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NETJOY HOLDINGS LIMITED
云想科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2131)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of Netjoy Holdings Limited (the "**Company**" or "**Company**" or "**Netjoy**") hereby announces the audited consolidated financial results of the Company and its subsidiaries and consolidated affiliated entities (together, the "**Group**" or "**we**") for the year ended December 31, 2023 (the "**Reporting Period**") together with the comparative figures for the year ended December 31, 2022 as follows:

FINANCIAL RESULTS HIGHLIGHTS

	Year ended December 31,		
	2023	2022	Year-on-year Change
	(RMB in million, except percentage)		
Revenue	**3,009.89**	3,310.09	**(9.07)%**
Gross profit	**250.75**	30.48	**722.62%**
Profit/(loss) before income tax	**9.41**	(202.22)	**104.65%**
Profit/(loss) and total comprehensive income for the year	**7.49**	(178.57)	**104.19%**
Adjusted net profit/(loss)	**24.96**	(199.13)	**112.53%**

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended December 31, 2023

	Notes	2023 RMB'000	2022 RMB'000
REVENUE	3	**3,009,891**	3,310,085
Cost of sales		**(2,759,140)**	(3,279,603)
Gross profit		**250,751**	30,482
Other income and gains	3	**38,163**	55,358
Selling and distribution expenses		**(91,324)**	(12,338)
Administrative expenses		**(96,117)**	(67,967)
Impairment losses on financial assets, net		**(41,986)**	(167,058)
Research and development expenses		**(21,901)**	(8,801)
Other expenses	3	**(6,037)**	(654)
Finance costs		**(22,172)**	(25,918)
Share of profits/(losses) of associates		**28**	(5,329)
PROFIT/(LOSS) BEFORE TAX		**9,405**	(202,225)
Income tax (expense)/credit	4	**(1,920)**	23,651
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,485**	(178,574)
Attributable to:			
Owners of the parent		**8,796**	(178,057)
Non-controlling interests		**(1,311)**	(517)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	6		
Basic			
– For profit/(loss) for the year		**RMB1.1 cents**	RMB(22.9) cents
Diluted			
– For profit/(loss) for the year		**RMB1.1 cents**	RMB(22.9) cents

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023

	Notes	**2023** **RMB'000**	2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**5,068**	4,930
Right-of-use assets		**3,883**	8,710
Intangible assets		**25,059**	31,710
Trade receivables		**11,246**	–
Prepayments		**18,051**	4,160
Deferred tax assets		**64,012**	50,436
Investments in associates		**34,422**	4,394
Financial assets at fair value through profit or loss		**56,596**	37,534
Debt investments at amortised cost		**19,165**	–
Total non-current assets		**237,663**	141,874
CURRENT ASSETS			
Inventories		**9,169**	68,810
Trade and notes receivables	*7*	**1,539,560**	1,570,887
Prepayments, other receivables and other assets		**450,187**	276,715
Financial assets at fair value through profit or loss		**17,634**	–
Debt investments at amortised cost		**28,632**	–
Restricted cash		**2,699**	11,117
Cash and cash equivalents		**360,906**	279,690
Total current assets		**2,408,787**	2,207,219
CURRENT LIABILITIES			
Trade payables	*8*	**622,429**	241,983
Other payables and accruals		**139,937**	97,062
Interest-bearing bank borrowings		**414,937**	574,725
Lease liabilities		**3,486**	5,088
Contract liabilities		**50,360**	36,535
Tax payable		**19,883**	18,218
Other liabilities		**1,098**	–
Total current liabilities		**1,252,130**	973,611
NET CURRENT ASSETS		**1,156,657**	1,233,608
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,394,320**	1,375,482

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**35**	3,168
Deferred tax liabilities	**707**	759
Deferred income	**537**	626
Other liabilities	**7,865**	–
Total non-current liabilities	**9,144**	4,553
NET ASSETS	**1,385,176**	1,370,929
EQUITY		
Equity attributable to owners of the parent		
Share capital	**148**	148
Treasury shares	**(46,638)**	(40,526)
Reserves	**1,432,994**	1,411,324
Total equity attributable to owners of the parent	**1,386,504**	1,370,946
Non-controlling interests	**(1,328)**	(17)
TOTAL EQUITY	**1,385,176**	1,370,929

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the year ended December 31, 2023

