finally, we will continue to accelerate the international distribution of the Group's business, promote the international expansion of existing domestic business sectors such as short video marketing, talent economy and live e-commerce, and assist China enterprises to expand their overseas business with diversified service forms.

PERFORMANCE DATA SUMMARY

ENVIRONMENTAL PERFORMANCE

	Unit	2022[1]	2021	2020
Greenhouse Gas Emissions[2]				
Direct Emissions (Scope 1)[3]	tCO_2e	0	0	0
Indirect Energy Emission (Scope 2)[4]	tCO_2e	326,74	360.11	109.49
Other Indirect Greenhouse Gas Emissions (Scope 3)[5]	tCO_2e	94.85	208.90	112.24
Total Greenhouse Gas Emissions	tCO_2e	421.59	569.01	221.73
Intensity[6]	tCO_2e/full-time employee	0.60	0.82	0.28
Use of Resources				
Energy				
Electricity	MWh	469.55	506.85	152.04
Intensity	MWh/full-time employee	0.86	0.75	0.39
Water	m^3	3,589.00	3,843.00	2,116.67
Intensity	m^3/full-time employee	6.59	8.71	5.43
Paper	kilogram ("**kg**")	98.05	274.00	1,148.86
Intensity	kg/full-time employee	0.18	0.62	2.95

SOCIAL PERFORMANCE

	Unit	2022	2021	2020
Employee Data[7]				
Total workforce	Number of people	374	451	390
Number of employees by gender				
Male	Number of people	152	198	188
Female	Number of people	222	253	202
Number of employees by age				
<30	Number of people	218	320	270
30-50	Number of people	156	130	119
>50	Number of people	0	1	1
Number of employees by employment category				
Full-time	Number of people	369	441	390
Part-time	Number of people	1	0	0
Intern/Contract staff	Number of people	4	10	0
Number of employees by geographical region				
China	Number of people	374	451	390
Employee Turnover Rate				
By gender[8]				
Male	%	51.4	47.2	34.5
Female	%	47.3	47.3	34.6
By age[9]				
<30	%	54.8	48.3	39.6
30-50	%	38.1	44.7	19.6
>50	%	0	33.3	0
By geographical region				
China	%	49.0	47.3	34.6

PERFORMANCE DATA SUMMARY (Continued)

	Unit	2022	2021	2020
Employee Training				
Total percentage of employees trained	%	55	100	97
Total training hours of employees	Hours	2,470	5,175	10,731
The percentage of employees trained by gender				
Male	%	55	93	100
Female	%	54	103	95
The percentage of employees trained by employee level[10]				
Senior management	%	124	98	–
Middle management	%	44	100	–
Entry-level employees	%	53	100	–
The average training hours completed per employee by gender				
Male	Hours	4.9	7.6	13.6
Female	Hours	4.3	8.5	13.8
The average training hours completed per employee by employee level[11]				
Senior management	Hours	9.2	7.9	–
Middle management	Hours	10.9	8.1	–
Entry-level employees	Hours	3.4	8.1	–
Occupational Health and Safety				
Number of work-related fatalities in the past three years	Number of people	0	0	0
Rate of work-related fatalities	%	0	0	0
Number of work-related injuries	Number of people	0	1	0
Lost days due to work-related injury	Days	0	34	0
Number of suppliers[12]				
China	Number	383	418	174
Anti-corruption				
Number of concluded legal cases regarding corrupt practices brought against the Group or its employees	Number	0	0	0

PERFORMANCE DATA SUMMARY (Continued)

Notes:

1. The Group is primarily engaged in online marketing solutions business and pan-entertainment content services business. As we are not engaged in manufacturing, we do not use any packaging materials. The amount of hazardous waste generated by the Group's business is limited, and the Group considers that the adverse impact on the environment of hazardous waste generated by its operation this year is relatively slight, so the relevant data will not be disclosed. Non-hazardous wastes are mainly collected and disposed of by the property management company, so we do not have quantitative waste data for disclosure. As at December 31, 2022, the number of employees was 374. The relevant data will be used in the calculation of intensity.

2. The data are calculated by reference to the *GHG Protocol Corporate Accounting and Reporting Standard* issued by the World Business Council for Sustainable Development and *How to Prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs* issued by the Stock Exchange, and the *Guidelines of the Greenhouse Gas Emissions Accounting and Reporting for the Public Building Operation Enterprises (Trial)* issued by the General Office of the National Development and Reform Commission.

3. Scope 1 Emissions refer to direct greenhouse gas emissions from combustion of fuel in mobile sources controlled by the Group.

4. Scope 2 Emissions refer to indirect greenhouse gas emissions from energy generated by the use of electricity purchased from local power companies. The calculation is based on the "Average Emission Factors Carbon Dioxide of China's Regional Power Grid for 2011 and 2012" issued by the National Development and Reform Commission of the People's Republic of China, and the relevant data for 2020 has been recalculated and restated based on that document.

5. Scope 3 Emissions only include other indirect greenhouse gas emissions generated by business travels of the Group's employees.

6. The intensity of greenhouse gas emissions equals the sum of Scope 1 and Scope 2 emissions divided by the intensity unit.

7. The number of employees is calculated based on the number of employees of the Group as at the end of the Reporting Period.

8. The turnover rate equals the total number of employee turnover in the gender group divided by the total number of employees in the corresponding gender group.

9. The turnover rate equals the total number of employee turnover in the age group divided by the total number of employees in the corresponding age group.

10. The percentage of employees trained exceeded 100% is mainly due to the employee turnover rate during the Reporting Period. Training courses for employees include training for new employees, business-oriented professional training, training for industry-related certification, and leadership training for the management.

11. Due to the adjustment of the Group's training mechanism, the employees level has been classified into categories since 2021. The statistics of the percentage of employees trained and the average number of hours of training per employee are presented by the categories of senior management, middle management and entry-level employees.

12. The statistical scope of the number of suppliers in 2022 and 2021 is expanded compared with that in 2020. The statistical data in 2022 and 2021 also include suppliers in the categories of video procurement, technical system procurement and talent procurement on the basis of 2020.

HKEX ESG REPORTING GUIDE INDEX

<table>
<tr><th colspan="2">ESG Reporting Guide</th><th>Section/Description</th></tr>
<tr><td>Mandatory Disclosure Requirements</td><td></td><td></td></tr>
<tr><td>Governance Structure</td><td>Statements from the Board containing the following content:
(i) Disclosure of the Board's oversight of ESG issues;
(ii) Board's ESG management approach and strategy, including process used to evaluate, prioritise and manage material ESG-related issues (including risks to the issuer's businesses); and
(iii) How the board reviews progress made against ESG-related targets, with explanation of how they relate to the issuer's businesses.</td><td>ESG Management – ESG Governance Mechanism</td></tr>
<tr><td>Reporting Principles</td><td>Describe or explain how the following reporting principles have been applied in the preparation of the ESG report:

Materiality: The ESG report should disclose: (i) the process for identifying material ESG factors and the criteria for selecting these Factors (ii) if the issuer has conducted stakeholder engagement, a description of the key stakeholders identified and the process and results of the issuer's stakeholder engagement.

Quantitative: Information on the standards, methods, assumptions and/or calculation tools used to report emissions/energy consumption (if applicable) and the sources of conversion factors used should be disclosed.

Consistency: Issuers should disclose in the ESG report changes in statistical methodology or key performance indicators (if any) or any other relevant factors that affect meaningful comparisons.</td><td>About This Report – Reporting Standard</td></tr>
<tr><td>Reporting Scope</td><td>Explain the scope of ESG reporting and describe the process of selecting which entities or businesses to include in ESG reporting. If the scope of reporting changes, issuers should explain the differences and the reasons for the changes.</td><td>About This Report – Reporting Scope</td></tr>
</table>

HKEX ESG REPORTING GUIDE INDEX (Continued)

ESG Reporting Guide		Section/Description
A. Environmental		
A1 Emissions		
A1 Emissions	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Our Environment – Emission Management Our Environment – Waste Management Our Environment – Use of Resources
KPI A1.1	The types of emissions and respective emissions data.	Performance Data Summary
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A1.5	Description of emissions reduction target(s) set and steps and measures taken to achieve them.	Our Environment – Emission Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are Handled and how the output is reduced, and a description of reduction target(s) set and steps taken to achieve them.	Our Environment – Waste Management
Aspect A2: Use of Resources		
A2 Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials.	Our Environment – Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Performance Data Summary
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Our Environment – Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Our Environment – Use of Resources
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Performance Data Summary

HKEX ESG REPORTING GUIDE INDEX (Continued)

ESG Reporting Guide		Section/Description
A3 Environment and Natural Resources		
A3 Environment and Natural Resources	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources and the actions taken to manage them.	As the business operations of the Group are mainly conducted in the office, the Group considers that the business does not involve any significant impact on the environment and natural resources, and therefore the Group will not disclose it.
KPI A3.1	Description of the significant impacts of business activities on the environment and natural resources and the actions taken to manage them.	As the business operations of the Group are mainly conducted in the office, the Group considers that the business does not involve any significant impact on the environment and natural resources, and therefore the Group will not disclose it.
A4 Climate Change		
A4 Climate Change	General Disclosure Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Our Environment – Response to Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken.	Our Environment – Response to Climate Change
B. Social		
B1 Employment	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Our Employees – Employment and Labour Standards
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Performance Data Summary
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Performance Data Summary

HKEX ESG REPORTING GUIDE INDEX (Continued)

ESG Reporting Guide		Section/Description
B2 Health and Safety		
B2 Health and Safety	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Our Employees – Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Performance Data Summary
KPI B2.2	Lost days due to work injury.	Performance Data Summary
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Our Employees – Health and Safety
B3 Development and Training		
B3 Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Our employees – Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Performance Data Summary
KPI B3.2	The average training hours completed per employee by gender and employee category.	Performance Data Summary
B4 Labour Standards		
B4 Labour Standards	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Our Employees – Employment and Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Our Employees – Employment and Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Our Employees – Employment and Labour Standards

HKEX ESG REPORTING GUIDE INDEX (Continued)

ESG Reporting Guide		Section/Description
B5 Supply Chain Management		
B5 Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Our Services – Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Performance Data Summary
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Our Services – Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Our Services – Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Our Services – Supply Chain Management
B6 Product Responsibility		
B6 Product Responsibility	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Our Services – Service Quality Our Services – Advertising Promotion and Compliance Our Services – Data Privacy and Security Our Services – Intellectual Property Rights
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable to the Group
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	No complaints relating to products and services were received during the Reporting Period
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Our Services – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and product recall procedures.	Our Services – Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Our Services – Data Privacy and Security

HKEX ESG REPORTING GUIDE INDEX (Continued)

ESG Reporting Guide		Section/Description
B7 Anti-corruption		
B7 Anti-corruption	General Disclosure Information on: (a) The policies; and (b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering.	Our Services – Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Performance Data Summary
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Our Services – Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Our Services – Anti-Corruption
B8 Community Investment		
B8 Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sports).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus areas.	Community Investment