	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 interest** *RMB'000*	**Total Equity** *RMB'000*
At 1 January 2023	**148**	**(40,526)**	**16,273**	**1,229,544**	**46,459**	**(400)**	**119,448**	**1,370,946**	**(17)**	**1,370,929**
Loss and total comprehensive income for the year	**-**	**-**	**-**	**-**	**-**	**-**	**8,796**	**8,796**	**(1,311)**	**7,485**
Shares repurchased	**-**	**(6,733)**	**-**	**-**	**-**	**-**	**-**	**(6,733)**	**-**	**(6,733)**
Excise of RSUs	**-**	**621**	**(469)**	**(152)**	**-**	**-**	**-**	**-**	**-**	**-**
Equity-settled share option arrangement	**-**	**-**	**13,495**	**-**	**-**	**-**	**-**	**13,495**	**-**	**13,495**
At 31 December 2023	**148**	**(46,638)**	**29,299**	**1,229,392**	**46,459**	**(400)**	**128,244**	**1,386,504**	**(1,328)**	**1,385,176**

For the year ended December 31, 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 interest *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	–	(3,856)	–	–	–	–	–	(3,856)	–	(3,856)
Equity-settled share option arrangements	–	–	4,076	–	–	–	–	4,076	–	4,076
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	500	500
Dividend declared	–	–	–	–	–	–	(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

* These reserve accounts comprise the consolidated reserves of RMB1,432,994,000 (2022: RMB1,411,324,000) in the consolidated statement of financial position.

NOTES TO CONSOLIDATED FINANCIAL INFORMATION

For the year ended December 31, 2023

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 %	
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
Yunxiang Shuke (Xi'an) Information Technology Co., Ltd. ("**Yunxiang Shuke Xi'an**") (云想數科(西安)信息技術有限公司) (*note (a)*)	PRC/Mainland China	USD10,000,000	–	100	Consulting
NETJOY ASIA PTE. LTD.	Singapore	SGD1,000,000	–	100	Advertisement related activity
Netjoy International Limited	British Virgin Islands	USD50,000	100	–	Investment holding
Yunxiang Shuke (Shanghai) Information ("**Yunxiang Information**") Technology Co., Ltd. (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
Hainan Yunjing Xingzhan Private Equity Fund Management Co., Ltd. ("**Hainan Yunjing**") (海南云景星展私募基金管理有限公司) (*note (b)*)	PRC/Mainland China	RMB10,000,000	–	100	Private fund management

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
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
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
Letui Zhixiao (Lishui) Culture Communication Co., Ltd. ("**Letui Zhixiao Lishui**") (樂推智效(麗水)文化傳播有限公司) *(note (b))*	PRC/Mainland China	RMB2,000,000	–	100	Marketing services
Horgos Quantum Dynamic Culture Media Co., Ltd. ("**Quantum Culture**") (霍爾果斯量子動態文化傳媒有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Marketing services
Guangzhou Guomeng Network Technology Co., Ltd. ("**Guomeng Network**") (廣州果盟網絡科技有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Technical and consultation services
Qizheng (Shanghai) Culture Communication Co., Ltd. ("**Qizheng Culture**") (啟征(上海)文化傳播有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Technical and consultation services
Horgos Large Amount Information Technology Co., Ltd. ("**Large Amount Information**") (霍爾果斯爆量信息技術有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Marketing services
Horgos Quantum Data Services Co., Ltd. ("**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
Shanghai Leman Yunxiang E-commerce Co., Ltd. ("**Leman Yunxiang**") (上海樂曼云享電子商務有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	E-commerce

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Letui Chuanpin (Jingxian) E-commerce Co., Ltd. ("**Letui Chuanpin**") (樂推傳品(涇縣)電子商務有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	E-commerce
Hepingsheng (Shanghai) Enterprise Management Co., Ltd. (合品盛(上海)企业管理有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Consulting
Shangxiang Leyun (Shanghai) E-commerce Co., Ltd. ("**Shangxiang Leyun**") (尚想樂雲(上海)電子商務有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	E-commerce
Shangxiang Lehai (Shanghai) E-commerce Co., Ltd. ("**Shangxiang Lehai**") (尚想樂海(上海)電子商務有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	E-commerce
Shanghai Lebao Yunxiang Business Consulting Co., Ltd. ("**Lebao Yunxiang**") (上海樂保雲享商務諮詢有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Consulting
Zheng Han Bio-tech Research Co., Limited ("**Zheng Han**") (正漢生物科技研發有限公司)	Hong Kong, China	HKD20,000,000	100	–	Investment Holding
Netjoy International (Hong Kong) Limited	Hong Kong, China	HKD1	–	100	Technical and consultation services
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	RMB1,250,000	–	60	Software-as-a-service ("**SaaS**")

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Indirectly controlled by the Company pursuant to the contractual agreements					
Network Technology Co., Ltd. ("**Netjoy Network**") *(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
Wuhan Juhaokan Network Technology Co., Ltd. ("**Wuhan Juhaokan**") (武漢劇好看網絡科技有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100	Planning and production of short plays
Shanxi Drama Gravity Culture Communication Co., Ltd. ("**Shanxi Drama**") (陝西劇有引力文化傳播有限公司) *(note (b))*	PRC/Mainland China	RMB1,000,000	-	100	Digital Culture

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.

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, Tradeplus and their wholly-owned subsidiaries 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 and their wholly-owned subsidiaries.

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 and their wholly-owned subsidiaries.

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 2023. 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).

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.

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.

IFRS 17	*Insurance Contracts*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The adoption of these amendments to IAS 12 did not have significant impact to the Group.

(d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

3. REVENUE,OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers	**3,009,891**	3,310,085

Revenue from contracts with customers

(i) Disaggregated revenue information

	2023	2022
	RMB'000	*RMB'000*
Types of services		
Online marketing solutions services		
– All-in-one services	**2,802,115**	3,189,387
– Advertisement distribution services	**62,836**	66,802
E-commerce and distribution service	**53,465**	27,570
Other business	**91,475**	26,326
Total revenue from contracts with customers	**3,009,891**	3,310,085
Timing of revenue recognition		
Services transferred at a point in time	**2,969,622**	3,279,208
Services transferred over time	**40,269**	30,877
Total revenue from contracts with customers	**3,009,891**	3,310,085

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:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:	**36,535**	33,343

There is no revenue recognised in the current reporting period from performance obligations satisfied in previous periods for the years ended 31 December 2023 and 2022, respectively.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

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.

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).

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.

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).

E-commerce and distribution

E-commerce and distribution revenues are mainly from the sales of products through the e-commerce platforms and distribution channels and live streaming business.

Revenues from sales of products through the e-commerce platforms and distribution channels are recognised when control of promised goods is transferred to the customers, which generally occurs upon the acceptance of the goods by the customers.

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. Live streaming business performance obligation is satisfied at a point in time when the live broadcast duration and sale transaction of goods is completed.

Other business

Other business revenues primarily include revenues from the short play business, the live streaming business and SaaS service.

For the short play business, the Group operates and maintains mini programs whereby users can enjoy short plays provided by the Group. The Group sells membership services and virtual currencies to users. For membership services, the Group offers membership services which provide users access to all short plays in the mini programs. When the receipt of membership fees is for services to be delivered over a period of time, generally from one month to twelve months, the receipt is initially recorded as "contract liabilities" and revenue is recognised ratably over the membership period as services are rendered. For virtual currencies, once the users purchase virtual currencies, the proceeds are recorded in contract liabilities and recognised in revenue after the virtual currencies are used to watch short plays.

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 advertisements placed by advertisers on the platform; and (ii) a subscription basis, subscription fee is charged to customers and recognised as revenue over the subscription period on a straight-line basis. 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.

The transaction prices allocated to the remaining performance obligations unsatisfied as at 31 December 2023 are RMB50,360,000 (31 December 2022: RMB36,535,000).

All the remaining performance obligations unsatisfied as at 31 December 2023 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.

An analysis of other income and gains and other expenses are as follows:

	2023	2022
	RMB'000	*RMB'000*
Other income and gains		
Bank interest income	**2,433**	6,831
Net investment income from debt instruments	**4,354**	–
Fair value gains on financial investments, net	**–**	3,078
Government grants	**30,917**	44,408
Foreign exchange gain, net	**–**	982
Others	**459**	59
	38,163	55,358
Other expenses		
Foreign exchange loss, net	**2,054**	–
Fair value losses on financial investments, net	**3,862**	–
Others	**121**	654
	6,037	654

4. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which subsidiaries of the Group are domiciled and operate:

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, upon payments of dividends by the Company to its shareholders, no Cayman Islands withholding tax is imposed.

British Virgin Islands

Under the current laws of the British Virgin Islands ("**BVI**"), Netjoy Holdings Limited is not subject to tax on income or capital gains. In addition, upon payments of dividends by Netjoy Holdings Limited to its shareholder, no BVI withholding tax is imposed.

Hong Kong

Hong Kong profits tax was provided at the rate of 16.5% (2022: 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. Quantum Data was in an accumulated tax loss position as at 31 December 2023 and the tax holiday has not yet begun.

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 the first year that Tradeplus generates taxable profit, and a deduction of 50% on the CIT rate for the following three years.Tradeplus was in accumulated tax loss positions as at 31 December 2023 and the tax holiday has not yet begun.