Independent Auditor's Report

To the shareholders of Netjoy Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Netjoy Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 144 to 215 which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (Continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of online marketing solutions services	
For the year ended 31 December 2022, the Group recognised revenue of RMB3,256,189,000 from the provision of online marketing solutions services. The determination of whether revenue should be reported on a gross or net basis is based on the assessment of whether the Group acts as a principal or an agent in the transactions, taking into account the nature of specified services and whether the Group obtains controls of the specified services before transferring to advertisers. We focused on this area due to the judgements involved in determining the Group's role as a principal or an agent in recognising online marketing solutions service revenue which will impact the presentation of revenue and related cost in the consolidated financial statements. The accounting policies, significant accounting judgements and estimates and disclosures about revenue recognition of online marketing solutions services are included in notes 2.4, 3 and 5 to the financial statements.	We performed the following procedures to address this key audit matter: 1. We obtained an understanding of, evaluated and tested the key controls in place over management's assessment of revenue recognition, including management approval and review of sales contracts. 2. We discussed with management and obtained an understanding of the indicators and judgements management considered when assessing the revenue recognition on a gross or net basis under each different circumstance. 3. We selected sales contracts, on a sampling basis, and reviewed the relevant contract terms and checked with management explanations and other supporting documents regarding the judgements applied for the selected sales contracts. 4. We conducted interviews with different advertisers, on a sampling basis, to check management assessments of the Group's business arrangements. 5. We also assessed the adequacy of the Group's disclosures related to revenue of online marketing solutions services in the consolidated financial statements.
Impairment of trade receivables	
The Group had trade receivables amounting to approximately RMB1,431,970,000 as at 31 December 2022. Impairment losses of RMB151,462,000 were recognised for the year ended 31 December 2022. Management recognises a loss allowance for lifetime expected credit losses (ECLs) on the trade receivables. Lifetime ECLs are estimated based on a number of factors which include the ageing of overdue trade receivables, customers' repayment history, customers' financial position, current market conditions and forecast of future economic conditions. Such assessment involves a significant degree of management judgement and estimation. We focused on this area because the assessment of the loss allowance for trade receivables is inherently subjective and requires significant management judgement, which increases the risk of error or potential management bias. The accounting policies, significant accounting judgements and estimates and disclosures about impairment of trade receivables are included in notes 2.4, 3 and 20 to the financial statements.	We performed the following procedures to address this key audit matter: 1. We tested the design and operation of internal control over the Group's processes of credit assessment. 2. We examined management's calculation of expected credit losses in respect of trade receivable and tested the accuracy of the ageing of trade receivables on a sampling basis. 3. We assessed the rationality of management's measurement of expected credit losses by examining subsequent settlements on a sampling basis, taking into account the customers' credit history, business performance and financial capability, and the industry trend and market development. 4. We also assessed the adequacy of the Group's disclosures related to impairment of trade receivables in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Shun Lung Wai.

Ernst & Young
Certified Public Accountants
Hong Kong
31 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
REVENUE	5	**3,310,085**	3,122,492
Cost of sales		**(3,279,603)**	(2,903,822)
Gross profit		**30,482**	218,670
Other income and gains	5	**55,358**	57,442
Selling and distribution expenses		**(12,338)**	(15,797)
Administrative expenses		**(67,967)**	(76,857)
Impairment losses on financial assets, net		**(167,058)**	(13,057)
Research and development expenses		**(8,801)**	(7,929)
Other expenses	5	**(654)**	(10,011)
Finance costs	6	**(25,918)**	(15,912)
Share of losses of associates	17	**(5,329)**	(2,225)
(LOSS)/PROFIT BEFORE TAX	7	**(202,225)**	134,324
Income tax credit/(expense)	10	**23,651**	(16,925)
(LOSS)/PROFIT FOR THE YEAR		**(178,574)**	117,399
Attributable to:			
Owners of the parent		**(178,057)**	117,399
Non-controlling interests		**(517)**	–
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	12		
Basic and diluted			
– For (loss)/profit for the year		**RMB(22.9) cents**	RMB14.7 cents

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000
(LOSS)/PROFIT FOR THE YEAR	**(178,574)**	117,399
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income:		
Changes in fair value	**–**	(400)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**–**	(400)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**–**	(400)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(178,574)**	116,999
Attributable to:		
Owners of the parent	**(178,057)**	116,999
Non-controlling interests	**(517)**	–

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*13*	**4,930**	7,593
Right-of-use assets	*14*	**8,710**	7,123
Intangible assets	*15*	**31,710**	26,439
Prepayments, other receivables and other assets	*21*	**4,160**	4,924
Deferred tax assets	*16*	**50,436**	17,559
Investments in associates	*17*	**4,394**	5,523
Financial assets at fair value through profit or loss	*18*	**37,534**	–
Total non-current assets		**141,874**	69,161
CURRENT ASSETS			
Inventories	*19*	**68,810**	–
Trade and notes receivables	*20*	**1,570,887**	1,511,484
Prepayments, other receivables and other assets	*21*	**276,715**	241,069
Restricted cash	*22*	**11,117**	280,560
Cash and cash equivalents	*22*	**279,690**	355,751
Total current assets		**2,207,219**	2,388,864
CURRENT LIABILITIES			
Trade payables	*23*	**241,983**	145,634
Other payables and accruals	*24*	**97,062**	49,189
Interest-bearing bank borrowings	*25*	**574,725**	612,470
Lease liabilities	*14*	**5,088**	4,360
Contract liabilities	*26*	**36,535**	33,343
Tax payable		**18,218**	26,774
Total current liabilities		**973,611**	871,770
NET CURRENT ASSETS		**1,233,608**	1,517,094
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,375,482**	1,586,255
NON-CURRENT LIABILITIES			
Lease liabilities	*14*	**3,168**	1,238
Deferred tax liabilities	*16*	**759**	1,621
Deferred income		**626**	715
Total non-current liabilities		**4,553**	3,574
Net assets		**1,370,929**	1,582,681
EQUITY			
Equity attributable to owners of the parent			
Share capital	*27*	**148**	148
Treasury shares		**(40,526)**	(36,670)
Reserves	*29*	**1,411,324**	1,619,203
Total equity attributable to owners of the parent		**1,370,946**	1,582,681
Non-controlling interests		**(17)**	–
Total equity		**1,370,929**	1,582,681

Wang Chen
Director

Xu Jiaqing
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent									
	Share capital RMB'000	Treasury shares RMB'000	Share option reserve* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
At 1 January 2022	148	(36,670)	12,197	1,229,544	46,459	(400)	331,403	1,582,681	–	1,582,681
Loss and total comprehensive income for the year	–	–	–	–	–	–	(178,057)	(178,057)	(517)	(178,574)
Shares repurchased *(note 27(a))*	–	(3,856)	–	–	–	–	–	(3,856)	–	(3,856)
Equity-settled share option arrangements *(note 28)*	–	–	4,076	–	–	–	–	4,076	–	4,076
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	500	500
Dividend declared *(note 11)*	–	–	–	–	–	–	(33,898)	(33,898)	–	(33,898)
At 31 December 2022	148	(40,526)	16,273	1,229,544	46,459	(400)	119,448	1,370,946	(17)	1,370,929
At 1 January 2021	149	–	–	1,244,410	32,225	–	228,238	1,505,022	–	1,505,022
Profit for the year	–	–	–	–	–	–	117,399	117,399		117,399
Other comprehensive income for the year:										
Change in fair value of equity investments designated at fair value through other comprehensive income	–	–	–	–	–	(400)	–	(400)	–	(400)
Total comprehensive income for the year	–	–	–	–	–	(400)	117,399	116,999	–	116,999
Shares repurchased *(note 27(b))*	(1)	(36,670)	–	(14,966)	–	–	–	(51,637)	–	(51,637)
Equity-settled share option arrangements *(note 28)*	–	–	12,197	–	–	–	–	12,197	–	12,197
Capital injection	–	–	–	100	–	–	–	100	–	100
Transfer from retained profits	–	–	–	–	14,234	–	(14,234)	–	–	–
At 31 December 2021	148	(36,670)	12,197	1,229,544	46,459	(400)	331,403	1,582,681	–	1,582,681

* These reserve accounts comprise the consolidated reserves of RMB1,411,324,000 (2021: RMB1,619,203,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/profit before tax		**(202,225)**	134,324
Adjustments for:			
Finance costs	*6*	**25,918**	15,912
Share of losses of associates	*17*	**5,329**	2,225
Interest income	*5*	**(6,831)**	(6,297)
Impairment losses on financial assets, net		**167,058**	13,057
Covid-19-related rent concessions from lessors	*14*	**(2,378)**	–
Depreciation of property, plant and equipment	*13*	**3,591**	3,218
Depreciation of right-of-use assets	*14*	**5,778**	5,698
Amortisation of intangible assets	*15*	**7,328**	3,516
Loss on disposal of items of property, plant and equipment		**489**	2,175
Gain on disposal of items of non-current assets		**(26)**	(10)
Changes in fair value of financial assets at fair value through profit or loss	*5*	**(3,078)**	–
Foreign exchange (gains)/loss		**(191)**	10,008
Impairment of intangible assets	*15*	**3,688**	–
Share-based payment expenses	*28*	**4,076**	12,197
		8,526	196,023
Increase in inventories		**(68,810)**	–
Increase in trade and notes receivables		**(210,865)**	(836,391)
(Increase)/decrease in prepayments, other receivables and other assets		**(44,099)**	35,986
Increase in restricted cash		**(11,117)**	–
Increase/(decrease) in trade payables		**96,349**	(67,098)
Increase/(decrease) in other payables and accruals		**47,784**	(3,614)
Increase/(decrease) in contract liabilities		**3,192**	(3,468)
Cash used in operations		**(179,040)**	(678,562)
Interest received	*5*	**6,831**	6,297
Income tax paid		**(18,644)**	(8,804)
Net cash used in operating activities		**(190,853)**	(681,069)

Year ended 31 December 2022

	Note	**2022 RMB'000**	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(1,554)**	(8,317)
Proceeds from disposal of items of property, plant and equipment		**137**	–
Addition of intangible assets		**(16,287)**	(12,706)
Purchase of investments in associates		**(5,200)**	–
Purchase of financial assets through other comprehensive income		**–**	(400)
Purchases of financial assets at fair value through profit or loss		**(64,500)**	–
Proceeds from disposal of financial assets at fair value through profit or loss		**30,044**	–
Net cash flows used in investing activities		**(57,360)**	(21,423)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**691,876**	783,200
Repayment of bank loans		**(727,700)**	(385,447)
Decrease/(increase) in restricted cash		**280,560**	(278,596)
Principal portion of lease payments		**(2,303)**	(7,126)
Capital injection from non-controlling shareholders		**–**	100
Dividends paid		**(33,898)**	–
Interest paid		**(27,839)**	(11,142)
Shares repurchased		**(8,735)**	(51,637)
Net cash flows from financing activities		**171,961**	49,352
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(76,252)**	(653,140)
Cash and cash equivalents at the beginning of year		**355,751**	1,018,899
Effect of foreign exchange rate changes, net		**191**	(10,008)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**279,690**	355,751
ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	*22*	**279,690**	355,751

Notes to Financial Statements

Year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

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

Information about subsidiaries

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

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

Year ended 31 December 2022

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct %	Indirect %	Principal activities
Qizheng (Shanghai) Culture Communication Co., Ltd. ("**Qizheng Culture**") (啓征(上海)文化傳播有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Technical and consultation services
Letui Chuanshi (Shanghai) Information Technology Co., Ltd. ("**Letui Information**") (樂推傳視(上海)信息技術有限公司) *(note (b))*	PRC/Mainland China	RMB5,000,000	–	100	Technical and consultation services
Letui Zhixiao (Shanghai) Cultural Communication Co., Ltd. ("**Letui Zhixiao**") (樂推智效(上海)文化傳播有限公司) *(note (b))*	PRC/Mainland China	RMB5,000,000	–	100	Marketing services
MIX Technology Co., Ltd. ("**Heguang Technology**") (合光(寧波)科技有限公司) *(note (a))*	PRC/Mainland China	USD10,000,000	–	100	Marketing services
Horgos Large Amount Information Technology Co., Ltd. ("**Large Amount Information Technology**") (霍爾果斯爆量信息技術有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Marketing services
Yunwei Chuangshi (Shanghai) Information Technology Co., Ltd. ("**Yunwei Chuangshi**") (云未創視(上海)信息技術有限公司) *(note (b))*	PRC/Mainland China	RMB750,000	–	60	Software-as-a-service ("**SaaS**")
Indirectly controlled by the Company pursuant to the contractual agreements –					
Netjoy (Shanghai) Network Technology Co., Ltd. ("**Netjoy Network**") (嗨皮(上海)網絡科技有限公司) *(note (b))*	PRC/Mainland China	RMB53,528,203	–	100	Entertainment-oriented content platform operation
Tradeplus (Shanghai) Information Technology Co., Ltd. ("**Tradeplus**") (連山加(上海)信息技術有限公司) *(note (b))*	PRC/Mainland China	RMB5,000,000	–	100	SaaS

Notes:

(a) The entity is registered as a wholly-foreign-owned enterprise under PRC law.