	2023	2022
	RMB'000	*RMB'000*
Current income tax:		
Mainland China	**15,480**	9,892
Hong Kong	**68**	196
Deferred tax	**(13,628)**	(33,739)
	1,920	(23,651)

A reconciliation of the tax expense applicable to profit/(loss) 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:

	2023	2022
	RMB'000	*RMB'000*
Profit/(loss) before tax	**9,405**	(202,225)
Tax at the statutory tax rate	**2,351**	(50,556)
Effect of different tax rates for specific provinces and countries or enacted by local authority	**(6,889)**	14,030
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**–**	(1,621)
(Profits)/loss attributable to associates	**(7)**	1,332
Additional deduction on research and development expenses	**(7,507)**	(2,874)
Tax losses utilised from previous periods	**–**	(2,469)
Tax losses and temporary differences not recognised	**10,728**	17,823
Expenses not deductible for tax	**3,244**	684
Tax expense/(credit) at the effective rate	**1,920**	(23,651)

5. DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 December 2023 (2022: Nil).

6. PROFIT/(LOSS) 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 772,585,362 (2022: 778,259,233) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at the exercise price on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculation of basic earnings per share is based on:

	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit/(loss) attributable to ordinary equity holders of the parent	**8,796**	(178,057)

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**772,585,362**	778,259,233
Effect of dilution – weighted average number of ordinary shares:		
RSUs	**1,789,500**	–
	774,374,862	778,259,233

7. TRADE AND NOTES RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Included in non-current assets:		
Trade receivables	**19,982**	–
Impairment	**(8,736)**	–
	11,246	–
Included in current assets:		
Trade receivables	**1,771,602**	1,639,543
Notes receivables	**6,900**	138,917
Impairment	**(238,942)**	(207,573)
	1,539,560	1,570,887
	1,550,806	1,570,887

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 180 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 concentration 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:

	2023	2022
	RMB'000	*RMB'000*
Less than 1 year	**1,507,006**	1,423,735
1 to 2 years	**36,900**	8,235
	1,543,906	1,431,970

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**207,573**	56,111
Impairment losses, net	**40,105**	151,462
At end of year	**247,678**	207,573

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 2023

	Expected credit loss rates	**Gross carrying amounts**	**Impairment**
		RMB'000	***RMB'000***
Defaulted receivables	**100.00%**	**171,598**	**171,598**
Less than 1 year	**1.24%**	**1,525,985**	**18,979**
1 to 2 years	**51.93%**	**76,770**	**39,870**
2 to 3 years	**100.00%**	**7,188**	**7,188**
Over 3 years	**100.00%**	**10,043**	**10,043**
		1,791,584	**247,678**

As at 31 December 2022

	Expected credit loss rates	Gross carrying amounts	Impairment
		RMB'000	*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

8. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 90 days	**583,747**	229,129
91 to 365 days	**28,670**	9,520
Over 1 year	**10,012**	3,334
	622,429	241,983

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

MANAGEMENT DISCUSSION AND ANALYSIS

2023 RESULTS HIGHLIGHTS

In 2023, the global market environment challenges and opportunities are intertwined. On the one hand, under the background of moderate recovery of the world economy, the stability of the macro-political situation still fluctuates, and cross-border cooperation and international trade are affected by many uncertain factors; On the other hand, thanks to the development and application of cutting-edge new technologies such as artificial intelligence ("**AI**") and the obvious trend of "short-video" on social media content platforms at home and abroad, all fields of digital economy have stepped into the stage of intelligent transformation with rich content forms. For the digital marketing industry, commercial scenes such as advertising, channel operation, data strategy and creative output also show more creative and imaginative ecological characteristics. During the Reporting Period, the Group firmly adhered to the high-quality development strategy with technology and creativity as the core gears, explored new growth opportunities in the wave of enterprise digitalization, efficiently met the higher requirements put forward by advertisers in terms of marketing digitalization, channel diversification and precise effect, effectively responded to various market challenges with an innovative and perfect short video eco-business service system, and at the same time keenly grasped opportunities and laid out emerging markets with strategic significance for the Group's development.

Specifically, during the Reporting Period, under the guidance of the three long-term development strategies of "Platformization", "Diversification" and "Internationalization", we constantly innovated and upgraded the advantages of platform technology architecture with unique barriers in the short video marketing industry, and promoted the commercialization of data precipitation, so as to promote the multi-dimensional expansion of integrated marketing business, enhance the operational vitality, business resilience and market adaptability of the two core businesses of online marketing services and e-commerce services, and become a full-category advertiser base. In addition, in order to convey our firm confidence in the market prospect of digital marketing, we adopted the "**X**" symbol symbolizing infinite possibilities as the new group brand logo. During the Reporting Period, based on our effective business strategy and extensive and high-quality corporate customer base, the Group further exerted its advantages in marketing technology and integrated services, and all businesses grew vigorously, laying a solid foundation for long-term development.

In 2023, the Group successfully achieved a steady increase in gross billing, reaching RMB8.137 billion, the highest level in the past years, with an increase of 10.54% compared with RMB7.361 billion in 2022. The compound annual growth rate from 2018 to 2023 reached 38.25%, and the business scale showed an expanding trend year by year, and diversified businesses accelerated the release of new growth potential. The Group's total revenue reached RMB3.01 billion, down by 9.07% year-on-year, mainly due to the Group's initiative to optimize the customer structure in order to improve the profit quality. During the Reporting Period, the market business layout was in a state of steady expansion, and stable income was achieved in the macroeconomic market fluctuation.

In terms of gross profit, the Group increased from RMB30.48 million in 2022 to RMB250.75 million in 2023, achieving a year-on-year increase of 722.62%; Gross profit margin reached 8.33%, up by 7.41 percentage points year-on-year. By improving operational efficiency, optimizing cost structure and responding flexibly to market demand, the Group's profitability has greatly stabilized and improved. In terms of net profit, the Group recorded RMB7.49 million, and the adjusted net profit was RMB24.96 million, increasing 112.53% year-on-year. Faced with market thorns and challenges, the Group made timely strategic adjustments to fully enhance the flexibility and effectiveness of financial management.

As of December 31, 2023, the Group's cash and cash equivalents reached RMB361 million, up by 29.04% year-on-year. With abundant cash reserves and sound financial management strategies, it has provided a solid financial foundation for the Group's future sustainable development, foreign investment and related industry operations.

During the Reporting Period, the Group actively grasped and deeply explored the development opportunities of global short video ecology, and made steady progress along the development strategic direction of "Platformization, Diversification and Internationalization". Through comprehensive exploration in the dimensions of technology research and innovation, business direction expansion and market space expansion, the Group's business growth space has been significantly expanded, and a collaborative short video business service matrix has been created.

By integrating marketing technical resources and opening up data assets, the Group has enhanced the quality and efficiency of core application scenarios of marketing links, as well as big data management and control analysis and multi-level business collaboration capabilities across media, customers and modules on the basis of mature underlying platform technology system. In addition, on the basis of focusing on short video marketing and e-commerce service, we have extended from effect marketing to brand marketing, and transformed from brand live broadcast operation to all-round e-commerce service. At the same time, we have made great efforts to expand two new fields of digital entertainment and local life, and combined with a middle and back office business support center to form a "4+1" overall business strategic pattern. Based on the complete digital marketing service matrix formed in the China market, we export efficient large-scale creative production capacity to the international market, expand the multilingual video production capacity and overseas resource cooperation network, become the commercial video creative partners of enterprises such as TikTok and Temu, and strengthen the localized marketing capability in regional markets such as Europe, America and Southeast Asia.

With the advantages of comprehensive digital marketing and integrated services in the whole industry chain, the Group has achieved the expansion and promotion of customer number, customer quality and customer industry diversity in the process of promoting the three major strategies, helping us achieve new business goals. In 2023, the number of advertisers we served increased to 1,089, a year-on-year increase of 21.54%. By the end of the Reporting Period, we had provided a total of 29,643 advertisers in 277 vertically subdivided industries with all-round marketing services, covering financial services, online services, online games, culture and media, e-commerce and other industries, and the customer base structure showed stable, balanced and diversified industry distribution characteristics. We believe that this will provide solid support for the Group to continue to create large-scale growth and maintain strong market adaptability in the future development, so that we will have stronger resilience and adaptability in the face of complex changes in the market.

Relying on the technological advantages of the Group's leading integrated platform in the industry, high-quality and diversified media cooperation matrix, and advanced big data analysis and management capabilities, we have won wide recognition and praise both inside and outside the industry as a forward "engine" for continuously empowering customers and partners to enhance their business value. As of the date of this announcement, the Group has won a number of industry heavyweight awards,including: three awards, such as the 14th Golden Mouse Digital Marketing Competition "Gold Award for Creative Communication Track", Ocean Engine Co-engine Award for 2022-2023"Long-term Management Award of the Year", Ocean Engine Co-engine Case Award "Live Marketing Case Award", and four awards, such as 2023 Magnetic Engine Partner Conference "Top Ten New Partners of the Year" and "Excellent Partner of the Year of Magnetic Taurus", 2023 Tencent Advertising Channel Partner Summit "Annual Effect Innovation and Efficiency Enhancement Award", 2023 TikTok E-commerce "Silver Brand Service Provider", Bilibili "Annual New Force Service Provider Award" and "Annual Breakthrough Growth Partner Award", AliMama Creative Center "Best Partner of the Year", 16th Golden Award for Business Creativity "Agency Group Bronze Award" and other awards. These honors are not only the recognition of our technological innovation and business achievements, but also the affirmation of the influence, brand value and continuous leading position of the Group in the field of digital marketing.