(b) The entity is registered as a limited liability company under PRC law.

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Netjoy Network and Tradeplus provide value added telecommunications services and radio and TV program production and operation services to customers. Due to regulatory restrictions on foreign ownership in providing value added telecommunications services and prohibition on foreign ownership in providing radio and TV program production and operation services in the PRC, the wholly-owned subsidiary of the Company, Yunxiang Information, has entered into contractual arrangements ("**Contractual Arrangements**") with Netjoy Network and Tradeplus and their respective registered shareholders. The arrangements of the Contractual Arrangements enable Yunxiang Information to effectively control, recognise and receive substantially all the economic benefits of the business and operations of Netjoy Network and Tradeplus.

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Year ended 31 December 2022

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

The nature and the impact of the revised IFRS that are applicable to the Group are described below: (continued)

(d) Annual Improvements to IFRSs 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

- IFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendments to IFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[2, 4]
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "**2022 Amendments**")*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024

5 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17

While the adoption of some of the revised IFRSs may result in changes in accounting policies, none of these IFRSs is expected to have a significant impact on the Group's results of operations and financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1	–	based on quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
Level 3	–	based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets, and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of the reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group, or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss and other comprehensive income in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Furniture and fixtures	33⅓%
Office equipment	20% to 33⅓%
Leasehold improvements	25% to 50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software and use right of a website

Software and use right of a website are stated at cost less any impairment losses and are amortised on the straight-line basis over the shorter of the lease terms and their estimated useful lives of 5-10 years. The Group determines the useful life of software and use right of a website with reference to the estimated periods that the Group intends to derive future economic benefits from the use of the assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

All research costs are charged to the consolidated statement of profit or loss and other comprehensive income as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding five to seven years, commencing from the date when the products are put into commercial production.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Leasehold properties	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases whose values are less than RMB50,000.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the asset is derecognised, modified or impaired.

Financial assets at fair value through other comprehensive income (debt instruments)

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to the statement of profit or loss.

Financial assets at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Financial assets at fair value through other comprehensive income (equity investments) (Continued)

Gains and losses on these financial assets are never recycled to the consolidated statement of profit or loss and other comprehensive income. Dividends are recognised as other income in the consolidated statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent it, has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Year ended 31 December 2022

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

Debt investments at fair value through other comprehensive income and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1	–	Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs
Stage 2	–	Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs
Stage 3	–	Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, Interest-bearing bank borrowings and lease liabilities.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the consolidated statement of profit or loss and other comprehensive income when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the consolidated statement of profit or loss and other comprehensive income.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the consolidated statement of profit or loss and other comprehensive income on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents (Continued)

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the consolidated statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

The Group's main revenue generating activity is the provision of online advertising services. Revenues are recognised when relevant services are provided to which the Group is entitled pursuant to the advertising contracts.

The following is a description of the principal activities from which the Group generates its revenue:

(1) Online marketing solutions services

All-in-one service

The Group provides one-stop online marketing solutions, including traffic acquisition from top online publishers, content production, raw data analysis and advertisement campaign optimisation, to advertisers. The Group charges the advertisers mainly based on optimised Cost Per Mille ("**oCPM**") or optimised Cost Per Click ("**oCPC**"). In some circumstances, the Group offers rebates to the advertisers as part of its promotion activities. Online publishers grant to the Group rebates in the form of payments for the media publishers' services or cash mainly based on the gross spend of the advertisers.

While none of the factors individually are considered presumptive or determinative, in this arrangement the Group is the primary obligor and is responsible for (i) identifying and contracting with third-party advertisers which the Group views as customers, the Group is primarily responsible for delivering the specified service to the advertisers; (ii) identifying online publishers to provide online spaces where the Group views the online publishers as suppliers; and (iii) bearing the sole responsibility for advertising content integrated and fulfilment of the advertising, the Group acts as the principal of these arrangements and therefore recognises revenue earned and costs incurred related to these transactions on a gross basis. Under this arrangement, the rebates earned from the media publishers are recorded as a reduction of cost of sales.

Advertisement distribution service

The advertisers provide their own produced distribution contents and formulate their own advertisement campaign. The Group only provides distribution services to advertisers by publishing the contents on the targeted social media platforms which are determined by advertisers. The Group charges the advertisers mainly based on an oCPM or oCPC or CPC.

The Group is not the principal in this arrangement as it does not control the specified service before that service is transferred to the advertiser, because (i) the Group does not provide integrated service. Online publisher, rather than the Group, is primarily responsible for providing the media publishing service; and (ii) the online publisher is identified and determined by the advertisers, not the Group. Therefore, the Group is not the principal in executing these transactions. The Group reports the amount received from the advertisers and the amounts paid to the media publishers related to these transactions on a net basis.

Rebates offered to the advertisers under both business models above are recognised as a deduction of revenue at the time the incentives are granted.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

(2) SaaS service

The Group provides SaaS service to advertisers which entitle paying subscribers access right to a one-stop short video programmatic advertising and data management platform that is owned, operated and maintained by one of the Group's subsidiaries, which benefits the Group's advertisers and media publishers to have access of data, technologies, knowledge and experience accumulated by the Group. SaaS service is provided on: (i) a commission basis, commission fee is calculated as a percentage of the total consumption of advertisement placed by advisers on the platform; and (ii) a subscription basis, subscription fee is charged to customers and recognized as revenue over the subscription period on a straight-line basis.

(3) Other business

Other business revenues primarily include revenues from pan-entertainment business and live streaming business. For the pan-entertainment business, the Group provides pan-entertainment content services to advertising customers directly through a self-operated website and its mobile terminal. The Group charges advertising customers for pan-entertainment content services primarily based on CPM, cost per time ("**CPT**") or on specified action such as download, installation or registration of the mobile device user ("**cost per action**" or "**CPA**"). For the customers which the Group charges based on CPT, revenue is recognised over time on a rateable basis over the contract term beginning on the date that the service is made available to the customers. For the customers which the Group charges based on oCPM, CPM, CPC, oCPC or CPA, revenue is recognised at the point in time when specified actions are achieved. For the live streaming business, the Group utilises live streamers to promote and sell goods on platforms and charges commissions to customers based on the live broadcast duration and sales of goods completed through platforms with agreed commission rates, respectively.

Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 15 January 2021 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the consolidated statement of profit or loss and other comprehensive income for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Other employee benefits

Pension scheme

The Group only operates defined contribution pension plans. The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to the consolidated statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss and other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profits or losses are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the consolidated statement of profit or loss and other comprehensive income.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make significant judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Contractual arrangements

Netjoy Network and Tradeplus provide value added telecommunications services and radio and TV program production and operation services to customers. Due to regulatory restrictions on foreign ownership in providing value added telecommunications services and prohibition on foreign ownership in providing radio and TV program production and operation services in the PRC, the Group exercises control over Netjoy Network and Tradeplus and enjoys all economic benefits of Netjoy Network and Tradeplus through the Contractual Arrangements.

The Group considers that it controls Netjoy Network and Tradeplus, notwithstanding the fact that it does not hold a direct equity interest in Netjoy Network and Tradeplus, as it has power over the financial and operating policies of Netjoy Network and Tradeplus and receives substantially all of the economic benefits from the business activities of Netjoy Network and Tradeplus through the Contractual Arrangements. Accordingly, Netjoy Network and Tradeplus have been accounted for as subsidiaries for the year ended 31 December 2022.

Principal versus agent considerations – revenue from the provision of online advertising services

In determining whether the Group is acting as a principal or as an agent in the provision of online advertising services, judgements and considerations of all relevant facts and circumstances are required. The determination of whether revenue should be reported on a gross or net basis is based on the assessment of whether the Group acts as a principal or an agent in the transactions, taking into account the nature of specified services and whether the Group obtains controls of the specified services before transferring to advertisers. Management considers in combination whether (a) the Group is primarily responsible for fulfilling the promise to provide the target marketing service; (b) the Group bears certain inventory risk, and (c) the Group has discretion in establishing the price. The Group is primarily obligated in a transaction, and has latitude in establishing prices and selecting publishers, or has several but not all of these indicators, the Group records revenues on a gross basis. Otherwise, the Group records the net amount earned as commissions from the services provided.

Current and deferred tax

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Group is subject to enterprise income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expense in the period that such determination is made. Further details of the current and deferred tax are set out in note 10 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on ageing analysis of customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 20 to the financial statements.

Estimation of the rebates earned from media publishers

In the Group's online marketing solutions services revenue, certain rebates granted by the media publishers are variable and outside the entity's influence. In some circumstances, such as launch of a new rebate program, whereby the management cannot reasonably estimate the amount of rebates that the Group is expected to earn, the Group only recognises the minimum amount of rebates as agreed by the media publishers, which is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Management updates its estimate at each reporting date when additional information becomes available.

Estimation of the fair value of certain financial assets at fair value through profit or loss

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. Further details are contained in note 34 to the financial statements.

Year ended 31 December 2022

4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in providing online marketing solutions services, SaaS service and other business to customers in Mainland China.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

The principal assets employed by the Group are located in Mainland China. Therefore, no segment information based on the geographical location of non-current assets is presented for the year. Accordingly, no geographical information is presented.

Information about one major customer

Revenue of approximately RMB370,505,000 (2021: RMB427,049,000) was derived from sales to a single customer, including sales to a group of entities which are known to be under common control with that customer.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**3,310,085**	3,122,492

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Types of services		
Online marketing solutions services		
– All-in-one services	**3,189,387**	2,922,426
– Advertisement distribution services	**66,802**	151,102
SaaS service	**14,862**	32,878
Other business	**39,034**	16,086
Total revenue from contracts with customers	**3,310,085**	3,122,492
Timing of revenue recognition		
Services transferred at a point in time	**3,279,208**	3,108,083
Services transferred over time	**30,877**	14,409
Total revenue from contracts with customers	**3,310,085**	3,122,492

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

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	**33,343**	36,811

There is no revenue recognised in the current reporting period from performance obligations satisfied in previous periods for the years ended 31 December 2022 and 2021, respectively.