With the development of digital economy, the broad market potential of digital marketing industry at home and abroad is also increasingly apparent, which is the core field we have been deeply cultivating for a long time. The penetration rate of short video content in various commercial scenes at home and abroad continues to rise, and we are convinced that its promotion to global economic growth will become more and more obvious in the future. By consolidating our technical barriers in the field of short video marketing and combining the marketing full-link capability driven by multiple businesses, we have accelerated the steady leap of the company's operating efficiency, empowered industry and corporate customers to seize the key opportunities in the new era of digital economy, and further expanded the market influence of the Group in the global digital marketing service industry chain from a long-term perspective.

2023 BUSINESS REVIEW

During the Reporting Period, the Group closely combined with the current macroeconomic development trend and its own development strategy, focused more on the two main businesses of online marketing service and e-commerce service, steadily promoted high-quality business development, and consolidated the basic operation of the company. In 2023, the Group's business scale and industry competitiveness made steady progress, its ability to accurately understand market demand was improved, and its endogenous technology driving force and its ability to expand its business boundaries were enhanced.

Online marketing service

Short video marketing is the "ballast stone" business of the Group, and it is also one of the core strengths of the Group. Faced with the personalized, refined and full-link business characteristics of advertisers in the field of Internet marketing, we rely on the leading large-scale production capacity of creative content, big data analysis and management capabilities, as well as rich media channels and talent resources to integrate and open up the service chain, expand the business scale and achieve profitability again. During the Reporting Period, the Group provided customized online marketing solutions to 1,089 advertisers, and the gross profit margin of the business increased by 5.30 percentage points to 5.7% year-on-year.

In the trend of data and intelligence in online marketing industry, corporate customers pay more attention to reducing costs and increasing efficiency in the whole scene of marketing links. For digital marketing service providers, it is an important "moat" to enhance their core competitiveness by having keen industry insight and establishing solid technical barriers. During the Reporting Period, relying on its platform systems such as "Tianji" and "Lianshan Zhitou", we further opened up various links such as large-scale content production, stylized accurate delivery, big data effect analysis and independent budget management, so as to meet the refined needs of customers in the whole link of short video marketing. Among them, the "Tianji" platform has been further iteratively upgraded, and it has been upgraded from various aspects, such as media platform port expansion, data storage stability enhancement, and user experience scenario optimization, so as to further empower advertisers to improve account operation efficiency and strengthen their autonomy in data management and control. During the Reporting Period, the number of users of "Tianji" platform increased by 188.24% year-on-year to 490, and the highest quarterly turnover of the platform continued to increase by 18.85% year-on-year to RMB1.324 billion. At the same time, our short video marketing full-link operating system "Yunshi Youke" which provides services for small and medium-sized enterprises has realized many iterations of product functions, and embedded the technology of Artificial Intelligence Generative Content ("**AIGC**") in the related functions of short video production, providing a one-stop automatic marketing solution covering many aspects of short video marketing, such as video script, marketing copy, post dubbing, content distribution and user access, helping small and medium-sized enterprises to deeply participate in the short video business ecosystem and realize short video marketing.

With the vigorous development and application of AI technology, we put more resources into the research and development and commercialization of AIGC technology, and integrated the application ability of AIGC and natural language processing ("**NLP**") technology at the graphic level into the production of short videos, which improved the output efficiency of the team in script creation, marketing copy, element design and other graphic content, and put the self-developed AIGC application products into the automatic generation of short video scripts, social platform graphic content creation, advertising pictures and video materials. In 2023, the total amount of bills generated by the Group per capita increased by 16.19% year-on-year to RMB23.18 million. Through the improvement of video production capacity, the Group further realized cost reduction and efficiency improvement in business operations. At the end of the Reporting Period, the monthly production capacity of internal video production teams had peaked at over 21,400, and the monthly production capacity of full-time video production teams had achieved a new breakthrough, increasing by 21.45% year-on-year to 436. As of December 31, 2023, the short video history delivered and programmed by us has generated more than 1,303.7 billion shows and more than 468.8 billion video views.

With the content form of online marketing market becoming more diversified and personalized, we are also actively exploring new forms of creative content and expanding the creative capacity from short video form to 3D content. During the Reporting Period, we set up a high-standard virtual reality ("**VR**") production base, and reached a strategic cooperation relationship with leading domestic Metauniverse and AI technology companies, which helped the construction of Metauniverse marketing infrastructure, and enhanced the Group's commercial marketing service capabilities in VR scenarios at the business practice level in cooperation with domestic and overseas head enterprises in games, Internet and other industries. We believe that the investment of resources in the field of 3D content will help the Group to enhance its industry perception and service level in the form of cutting-edge content, and provide strong support for the Group in terms of long-term growth and efficiency improvement.

In the process of steadily promoting business expansion with technology and content innovation, the Group's coverage of cooperative media and the depth of customer service, as well as its cross-platform and intelligent advertising operation capabilities have been continuously enhanced. In 2023, we continued to deepen cooperation with TikTok Group, Kuaishou, Tencent, Xiaohongshu, Alibaba Group, JD Group and other head content platforms, and newly developed platforms such as Bilibili and Alipay, and obtained the certification of the core agent of BiliBili with a mature full-link marketing service system, ranking among the only seven authorized agents in the game industry in China. On the basis of rich and diverse media channels, combined with professional data analysis and customer service team, with the help of marketing scientific tools and methodologies such as huge cloud images, the Group empowered brand customers to achieve overall efficiency improvement from brand marketing to operation, opened up integrated marketing services integrating brand marketing and effect marketing, and integrated various service types such as talent economy and content marketing. During the Reporting Period, the Group provided special services for domestic well-known cheese brands, snack food brands and fashion clothing brands, achieving effective reach and high quality of advertising.

With the deepening of short video industry and the integration of social and economic fields, the refinement of vertical track has gradually become a new force in the field of short video marketing. During the Reporting Period, based on the increasingly perfect marketing service system, the Group closely followed the market trend, carried out business innovation from media channels, operational methodology and other dimensions, expanded its business exploration in the vertical track and formed a unique advantage. Taking the big health market as an example, on the basis of long-term cooperation with the head short video platform, the Group strategically strengthened the layout of the vertical track of big health, and provided refined operational support for related brand customers to explore the new media platform ecology. During the Reporting Period, the scale of our customers has been further expanded, and the industry richness of the customer base has also been enhanced again. In 2023, the top three industries served by the Group's advertisers were financial services, online services and online games, accounting for 31.7%, 23.7% and 22.4% of online marketing solution revenue respectively.

With the support of large-scale and localized short video creativity and big data-driven precision marketing technology, the Group continued to explore the international market in the form of short video creativity going to sea, effectively reusing the data, technology and experience accumulated in the China market overseas, and providing customers with one-stop and customized marketing content services. With the help of AI translation, AI avatar synthesis and other technologies, we have realized the localization and derivative capabilities of creative videos in Europe, America, Southeast Asia and other markets, empowering corporate customers to accelerate their integration into overseas markets and help them enhance their brand awareness. At the end of the Reporting Period, we have covered 13 foreign language user markets including Britain, Germany, France, Italy, Spain, Japan, Korea, Thailand, Portugal, Vietnam, Arabic, Indonesian and Malay, and become commercial video creative partners of TikTok and Temu. We believe that with the expansion of the Group's overseas market coverage and the gradual release of the commercial value potential of customer resources, our international business will become an important growth point of the Group in the future.

E-commerce service

With the rise of emerging social media, the three elements of e-commerce "people, goods and fields" have changed, and new opportunities have been born in the process of reshaping the e-commerce ecology. In 2023, the Group gradually established and improved the whole-case e-commerce service system covering brand self-broadcasting, talent distribution and store operation, and provided the brand with "people, goods and fields" e-commerce whole industry chain services based on short video ecology. During the Reporting Period, the total amount of effective Gross Merchandise Volume ("**effective GMV**") reached RMB1,129.15 million, up by 293.13% year-on-year. With the help of the Group's long-term ability of big data analysis and customer demand insight, we deeply integrated e-commerce traffic conversion with short video marketing business, and provided short video marketing click ID ("**CID**") technical services for e-commerce customers, enabling customers to realize visual data management of the whole link inside and outside the advertising station, and fully enhancing the user conversion effect.

In 2023, we further consolidated the advantages of e-commerce services in vertical industries such as 3C digital, beauty care, daily household cleaning, pet food, local life and big health, and went deep into the upstream supply end to downstream sales end of the e-commerce industry chain, broadening the coverage of the Group's more comprehensive e-commerce service capabilities and enhancing our influence in the social media e-commerce industry chain. In addition, due to the obvious upward trend of domestic market segments such as local life services, the Group is gradually expanding the key industries of e-commerce services to high-growth tracks such as local life and big health, and is committed to cultivating new business growth curves.

During the Reporting Period, the central and western headquarters of the Group in Xi'an was officially opened and became an important base for the company's business operation and development. The headquarters will integrate R&D center, video production center, live e-commerce operation base, short video and live training center. At the end of the Reporting Period, some of our business teams involved in e-commerce services such as live broadcast operation, streaming operation, content production and data analysis had moved from Shanghai to Xi'an. In addition, we have cooperated with many local universities in Xi'an on talent projects, and reserved excellent human resources for the long-term development of our business by building a management and training system. The opening of the central and western headquarters further optimized the Group's business management mode and cost structure, and realized the comprehensive improvement of human resources allocation and business operation efficiency.