Year ended 31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Online marketing solutions services

The performance obligation is satisfied on a user's optimised click (oCPC) on one of the customer-sponsored links or on optimised the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (oCPM).

SaaS service

The Group provides SaaS service to advertisers and separate service contracts are signed for these services. The performance obligation is satisfied on a user's optimised click (oCPC) on one of the customer-sponsored links or on optimised the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (oCPM) or over the subscription period on a straight-line basis.

Other business

Other business include the original pan-entertainment business as well as live streaming business. Pan-entertainment business performance obligation is satisfied on a pro-rata basis over the contractual term for cost per time advertising arrangements, commencing on the start date of the display of the advertisement or on the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (CPM). Live streaming business performance obligation is satisfied at a point in time when the live broadcast duration and sale transaction of goods is completed.

The transaction prices allocated to the remaining performance obligations unsatisfied as at 31 December 2022 are RMB36,535,000 (31 December 2021: RMB33,343,000).

All the remaining performance obligations unsatisfied as at 31 December 2022 are expected to be recognised within one year as the performance obligations are part of the contracts that have an original expected duration of one year or less.

Year ended 31 December 2022

5. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligations (Continued)

Other business (Continued)

An analysis of other income and gains and other expenses are as follows:

	2022 RMB'000	2021 RMB'000
Other income and gains		
Bank interest income	**6,831**	6,297
Fair value gains on financial assets at fair value through profit or loss	**3,078**	–
Government grants	**44,408**	51,145
Foreign exchange gain, net	**982**	–
Others	**59**	–
	55,358	57,442
Other expenses		
Foreign exchange loss, net	**–**	10,008
Others	**654**	3
	654	10,011

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on:		
Interest-bearing bank borrowings	**24,093**	15,334
Discounted notes	**1,624**	–
Interest on lease liabilities	**201**	578
	25,918	15,912

Year ended 31 December 2022

7. (LOSS)/PROFIT BEFORE TAX

The Group's (loss)/profit before tax is arrived at after charging/(crediting):

	Notes	**2022 RMB'000**	2021 RMB'000
Cost of services provided		**3,279,603**	2,903,822
Depreciation of property, plant and equipment	*13*	**3,591**	3,218
Depreciation of right-of-use assets	*14*	**5,778**	5,698
Amortisation of intangible assets	*15*	**7,328**	3,516
Research and development costs (excluding amortisation of intangible assets, depreciation of property, plant and equipment and employee benefit expense)		**1,009**	1,646
Lease payments not included in the measurement of lease liabilities	*14*	**1,284**	1,124
Auditors' remuneration		**3,100**	2,860
Government grants	*5*	**(44,408)**	(51,145)
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*):			
Wages, salaries and other benefits		**68,128**	70,181
Equity-settled share option expense	*27*	**4,076**	12,197
Pension scheme contributions*		**21,217**	20,385
		93,421	102,763
Impairment of trade receivables	*20*	**151,462**	13,057
Impairment of other receivables	*21*	**15,596**	–
Bank interest income	*5*	**(6,831)**	(6,297)
Fair value gains on financial assets at fair value through profit or loss	*5*	**(3,078)**	–
Impairment of intangible assets	*15*	**3,688**	–
Foreign exchange differences, net		**(982)**	10,008

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 **RMB'000**	2021 RMB'000
Other emoluments:		
Salaries, allowances and benefits in kind	**2,753**	1,852
Equity-settled share option expense	**991**	1,403
Pension scheme contributions	**222**	125
	3,966	3,380

During the year, certain directors were granted share options and Restricted Stock Units ("**RSUs**"), in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 28 to the financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 **RMB'000**	2021 RMB'000
Mr. Chen Changhua	**200**	200
Dr. Ru Liyun	**150**	150
Ms. Cui Wen	**150**	150
	500	500

Year ended 31 December 2022

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors and non-executive directors

	Salaries, allowances and benefits in kind RMB'000	Equity-settled share option expense RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
Year ended 31 December 2022				
Executive directors:				
Mr. Wang Chen	**639**	**314**	**63**	**1,016**
Mr. Xu Jiaqing	**639**	**479**	**63**	**1,181**
Mr. Lin Qian (appointed on 31 March 2022)	**567**	**125**	**48**	**740**
Ms. Zha Lijun (appointed on 31 March 2022)	**391**	**73**	**48**	**512**
	2,236	**991**	**222**	**3,449**
Non-executive directors:				
Mr. Qin Miaomiao (resigned on 31 March 2022)	**17**	**–**	**–**	**17**
Mr. Dai Liqun	**–**	**–**	**–**	**–**
Mr. Wang Jianshuo	**–**	**–**	**–**	**–**
	2,253	**991**	**222**	**3,466**
Year ended 31 December 2021				
Executive directors:				
Mr. Wang Chen	668	556	57	1,281
Mr. Xu Jiaqing	669	847	57	1,573
	1,337	1,403	114	2,854
Non-executive directors:				
Mr. Qin Miaomiao	15	–	11	26
Mr. Dai Liqun	–	–	–	–
Mr. Zhang Jianguo (resigned on 23 December 2021)	–	–	–	–
Mr. Wang Jianshuo	–	–	–	–
	1,352	1,403	125	2,880

No bonuses and directors' fees have been paid to the Company's executive directors and non-executive directors for the years ended 31 December 2022 and 2021.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four directors (2021: two), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining one (2021: three) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2022 **RMB'000**	2021 RMB'000
Salaries, allowances and benefits in kind	**577**	1,624
Equity-settled share option expense	**314**	2,201
Pension scheme contributions	**63**	164
	954	3,989

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2022	2021
Nil to HK$1,000,000	**1**	3

No bonuses have been paid to the Company's five highest paid employees for the years ended 31 December 2022 and 2021.

In prior years, share options were granted to certain non-director highest paid employees, further details of which are included in the disclosures in note 28 to the financial statements. The fair value of such options, which has been recognised in the consolidated statement of profit or loss and other comprehensive income over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate:

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("**BVI**"), Netjoy Holdings Limited is not subject to tax on income or capital gains. In addition, upon payments of dividends by Netjoy Holdings Limited to its shareholder, no BVI withholding tax is imposed.

Year ended 31 December 2022

10. INCOME TAX (Continued)

Hong Kong

Hong Kong profits tax was provided at the rate of 16.5% (2021: 16.5%) on the estimated assessable profits of the Group's companies operating in Hong Kong during the year.

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to Enterprise Income Tax ("**EIT**") at a rate of 25% on the taxable income. Preferential tax treatment is available to Netjoy Network, since it is certified as High and New Technology Enterprises, and Netjoy Network is subject to a preferential income tax rate of 15% from 2021 to 2023.

According to Several Opinions of the State Council on Supporting the Construction of Kashgar and Horgors Economic Development Zones (國務院關於支持喀什霍爾果斯經濟開發區建設的若干意見) promulgated on 30 September 2011, and Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgors in Xinjiang (財政部、國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知) promulgated by the Ministry of Finance of the PRC (中國財政部) and the State Administration of Taxation of the PRC (中國國家稅務總局) on 29 November 2011, from 2010 to 2020, the newly established enterprises in Kashgar and Horgors within the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Tax Treatment (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) granted the preferential tax treatment of five-year EIT exemption beginning from the first taxable year after the becoming profitable. Upon the expires of the tax exemption period, the local share of EIT would be exempted for another five years, and a subsidy would be granted by the Finance Bureau of the Development Zone in the form of rewards. Quantum Culture Media was entitled to the PRC tax bureau for EIT exemption from 1 January 2017 to 31 December 2021 and the exemption of EIT charged by local tax bureau according to Preferential Filing Record of EIT (企業所得稅優惠事項備案表) from 1 January 2022 to 31 December 2026 and obtained the related approval from the PRC tax bureau, which takes account for 40% of the total EIT.

According to the Implementation Opinions on Accelerating the Construction of Kashgar and Horgos Economic Development Zones (關於加快喀什、霍爾果斯經濟開發區建設的實施意見), from January 1, 2010 to December 31, 2020, enterprises newly established in the development zone that fall within the scope of the Catalogue of Enterprise Income Tax Preferences for Industries Encouraged to Develop in Difficult Areas of Xinjiang (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) will be exempted from enterprise income tax for five years from the tax year in which the first production and operation income is obtained. After the tax exemption period expires, the local share of EIT will be exempted for another five years, and the subsidy will be granted by the Finance Bureau of the Development Zone in the form of rewards. According to Preferential Filing Record of EIT (企業所得稅優惠事項備案表), thereinto, Quantum Data, the third-tier subsidiary of the Company, obtained the approval from the PRC tax bureau for entitlement of EIT exemption from 1 January 2022 to 31 December 2026.

Pursuant to the Notice on Enterprise Income Tax Policies for the Integrated Circuit Design and Software Industries (關於集成電路設計和軟件產業企業所得稅政策的公告) issued by the Ministry of Finance of the PRC and the State Administration of Taxation of the PRC and with approval from the tax authorities in charge, one of the Group's subsidiaries, Tradeplus, is entitled to an exemption from CIT for two years, commencing from 2022, the first year that Tradeplus generates taxable profit, and a deduction of 50% on the CIT rate for the following three years.

10. INCOME TAX (Continued)

	2022 RMB'000	2021 RMB'000
Current income tax:		
Mainland China	**9,892**	18,676
Hong Kong	**196**	–
Deferred tax *(note 16)*	**(33,739)**	(1,751)
	(23,651)	16,925

A reconciliation of the tax expense applicable to (loss)/profit before tax at the statutory rate of 25% for Mainland China in which the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	2022 RMB'000	2021 RMB'000
(Loss)/profit before tax	**(202,225)**	134,324
Tax at the statutory tax rate	**(50,556)**	33,581
Effect of different tax rates for specific provinces and countries or enacted by local authority	**14,030**	(24,084)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**(1,621)**	1,621
Loss attributable to associates	**1,332**	556
Additional deduction on research and development expenses	**(2,874)**	(1,419)
Tax losses utilised from previous periods	**(2,469)**	(4,276)
Tax losses and temporary differences not recognised	**17,823**	7,894
Expenses not deductible for tax	**684**	3,052
Tax (credit)/charge at the effective rate	**(23,651)**	16,925

11. DIVIDENDS

	2022 HK$'000	2021 HK$'000
Proposed final – Nil (2021: 5 cents) per ordinary share	**–**	39,783

The Board did not recommend the payment of any dividend for the year ended 31 December 2022.

On 31 March 2021, the Board recommended a final 2021 dividend of HK$5 cents per share amounting to HK$39,783,000, which was equivalent to RMB33,898,000.

12. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 778,259,233 (2021: 797,932,452) in issue during the year, as adjusted to reflect the rights issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2022 and 2021 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic earnings per share is based on:

	2022 **RMB'000**	2021 RMB'000
Earnings		
(Loss)/profit attributable to ordinary equity holders of the parent	**(178,057)**	117,399

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation*	**778,259,233**	797,932,452

* Because the diluted earnings per share amount is increased when taking share options into account, the share options had an anti-dilutive effect on the basic earnings per share for the year and were ignored in the calculation of diluted earnings per share. There was no dilution effect on the ordinary shares for the year 2022 and 2021.

13. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures RMB'000	Office equipment RMB'000	Leasehold improvements RMB'000	Total RMB'000
31 December 2022				
At 1 January 2022:				
Cost	**346**	**7,451**	**5,500**	**13,297**
Accumulated depreciation	**(47)**	**(2,626)**	**(3,031)**	**(5,704)**
Net carrying amount	**299**	**4,825**	**2,469**	**7,593**
At 1 January 2022, net of accumulated depreciation	**299**	**4,825**	**2,469**	**7,593**
Additions	**65**	**806**	**683**	**1,554**
Disposals	**(49)**	**(237)**	**(340)**	**(626)**
Depreciation provided during the year	**(51)**	**(2,029)**	**(1,511)**	**(3,591)**
At 31 December 2022, net of accumulated depreciation	**264**	**3,365**	**1,301**	**4,930**
At 31 December 2022:				
Cost	**356**	**7,847**	**5,322**	**13,525**
Accumulated depreciation	**(92)**	**(4,482)**	**(4,021)**	**(8,595)**
Net carrying amount	**264**	**3,365**	**1,301**	**4,930**
31 December 2021				
At 1 January 2021:				
Cost	76	3,465	4,626	8,167
Accumulated depreciation	(16)	(1,097)	(2,385)	(3,498)
Net carrying amount	60	2,368	2,241	4,669
At 1 January 2021, net of accumulated depreciation	60	2,368	2,241	4,669
Additions	269	3,962	4,086	8,317
Disposals	–	(2)	(2,173)	(2,175)
Depreciation provided during the year	(30)	(1,503)	(1,685)	(3,218)
At 31 December 2021, net of accumulated depreciation	299	4,825	2,469	7,593
At 31 December 2021:				
Cost	346	7,451	5,500	13,297
Accumulated depreciation	(47)	(2,626)	(3,031)	(5,704)
Net carrying amount	299	4,825	2,469	7,593

Year ended 31 December 2022

14. LEASES

The Group as a lessee

The Group has lease contracts for various items of leasehold properties and office equipment used in its operations. Leases of leasehold properties generally have lease terms between 2 and 5 years. Office equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group. There are several lease contracts that include extension and termination options, which are further discussed below.

(a) Right-of-use assets

The carrying amount of the Group's right-of-use assets and the movements during the year are as follows:

	Leasehold properties RMB'000
As at 31 December 2020 and 1 January 2021:	4,866
Additions	10,347
Depreciation charge	(5,698)
Termination	(2,392)
At 31 December 2021	7,123
As at 31 December 2021 and 1 January 2022:	**7,123**
Additions	**9,201**
Depreciation charge	**(5,778)**
Termination	**(1,836)**
At 31 December 2022	**8,710**

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**5,598**	4,779
New leases	**9,201**	10,347
Accretion of interest recognised during the year	**201**	578
Payments	**(2,504)**	(7,704)
Covid-19-related rent concessions from lessors	**(2,378)**	–
Termination	**(1,862)**	(2,402)
Carrying amount at 31 December	**8,256**	5,598
Analysed into:		
Current portion	**5,088**	4,360
Non-current portion	**3,168**	1,238

The maturity analysis of lease liabilities is disclosed in note 35 to the financial statements.

14. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**201**	578
Depreciation charge of right-of-use assets	**5,778**	5,698
Covid-19-related rent concessions from lessors	**(2,378)**	–
Expense relating to short-term leases (included in administrative expenses)	**1,284**	1,124
(Gain)/loss on lease termination	**(25)**	10
Total amount recognised in profit or loss	**4,860**	7,410

(d) The total cash outflow for leases and future cash outflows relating to leases that have not yet commenced are disclosed in notes 30(c) and 31, respectively, to the financial statements.

15. INTANGIBLE ASSETS

	Use right of a website RMB'000	Software RMB'000	Total RMB'000
31 December 2022			
Cost at 1 January 2022, net of accumulated amortization	**7,156**	**19,283**	**26,439**
Additions	**–**	**16,287**	**16,287**
Amortisation provided during the year	**(873)**	**(6,455)**	**(7,328)**
Impairment during the year	**(3,688)**	**–**	**(3,688)**
At 31 December 2022	**2,595**	**29,115**	**31,710**
At 31 December 2022:			
Cost	**9,379**	**38,731**	**48,110**
Accumulated amortization and impairment	**(6,784)**	**(9,616)**	**(16,400)**
Net carrying amount	**2,595**	**29,115**	**31,710**
31 December 2021			
Cost at 1 January 2021, net of accumulated amortisation	5,840	11,409	17,249
Additions	2,358	10,348	12,706
Amortisation provided during the year	(1,042)	(2,474)	(3,516)
At 31 December 2021	7,156	19,283	26,439
At 31 December 2021:			
Cost	9,379	22,444	31,823
Accumulated amortisation	(2,223)	(3,161)	(5,384)
Net carrying amount	7,156	19,283	26,439

16. DEFERRED TAX

The movements in deferred tax liabilities and assets during the years ended 31 December 2022 and 2021 are as follows:

Deferred tax liabilities

	Withholding taxes RMB'000	Fair value gains on financial investments RMB'000	Total RMB'000
At 1 January 2022	**1,621**	**–**	**1,621**
Deferred tax credited to profit or loss during the year	**(1,621)**	**759**	**(862)**
Deferred tax liabilities at 31 December 2022	**–**	**759**	**759**
At 1 January 2021	–	–	–
Deferred tax charged to profit or loss during the year	1,621	–	1,621
Deferred tax liabilities at 31 December 2021	1,621	–	1,621

Deferred tax assets

	Deferred income RMB'000	Provision for trade and other receivables RMB'000	Accrued expense RMB'000	Total RMB'000
At 1 January 2022	**107**	**13,904**	**3,548**	**17,559**
Deferred tax charged to profit or loss during the year	**(13)**	**36,438**	**(3,548)**	**32,877**
Deferred tax assets at 31 December 2022	**94**	**50,342**	**–**	**50,436**
At 1 January 2021	139	10,500	3,548	14,187
Deferred tax credited to profit or loss during the year	(32)	3,404	–	3,372
Deferred tax assets at 31 December 2021	107	13,904	3,548	17,559

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiary established in Mainland China in respect of earnings generated from 1 January 2008.

16. DEFERRED TAX (Continued)

Deferred tax assets (Continued)

Deferred tax assets have not been recognised in respect of the following items:

	2022 RMB'000	2021 RMB'000
Unused tax losses	**54,702**	17,844
Deductible temporary differences	**20,238**	–
	74,940	17,844

As of 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

17. INVESTMENTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Share of net assets	**4,394**	5,523

Particulars of the Group's associates are as follows:

Name	Particulars of issued shares held	Place of registration	Percentage of equity attributable to the Group	Principal activities
Shanghai Buwei Information Technology Co., Ltd. ("**Buwei**") (上海不維信息技術有限公司)	Ordinary shares	Shanghai	20%	Marketing services
Tianjin Yunlin Culture Broadcast Co., Ltd. ("**Yunlin**") (韻林(天津)文化傳媒有限公司)	Ordinary shares	Tianjin	30%	Radio and TV program production and operation services
Shanju (Shanghai) Culture Broadcast Co., Ltd. ("**Shanju Culture**") (閃劇(上海)文化傳媒有限公司)	Ordinary shares	Shanghai	30%	Radio and TV program production and operation services
Youshi Integration (Beijing) Public Relations Consulting Co., Ltd. ("**Youshi**") (優視整合(北京)公關顧問有限公司)	Ordinary shares	Beijing	5%	Exhibition Service

17. INVESTMENTS IN ASSOCIATES (Continued)

The Group has less than 20% of equity interests in Youshi. With the Group's holding seats in the boards of Youshi and participation in the financial and operating activities of Youshi, the Group could exercise significant influence over Youshi. Accordingly, Youshi is accounted for as an associate.

All of the Group's shareholdings in the associates comprise equity shares held by Netjoy Network, Yunxiang Entertainment and Qizheng Culture.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Share of the associates' loss and total comprehensive income for the year	**(5,329)**	(2,225)
Aggregate carrying amount of the Group's investments in the associates	**4,394**	5,523

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 RMB'000	2021 RMB'000
Unlisted debt investments *(a)*	**21,807**	–
Unlisted equity investments *(b)*	**15,727**	–
	37,534	–

(a) The above unlisted debt investments were convertible loans. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(b) The unlisted equity investments represent the Group's equity interests in unlisted PRC companies. The Group did not have significant influence on these invested entities. The above equity investments were classified as financial assets at fair value through profit or loss as they were held for trading.

19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Finished goods	**68,810**	–

20. TRADE AND NOTES RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**1,639,543**	1,567,595
Notes receivables	**138,917**	–
Impairment	**(207,573)**	(56,111)
	1,570,887	1,511,484

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 210 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentrations of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022 RMB'000	2021 RMB'000
Less than 1 year	**1,423,735**	1,510,197
1 to 2 years	**8,235**	1,287
	1,431,970	1,511,484

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**56,111**	43,054
Impairment losses, net (*note 7*)	**151,462**	13,057
At end of year	**207,573**	56,111

Year ended 31 December 2022

20. TRADE AND NOTES RECEIVABLES (Continued)

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

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

As at 31 December 2022

	Expected credit loss rates	Gross carrying amounts RMB'000	Impairment RMB'000
Defaulted receivables	**100.00%**	**155,668**	**155,668**
Less than 1 year	**1.15%**	**1,440,263**	**16,528**
1 to 2 years	**75.43%**	**33,520**	**25,285**
2 to 3 years	**100.00%**	**4,545**	**4,545**
Over 3 years	**100.00%**	**5,547**	**5,547**
		1,639,543	**207,573**

As at 31 December 2021

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

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Included in non-current assets:		
Prepayments	**4,160**	4,924
Included in current assets:		
Prepayments	**124,695**	129,087
Value-added tax recoverable	**123,221**	65,537
Deposits	**27,246**	34,666
Prepayments for investment in film	**–**	7,000
Other receivables	**17,149**	4,779
	292,311	241,069
Impairment losses	**(15,596)**	–
	276,715	241,069

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

	2022 RMB'000	2021 RMB'000
At beginning of year	**–**	–
Impairment losses, net *(note 7)*	**15,596**	–
At end of year	**15,596**	–

The Group applies a general approach in calculating ECL for other receivables. Other receivables related to debtors that are in default are classified as Stage 3 and the lifetime ECL rate was estimated to be 100% based on historical credit loss experience, resulting in an impairment balance of RMB15,596,000 (2021: Nil). The remaining other receivables are classified as Stage 1 without any significant increase in credit risk since initial recognition. Their recoverability was assessed with reference to the credit status of the debtors, and the expected credit loss as at 31 December 2022 was considered to be insignificant.

Year ended 31 December 2022

22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**290,807**	636,311
Denominated in RMB	**217,589**	635,578
Denominated in HKD	**364**	616
Denominated in USD	**72,854**	117
	290,807	636,311
Cash and bank balances	**290,807**	636,311
Less restricted cash:		
Bank loan deposit	**–**	(100,118)
Pledged time deposit for a short term loan	**–**	(180,442)
Other pledged deposits	**(11,117)**	–
Cash and cash equivalents	**279,690**	355,751

At the end of the reporting period, the cash and bank balances of the Group denominated in HK$ and USD amounted to RMB73,218,000 (2021: RMB733,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, and Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

Among of other pledged deposits, amounting to RMB8,358,000 as at 31 December 2022 (2021: Nil) were frozen by the local regulators subject to resolutions of certain disputes.

23. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
Within 90 days	**229,129**	142,742
91 to 365 days	**9,520**	2,306
Over 1 year	**3,334**	586
	241,983	145,634

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

24. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Payroll and bonus payables		**10,181**	11,367
Other tax payables		**31,657**	16,525
Collections from customers	*(a)*	**31,918**	15,830
Other payables	*(b)*	**23,306**	5,467
		97,062	49,189

(a) Collections from customers are collections from customers seeking for advertisement distribution services.

(b) Other payables are non-interest-bearing and repayable on demand.

Year ended 31 December 2022

25. INTEREST-BEARING BANK BORROWINGS

	2022 RMB'000	2021 RMB'000
Current:		
Bank loans – secured	–	279,200
Bank loans – unsecured	574,725	333,270
	574,725	612,470
Analysed into:		
Bank loans repayable:		
Within one year	574,725	612,470

The bank borrowings carry interest at rates ranging from 3.55% to 4.85% (2021: 3.00% to 4.95%) per annum.

As at 31 December 2021, certain loans were secured by the pledge of the Group's time deposit amounting to RMB180,442,000 and bank loan deposit amounting to RMB100,118,000.

26. CONTRACT LIABILITIES

	2022 RMB'000	2021 RMB'000
Included in current liabilities		
Online marketing solutions services	36,535	33,343

Contract liabilities include short-term advances received to provide online marketing solutions services. The increase in contract liabilities from 2021 to 2022 was mainly due to the increase in short-term advances received from customers in relation to the provision of online marketing solutions services at the end of the years.

Contract liabilities primarily consist of the unrecognised revenue on online marketing services from the amount prepaid by customers, where there is still an implied obligation to be provided by the Group.

Year ended 31 December 2021

27. SHARE CAPITAL

Shares

	2022 **RMB'000**	2021 RMB'000
Issued and fully paid: 795,658,000 (2021: 795,658,000) ordinary shares of USD0.00005 each	**148**	148

A summary of movements in the Company's ordinary shares in issue is as follows:

	Number of shares in issue '000	**Share capital RMB'000**	**Treasury shares RMB'000**
At 1 January 2022	**795,658**	**148**	**(36,670)**
Shares repurchased *(note a)*	**–**	**–**	**(3,856)**
At 31 December 2022	**795,658**	**148**	**(40,526)**
At 1 January 2021	800,000	149	–
Shares repurchased *(note b)*	(4,342)	(1)	(36,670)
At 31 December 2021	795,658	148	(36,670)

Notes:

(a) During the year ended 31 December 2022, the Company repurchased 3,273,000 of its shares on the Hong Kong Stock Exchange at a total consideration of RMB3,856,000.

(b) The Company purchased 21,539,000 shares on the Hong Kong Stock Exchange at total of RMB51,637,000. 4,342,000 repurchased shares were cancelled during the year ended 31 December 2021. The remaining 17,197,000 repurchased shares were listed as treasury shares of RMB36,670,000.

Year ended 31 December 2021

28. SHARE-BASED PAYMENTS

(a) Share options

The Company operates a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The Scheme includes two batches, each of which was effective on 15 January 2021 (the "**2021 Options**") and on 5 September 2022 (the "**2022 Options**"), respectively. Eligible participants of the Share Option Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, the Company's shareholders, and any non-controlling shareholder in the Company's subsidiaries. The share options, unless otherwise cancelled or amended, will remain in force for 10 years from the respective effective dates.

The maximum number of unexercised share options currently permitted to be granted under the Share Option Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 20 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of one to three years and ends on a date which is not later than five years from the date of offer of the share options or the expiry date of the Share Option Scheme, if earlier.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of grant of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share on the date of grant.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

28. SHARE-BASED PAYMENTS (Continued)

(a) Share options (Continued)

2021 Options

On January 27, 2022, the Company considered the exercise price of 2021 options was comparatively high compared with the market prices, the Company therefore reached a mutual agreement with the eligible employees to unconditionally cancel the Options and offer to grant 5,281,600 new share options (the "**New 2021 Options**") at an exercise price of HK$2.462 per share. The New Options are exercisable for a period of three years commencing on January 27 2022. The cancellation of 2021 Options and offer of New 2021 Options was accounted as a modification to equity-settled share-based payment arrangements in accordance with IFRS 2.

The following share options were outstanding under the Share Option Scheme during the year:

	2022		2021	
	Weighted average exercise price HK$ per share	Number of options '000	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	7.68	7,107	–	–
Granted during the year	–	–	7.68	8,808
Forfeited during the year	2.67	(708)	7.68	(1,701)
Replacement during the year	(5.22)	(1,797)	–	–
At 31 December	2.46	4,602	7.68	7,107

No share options were exercised during 2022 (2021: Nil).

The exercise price and exercise period of the share options outstanding as at the end of the reporting period are as follows:

2022 Number of options '000	2021 Number of options '000	Exercise price* HK$ per share	Exercise period
1,534	2,369	2.46	15 January 2021 to 27 January 2022
1,534	2,369	2.46	15 January 2021 to 14 January 2023
1,534	2,369	2.46	15 January 2021 to 14 January 2024
4,602	7,107		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The Group recognised a share option expense of RMB3,642,000 (2021: RMB12,197,000) under the 2021 Options during the year.

Year ended 31 December 2021

28. SHARE-BASED PAYMENTS (Continued)

(a) Share options (Continued)

2022 Options

The following share options were outstanding under the Share Option Scheme during the year:

	2022 Weighted average exercise price HKD per share	Number of options '000
At 1 January	–	–
Granted during the year	2.46	2,396
Forfeited during the year	2.46	(38)
At 31 December	2.46	2,358

On 5 September 2022, 2,395,588 options were granted to other employees.

The exercise prices and exercise periods of the share options outstanding under the 2022 Options as at the end of the reporting period are as follows:

2022

Number of options '000	Exercise price* HK$ per share	Exercise period
786	2.46	5 September 2022 to 5 September 2023
786	2.46	5 September 2022 to 5 September 2024
786	2.46	5 September 2022 to 5 September 2025
2,358		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted on the grant date, 5 September 2022, was RMB1.12 each. The fair value of the share options granted during the year was RMB2,675,000 (RMB1.12 each) (2021: Nil), of which the Group recognised a share option expense of RMB112,000 (2021: Nil) during the year ended 31 December 2022.

Year ended 31 December 2021

28. SHARE-BASED PAYMENTS (Continued)

(a) Share options (Continued)

2022 Options (Continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant, using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2022
Exercise price (HKD)	**2.46**
Expected volatility (%)	**66.30**
Dividend yield (%)	**3.94**
Risk-free interest rate (%)	**2.94**
Suboptimal factor	**2.47x (executives)/ 1.60x (other employees)**

The expected life of the options is based on the Share Option Scheme and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 6,960,000 share options outstanding under the Share Option Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 6,960,000 additional ordinary shares of the Company and additional share capital of RMB3,000 (before issue expenses).

At the date of approval of these financial statements, the Company had 6,533,000 share options outstanding under the Share Option Scheme, which represented approximately 1% of the Company's shares in issue as at that date.

Year ended 31 December 2021

28. SHARE-BASED PAYMENTS (Continued)

(b) Restricted share units ("RSU")

On 5 September 2022, the Group granted 1,868,186 shares represented by RSUs to one director and four employees, which has been approved by the board of directors, for the purpose of providing incentives and rewards to eligible participants who will contribute to the success of the Group's operations in future years. The vesting schedule of the RSUs was one-third of the RSUs on September 5, 2023; one-third of the RSUs on September 5, 2024; and one-third of the RSUs on September 5, 2025.

The following RSUs were outstanding during the year:

	Shares represented by RSUs '000
At 1 January 2021, 31 December 2021 and 1 January 2022	–
Granted during the year	1,868
Forfeited during the year	(638)
At 31 December 2022	**1,230**

The Group recognised RSU expenses of RMB322,000 (31 December 2021: Nil) during the year ended 31 December 2022.

29. RESERVES

The amounts of the Group's reserves and the movements therein for the reporting periods are presented in the consolidated statement of changes in equity of the Group.

Capital reserve

The capital reserve of the Group represents the sum of capital reserves of the entities now comprising the Group, after elimination of intra-group balances, attributable to the controlling shareholder.

Statutory surplus reserve

In accordance with the Company Law of the PRC, the subsidiaries of the Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC GAAP, to their statutory surplus reserve until the reserve reaches 50% of their registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to share capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB9,201,000 (2021: RMB10,347,000) and RMB9,201,000 (2021: RMB10,347,000), respectively, in respect of lease arrangements for leasehold properties.

(b) Changes in liabilities arising from financing activities

	Bank borrowings RMB'000	Lease liabilities RMB'000
At 1 January 2022	**612,470**	**5,598**
Changes from financing cash flows	**(61,838)**	**(2,504)**
New leases	**–**	**9,201**
Terminated	**–**	**(1,862)**
Interest expense	**24,093**	**201**
Covid-19-related rent concessions from lessors	**–**	**(2,378)**
At 31 December 2022	**574,725**	**8,256**
At 1 January 2021	209,947	4,779
Changes from financing cash flows	387,189	(7,704)
New leases	–	10,347
Terminated	–	(2,402)
Interest expense	15,334	578
At 31 December 2021	612,470	5,598

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**1,284**	1,124
Within financing activities	**2,504**	7,704
	3,788	8,828

Year ended 31 December 2021

31. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	2022 RMB'000	2021 RMB'000
Contracted, but not provided for:		
Buildings	65,000	–

32. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Services provided to related parties:		
Youshi	35,025	–
Shanju (Shanghai) Culture Media Co., Ltd.	147	213
Baixing Net Co., Ltd.	377	1,132
Shanghai Buwei Information Technology Co., Ltd.	–	44
	35,549	1,389
Services provided by related parties:		
Shanghai Linxiu Information Technology Co., Ltd.	710	–

* The related party transactions with Youshi disclosed above were the transactions conducted in period from 1 July 2022 to 31 December 2022 when Youshi became the associate of the Group.

The Group has no guaranteed bank loans granted by shareholders as at 31 December 2022 and 31 December 2021.

32. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties:

	2022 RMB'000	2021 RMB'000
Amount due from related parties:		
Youshi	**53,264**	–
Shanju (Shanghai) Culture Media Co., Ltd.	**148**	2,000
Shanghai Linxiu Information Technology Co., Ltd.	**419**	–
	53,831	2,000
Amounts due to related parties		
Shanghai Kijiji Information Technology Co., Ltd.	**263**	263
Tianjin Shangzequn Business Information Consulting Co., Ltd.	**70**	70
Baixing Net Co., Ltd.	**11**	11
Shanju (Shanghai) Culture Media Co., Ltd.	**9**	–
	353	344

Amounts due to related parties were interest-free and unsecured and had no fixed repayment terms.

(c) Compensation of key management personnel of the Group:

	2022 RMB'000	2021 RMB'000
Short-term employee benefits	**3,733**	3,512
Pension scheme contributions	**414**	356
Equity-settled share option expense	**2,196**	2,554
Total compensation paid to key management personnel	**6,343**	6,422

Further details of directors' emoluments are included in note 8 to the financial statements.

Year ended 31 December 2021

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

Financial assets – at fair value through profit or loss

	2022 **RMB'000**	2021 RMB'000
Financial assets at fair value through profit or loss	**37,534**	–

Financial assets – at fair value through other comprehensive income

	2022 **RMB'000**	2021 RMB'000
Notes receivables	**138,917**	–

Financial assets – at amortised cost

	2022 **RMB'000**	2021 RMB'000
Trade receivables	**1,431,970**	1,511,484
Financial assets included in prepayments, other receivables and other assets	**44,395**	39,445
Restricted cash	**11,117**	280,560
Cash and cash equivalents	**279,690**	355,751
	1,767,172	2,187,240

Financial liabilities

Financial liabilities – at amortised cost

	2022 **RMB'000**	2021 RMB'000
Trade payables	**241,983**	145,634
Lease liabilities	**8,256**	5,598
Financial liabilities included in other payables and accruals	**55,224**	21,297
Interest-bearing bank borrowings	**574,725**	612,470
	880,188	784,999

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, current portion of financial assets included in prepayments, other receivables and other assets, financial assets at fair value through profit or loss, interest-bearing bank borrowings and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The non-current portion of lease liabilities of the Group approximate to their fair values due to their carrying amounts are present value and internal rates of return are close to rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance department reports directly to the finance manager. At each reporting date, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation. The valuation was reviewed and approved by the finance manager. The valuation process and results are discussed with the directors once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of unlisted equity investments have been estimated based on the comparable companies analysis in terms of a series key ratios. Management believes that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values as at 31 December 2022.

The fair value of convertible loans included in financial assets at fair value through profit or loss has been determined by reference to the valuation carried out by an external independent valuer by using binomial model. The model involves estimates on time to expiration, risk free rate, share price, expected volatility, discount rates and others. The significant unobservable input used in the fair value measurement is the expected volatility. The fair value measurement is positively correlated to the expected volatility. Any changes in the major inputs used in the model will result in changes in the fair value of financial assets at fair value through profit or loss. The variables and assumptions used in calculating the fair value are based on the directors' best estimate.

Year ended 31 December 2021

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Financial assets measured at fair value

31 December 2022

	Quoted prices in active markets Level 1 RMB'000	Quoted prices in active markets Level 2 RMB'000	Quoted prices in active markets Level 3 RMB'000	Total RMB'000
Notes receivables	–	138,917	–	138,917
Financial assets at fair value through profit or loss	–	3,000	34,534	37,534
Total	–	141,917	34,534	176,451

The Group's policy is to recognise transfers between levels of the fair value hierarchy at the end of the reporting period.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

Year ended 31 December 2021

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

The recurring fair value measurement for the Group's financial assets at fair value through profit or loss was performed using significant unobservable inputs (Level 3) as at 31 December 2022 and 2021. Below is a summary of the valuation technique used and the key inputs to the valuation:

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investments	Binomial model	Average EV multiple of peers	2022: 0.55x-2.00x	5%) increase/decrease would result in increase/decrease in fair value by 5%
		Discount rate	2022: 16.20%	5% increase/decrease would result in decrease/increase in fair value by 5%
		Volatility	2022: 37.59%-63.83%	5% increase/decrease would result in decrease/increase in fair value by 5%
Convertible bond	Binomial model	Discount rate	2022: 14.70%	5% increase/decrease would result in decrease/increase in fair value by 5%
		Volatility	2022: 32.60%-67.73%	5% increase/decrease would result in decrease/increase in fair value by 5%

The movements in financial assets recognized into Level 3 during the year are as follows:

	2022 RMB'000
At 1 January	–
Total gains recognized in the statement of profit or loss	3,078
Purchases	61,500
Disposals	(30,044)
As at 31 December	34,534

Year ended 31 December 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Fair value hierarchy

The Group has various financial assets and liabilities such as cash and cash equivalents, trade receivables, trade payables and other payables, which arise directly from its operations.

The main risks faced by the Group are credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or trading purposes. The board of directors reviews and agrees policies for managing each of the risks which are summarised below:

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables).

The Group trades only with recognised and creditworthy third parties and related parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The carrying amounts of cash and cash equivalents, restricted cash, trade and notes receivables, financial assets included in prepayments, other receivables and other assets in the consolidated statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets. The Group has no other financial assets which carry significant exposure to credit risk.

Further qualitative and quantitative information regarding trade receivables, which apply the simplified approach under IFRS 9, is disclosed in note 20 to the financial statements.

Apart from trade and notes receivables, all the carrying amounts of financial assets at amortised cost, applying the general approach under IFRS 9, are classified as Stage 1 in terms of ECLs as at 31 December 2022 in addition to the fully impaired other receivables classified as Stage 3, as stated in note 21 to the financial statements.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations in cash flows.

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of each reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2022

	On demand RMB'000	Less 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	**241,983**	**–**	**–**	**241,983**
Lease liabilities	**–**	**5,323**	**3,378**	**8,701**
Financial liabilities included in other payables and accruals	**55,224**	**–**	**–**	**55,224**
Interest-bearing bank borrowings	**–**	**581,041**	**–**	**581,041**
	297,207	**586,364**	**3,378**	**886,949**

31 December 2021

	On demand RMB'000	Less 1 year RMB'000	Over 1 year RMB'000	Total RMB'000
Trade payables	145,634	–	–	145,634
Lease liabilities	–	4,567	1,358	5,925
Financial liabilities included in other payables and accruals	21,297	–	–	21,297
Interest-bearing bank borrowings	–	625,170	–	625,170
	166,931	629,737	1,358	798,026

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 31 December 2021.

Year ended 31 December 2021

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management (Continued)

The Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of the reporting periods were as follows:

	2022 RMB'000	2021 RMB'000
Total liabilities	**978,164**	875,344
Total assets	**2,349,093**	2,458,025
Debt-to-asset ratios	**42%**	36%

36. EVENT AFTER THE REPORTING PERIOD

There is no material subsequent event undertaken by the Group after 31 December 2022.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSET		
Investment in subsidiaries and total non-current assets	**16,634**	12,558
CURRENT ASSETS		
Prepayments, other receivables and other assets	**1,018,884**	789,015
Cash and cash equivalents	**1,932**	284,202
Total current assets	**1,020,816**	1,073,217
CURRENT LIABILITIES		
Other payables and accruals and total current liabilities	**6,969**	21,935
NET CURRENT ASSETS	**1,013,847**	1,051,282
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,030,481**	1,063,840
NET ASSETS	**1,030,481**	1,063,840
EQUITY		
Share capital	**148**	148
Treasury shares	**(40,526)**	(36,670)
Reserves *(note)*	**1,070,859**	1,100,362
Total equity	**1,030,481**	1,063,840

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Accumulated losses RMB'000	Share option reserve RMB'000	Total RMB'000
At 1 January 2021	1,119,948	(7,105)	–	1,112,843
Shares repurchased	(14,966)	–	–	(14,966)
Equity-settled share option arrangements	–	–	12,197	12,197
Loss and total comprehensive income for the year	–	(9,712)	–	(9,712)
At 31 December 2021	1,104,982	(16,817)	12,197	1,100,362
At 1 January 2022	**1,104,982**	**(16,817)**	**12,197**	**1,100,362**
Equity-settled share option arrangements	**–**	**–**	**4,076**	**4,076**
Profit and total comprehensive income for the year	**–**	**319**	**–**	**319**
Dividend declared	**–**	**(33,898)**	**–**	**(33,898)**
At 31 December 2022	**1,104,982**	**(50,396)**	**16,273**	**1,070,859**

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2023.

Definitions

"Award"	an award of RSUs granted to a Participant pursuant to the RSU Scheme, an award may include, if so specified by the Administrator in its absolute discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of the Shares underlying such RSUs from the date that the Award is granted to the date that it vests
"AGM"	annual general meeting of the Company
"Aofa Management"	Shanghai Aofa Enterprise Management Co., Ltd. (上海奧發企業管理有限公司), a limited liability company established in the PRC on March 26, 2019 and a Shareholder of the Company
"Articles" or "Articles of Association"	the second amended and restated articles of association of the Company adopted on June 20, 2022 by way of a special resolution, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Baixing Net"	Baixing Co., Ltd. (百姓網股份有限公司), a joint stock limited liability company established in the PRC on September 30, 2005, the shares of which are listed on NEEQ (stock code: 836012), and the holding company of Kijiji
"Baxter Investment"	Baxter Investment Holding Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Fiduciaries (Hong Kong) Limited for the administration of The RGRGU Trust and the immediate shareholder of Dai SPV
"Board" or "Board of Directors"	the board of Directors
"BVI"	the British Virgin Islands
"Business Day(s)"	any day (excluding Saturday and Sunday) on which banks in Hong Kong are generally open for business and the Stock Exchange is open for business of dealing securities
"Cayman Companies Law" or "Companies Law"	the Companies Act (2018 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time

"Cause"	with respect to a Grantee, the summary termination of employment or office on any one or more of the following grounds: (i) the Grantee has been guilty of misconduct; or (ii) has been convicted of any criminal offence involving his/her integrity or honesty; or (iii) has been charged, convicted or held liable for any offence under the relevant securities laws in the People's Republic of China, Hong Kong or any other applicable laws, or (iv) has committed any material breach of any contract entered into between the Grantee on the one hand and any member of the Group on the other hand; or (v) (if so determined by the Administrator or the board of directors of the relevant Group Company in its sole and absolute discretion) on any other ground on which the relevant Group Company would be entitled to terminate his/her employment or office summarily pursuant to any applicable laws or under the Grantee's service contract with the relevant Group Company. Notwithstanding the foregoing, a decision of the Administrator or the board of directors of the relevant Group Company to the effect that the employment or office of a Grantee has or has not been terminated on one or more of the grounds specified herein shall be conclusive
"China" or "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, except where the context requires, references in this annual report to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Company"	Netjoy Holdings Limited (云想科技控股有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on March 29, 2019
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, namely Netjoy Network and Tradeplus
"Contractual Arrangements"	the series of contractual arrangements, as the case may be, entered into by, among others, Yunxiang Information, Netjoy Network and its Registered Shareholders on March 30, 2020 and Tradeplus and its Registered Shareholders on June 16, 2021, respectively
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules

"core connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"Corporate Governance Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Dai SPV"	Blackburn Capitals Holding Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Baxter Investment, and directly holding the relevant Shares on behalf of The RGRGU Trust
"Derun International"	Derun International Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM Fiduciaries (Hong Kong) Limited for the administration of The Longhills Trust and the immediate shareholder of Wang SPV
"Derun Investments"	Derun Investments Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Wang, the settlor of The Longhills Trust
"Director(s)"	director(s) of the Company
"Disability"	a disability, whether temporary or permanent, partial or total as determined by the Administrator based on medical proof
"Family Trust(s)"	the relevant discretionary family trust set up by each of Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai and Mr. Ru, namely The Longhills Trust, The FS Trust, The MH's Family Trust, The RGRGU Trust and The Ru Liang's Trust
"FSS Investment"	FSS Investment Holding Limited, a company incorporated under the laws of BVI on October 22, 2019, the intermediary holding vehicle set up by PraxisIFM (Hong Kong) Limited for the administration of The FS Trust and the immediate shareholder of Xu SPV
"Global Awesomeness"	Global Awesomeness Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Dai, the settlor of The RGRGU Trust
"Global Offering"	the offering by the Company of the Shares for subscription to the public in Hong Kong and the offering of Shares outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act in December 2020
"Group", "we", "us", or "Netjoy"	the Company, its subsidiaries and its Consolidated Affiliated Entities from time to time or, where the context so requires, in respect of the period before the Company became the holding company of our present subsidiaries, the business operated by such subsidiaries or their predecessors (as the case may be)

"Guomeng Internet"	Guangzhou Guomeng Network Technology Co., Ltd. (廣州果盟網絡科技有限公司), a limited liability company established in the PRC on May 20, 2019 and an indirectly wholly-owned subsidiary of the Company
"Guzon Asset"	Shanghai Guzon Asset Management Co., Ltd. (上海巨漳資產管理有限公司), a limited liability company established in the PRC on September 9, 2015 and a Shareholder of the Company
"HK$" or "HKD" or "Hong Kong Dollars"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
"holding company(ies)"	has the meaning ascribed thereto under the Listing Rules
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Huabian Platform", "Huabian"	Huabian Website (www.huabian.com) and its mobile terminal, our self-operated pan-entertainment oriented content platform
"IFRSs"	International Financial Reporting Standards
"Kijiji"	Shanghai Kijiji Information Technology Co., Ltd. (上海客齊集信息技術股份有限公司), a joint stock limited liability company established in the PRC on June 16, 2005 and a Shareholder of the Company
"Letui Culture"	Letui (Shanghai) Culture Broadcast Co., Ltd. (樂推(上海)文化傳播有限公司), a limited liability company established in the PRC on December 19, 2013 and an indirectly wholly-owned subsidiary of the Company
"Letui Information"	Letui Chuanshi (Shanghai) Information Technology Co., Ltd. (樂推傳視(上海)信息技術有限公司), a limited liability company established in the PRC on August 2, 2019 and an indirectly wholly-owned subsidiary of the Company
"Letui Zhixiao"	Letui Zhixiao (Shanghai) Cultural Communication Co., Ltd. (樂推智效(上海)文化傳播有限公司), a limited liability company established in the PRC on January 26, 2020 and an indirectly wholly-owned subsidiary of the Company
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	December 17, 2020, i.e. the date on which the Shares are listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company, adopted on November 17, 2020 with immediate effect, and as amended from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"Mr. Dai"	Mr. Dai Liqun (戴立群), a non-executive Director
"Mr. Qin"	Mr. Qin Miaomiao (覃渺渺), the ultimate controller of The MH's Family Trust
"Mr. Ru"	Mr. Ru Liang (茹良), the ultimate controller of The Ru Liang's Trust and a Registered Shareholder of Netjoy Network
"Mr. Wang"	Mr. Wang Chen (王晨), an executive Director, the chief executive officer of the Company
"Mr. Xu"	Mr. Xu Jiaqing (徐佳慶), an executive Director, the chairman of the Board
"NEEQ"	The National Equities Exchange and Quotations (全國中小企業股份轉讓系統) of the PRC
"Netjoy Network"	Netjoy (Shanghai) Network Technology Co., Ltd. (嗨皮(上海)網絡科技有限公司) (formerly known as Netjoy (Shanghai) Network Technology Holdings Co., Ltd. (嗨皮(上海)網絡科技股份有限公司)), a limited liability company established in the PRC on November 15, 2012 and a Consolidated Affiliated Entity indirectly controlled by the Company through the Contractual Arrangements
"Nomination Committee"	the nomination committee of the Board
"Post-IPO Share Option Scheme"	the post-IPO share option scheme approved by a written resolution passed by the then Shareholders on November 17, 2020 and has taken effect from the Listing Date
"Prospectus"	the prospectus of the Company dated December 7, 2020
"Qipu Xinzhe"	Hangzhou Qipu Xinzhe Investment Management Partnership (Limited Partnership) (杭州啟浦信喆投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on March 10, 2017 and a Shareholder of the Company
"Qizheng Culture"	Qizheng (Shanghai) Culture Communication Co., Ltd. (啟征(上海)文化傳播有限公司), a limited liability company established in the PRC on May 28, 2019 and an indirectly wholly-owned subsidiary of the Company

"Quantum Computing"	Quantum Computing Power Limited, a company incorporated under the laws of BVI on March 13, 2019 and wholly owned by Mr. Xu, the settlor of The FS Trust
"Quantum Culture Media"	Horgos Quantum Dynamic Culture Media Co., Ltd. (霍爾果斯量子動態文化傳媒有限公司), a limited liability company established on June 8, 2017 and an indirectly wholly-owned subsidiary of the Company
"Registered Shareholders"	the registered shareholders of Netjoy Network and Tradeplus
"Registered Shareholders of Netjoy Network"	the registered shareholders of Netjoy Network, being Mr. Wang, Mr. Xu, Mr. Qin, Mr. Dai, Mr. Ru, Kijiji, Wutong Holding, Guzon Asset, Jingheng Jianyong, Aofa Management, Qipu Xinzhe and Wideview Asset
"Registered Shareholders of Tradeplus"	the registered shareholders of Tradeplus, being Mr. Wang and Mr. Dai
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	the year ended December 31, 2022
"RMB" or "Renminbi"	the lawful currency of the PRC
"Ru SPV"	Jingke Global Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Jingke International, and directly holding the relevant Shares on behalf of The Ru Liang's Trust
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented, or otherwise modified from time to time
"Shanghai Buwei"	Shanghai Buwei Information Technology Co., Ltd. (上海不維信息技術有限公司), a limited liability company established in the PRC on February 6, 2017, the equity interest of which is held as to 20% by Netjoy Network
"Shanghai Fangxi"	Shanghai Fangxi Investment Management Partnership (Limited Partnership) (上海訪溪投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo
"Shanghai Paisen"	Shanghai Paisen Investment Management Partnership (Limited Partnership) (上海派森投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo

"Shanghai Xiangnong"	Shanghai Xiangnong Investment Management Partnership (Limited Partnership) (上海香儂投資管理合夥企業(有限合夥)), a limited partnership established in the PRC on May 19, 2015, the sole general partner of which is Mr. Wang Jianshuo
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.00005 each
"Share Option(s)"	the right to subscribe for a specified number of shares pursuant to the Post-IPO Share Option Scheme
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"substantial shareholder"	has the meaning ascribed thereto under the Listing Rules
"Supplier A"	Beijing Ocean Engine Internet Technology Co., Ltd. (北京巨量引擎網絡技術有限公司) ("**Ocean Engine**", a limited liability company established in the PRC on November 11, 2016), its subsidiaries, its holding company(ies) (including Bytedance), and the fellow subsidiaries of its holding company(ies). Ocean Engine is a marketing brand and platform of Bytedance, which integrates marketing capabilities of Toutiao, Douyin, Xigua Video (西瓜視頻), Dongchedi (懂車帝), Chuanshanjia (穿山甲), and other products of Bytedance, gathering traffic, content and other partners to provide integrated digital marketing solutions for global advertisers
"Takeovers Code"	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
"The FS Trust"	a discretionary family trust set up by Mr. Xu (as the economic settlor and the protector), Quantum Computing (as the settlor) and PraxisIFM (Hong Kong) Limited (as the trustee) for the benefit of Quantum Computing (as the initial beneficiary) and other beneficiaries as nominated by Mr. Xu from time to time
"The Longhills Trust"	a discretionary family trust set up by Mr. Wang (as the economic settlor and the protector), Derun Investments (as the settlor) and PraxisIFM Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Derun Investments (as the initial beneficiary) and other beneficiaries as nominated by Mr. Wang from time to time
"The MH's Family Trust"	a discretionary family trust set up by Mr. Qin (as the economic settlor and the protector), CareFree Planning (as the settlor) and PraxisIFM Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of CareFree Planning (as the initial beneficiary) and other beneficiaries as nominated by Mr. Qin from time to time

"The RGRGU Trust"	a discretionary family trust set up by Mr. Dai (as the economic settlor and the protector), Global Awesomeness (as the settlor) and PraxisIFM Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Global Awesomeness (as the initial beneficiary) and other beneficiaries as nominated by Mr. Dai from time to time
"The Ru Liang's Trust"	a discretionary family trust set up by Mr. Ru (as the economic settlor and the protector), Luminous Stars (as the settlor) and PraxisIFM Fiduciaries (Hong Kong) Limited (as the trustee) for the benefit of Luminous Stars (as the initial beneficiary) and other beneficiaries as nominated by Mr. Ru from time to time
"Tradeplus"	Tradeplus (Shanghai) Information Technology Co., Ltd. (連山加(上海)信息技術有限公司, formerly known as Yuntu (Shanghai) Video Technology Co., Ltd. (雲圖(上海)視頻技術有限公司), a limited liability company established in the PRC on May 6, 2021, and a Consolidated Affiliated Entity controlled by the Company through Contractual Arrangements
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"US$", "USD" or "U.S. dollars"	United States dollars, the lawful currency of the United States
"Wang SPV"	Derun System Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by Derun International, and directly holding the relevant Shares on behalf of The Longhills Trust
"Wideview Asset"	Shanghai Wideview Asset Management Co., Ltd. (上海寬遠資產管理有限公司), a limited liability company established in the PRC on May 26, 2014 and a Shareholder of the Company
"Wuhan Juhaokan"	Wuhan Juhaokan Network Technology Co., Ltd., a limited company established in PRC on November 18, 2022, is 100% owned by Netjoy Network
"Wutong Holding"	Wutong Holding Group Co., Ltd. (吳通控股集團股份有限公司), a limited liability company established in the PRC on June 22, 1999, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300292), and a Shareholder of the Company
"Xu SPV"	Magne Core Limited, a company incorporated under the laws of BVI on November 22, 2019 wholly owned by FSS Investment, and directly holding the relevant Shares on behalf of The FS Trust
"Yunxiang Entertainment"	Yunxiang Entertainment (Shanghai) Co., Ltd. (云想娛樂(上海)有限公司), formerly known as Netjoy (Shanghai) Information Technology Co., Ltd. (嗨皮(上海)信息技術有限公司), a limited liability company established in the PRC on August 28, 2018 and an indirectly wholly-owned subsidiary of the Company

"Yunxiang Information"	Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. (云想數科(上海)信息技術有限公司), a limited liability company established in the PRC on August 29, 2019 and an indirectly wholly-owned subsidiary of the Company
"Yunxiang Information Xi'an"	Yunxiang Shuke (Xi'an) Information Technology Co., Ltd. (云想數科(西安)信息技術有限公司), a limited company established in PRC on November 18, 2022 and an indirect wholly-owned subsidiary of the Company
"%"	per cent