Looking back on 2023, the format of short video traffic has entered the "deep water area", and various media platforms have formed more commercial potential space based on the new ecological layout and diversified development. In addition to online marketing and e-commerce services, the Group has continuously laid out more innovative business opportunities, focusing on digital entertainment and local life. On the one hand, relying on the advantages of technological innovation and content creativity accumulated in the field of short video for a long time, the Group has built a full-link business link from IP creativity, content production to film distribution of micro-short plays, and in 2023, it produced 56 headquarters of high-quality short plays, achieving a cumulative subscription income of RMB64.4 million; On the other hand, the local life service industry in the trend of digital economy transformation is also undergoing profound changes. During the Reporting Period, the Group empowered 22 chain catering brands and 107 physical catering stores to achieve an efficient digital business model through industrial chain investment and marketing solutions.

BUSINESS OUTLOOK

Looking forward to the future, "Platformization", "Diversification" and "Internationalization" are still important strategic guidelines for our business development, and are the three core directions for us to build long-term competitiveness and expand development space. On the basis of steadily advancing the three strategies, we will enhance our technical capabilities by increasing resources, improve the Group's resilient and dynamic business matrix, and efficiently promote the overseas business process to further enhance our market position in the short video marketing industry. In 2024, we will focus on the following four aspects to promote business layout.

Continue to develop and apply the latest digital technology and deepen the enabling layout of AIGC technology

Under the premise that technologies such as AIGC and Big Model are flooding into the digital economy industry and gradually promoting the transformation of production methods, the Group, as a leading enterprise in the field of technology-driven short video marketing, has far-reaching confidence in the application prospect of AIGC technology in the industry. We realize that AIGC technology is reshaping the value chain of digital marketing, starting from the advanced production methods of text, audio and images, upgrading the multi-modal application capabilities such as Wensheng video, empowering the advertising marketing industry in the whole chain and increasing efficiency in multiple dimensions, leading a new round of changes in the market ecology of the whole industry. In the future, we will deepen our investment in AIGC technology from the aspects of technical capabilities, innovative products, industry ecosystem, customer experience and global business, and promote the innovative application of AIGC technology and the integrated development of the Group's core business.

In terms of technical capabilities, we plan to continuously promote the upgrading and optimization of AIGC technology, so as to reduce the cost, increase the output and optimize the effect of short video marketing, and expand its application capabilities to a wider field of digital content; In terms of innovative products, we plan to carry out product research and development and innovation based on the practical results of AIGC technology to meet the differentiated needs of different social media platforms for digital marketing and promote the commercialization process of AIGC application products; In terms of industry ecosystem, the Group is gradually unlocking the commercial application potential of AIGC technology in the fields of video creation, intelligent delivery and e-commerce services, and promoting the establishment of a more three-dimensional AIGC marketing application ecosystem through close alliance with external high-quality ecological partners; In terms of customer experience, with the expansion of the application of AIGC technology in the Group's internal operation system, we will use the deepening exploration of AIGC technology to tap and precipitate the value of user data and deepen our ability to understand customer needs, so as to further optimize customer experience and improve customer stickiness, thereby enhancing our overall competitiveness in the industry; In addition, we have observed that AIGC technology is having a far-reaching impact on the global business ecology, and we will continue to pay attention to the new trends in the international market and explore the possibility of applying AIGC technology on a global scale, especially focusing on offshore business.

Strengthen and broaden the multi-business matrix, and explore new business models of potential track

With the continuous improvement of the development level of digital economy in China and around the world, various enterprises have diversified development needs under the digital wave. As a leader in technology-driven short video marketing, the Group plans to further improve the commercial service system through innovation in technology, service and content, and launch more innovative products and services in brand marketing, talent economy and content marketing, so as to provide global digital marketing services covering the whole marketing link for corporate customers and help enterprises achieve long-term, efficient and all-round growth in the short video ecosystem.

In addition, driven by the integration trend of short video content forms in the field of digital business services, new high-growth tracks such as short plays and local life are developing and expanding, providing us with new business layout opportunities. In the future, we plan to increase our efforts in short plays, local life and other fields, promote offline and online business collaboration and further expand the diversified business scale. On this basis, we will consider integrating or holding to attract marketing enterprises or teams with business advantages in vertical tracks such as local life, so as to achieve rapid business expansion and increase market share.

Deepen the layout of e-commerce industrial chain and strengthen the penetration of key vertical industries

Driven by the rise of new media platforms and the change of users' consumption habits, the e-commerce industry is in a profound stage of business model change, and the traditional standardized and centralized e-commerce model is developing in a more personalized and comprehensive direction. Based on the Group's accumulated business coverage in the e-commerce industry and keen insight into the new trend of e-commerce track, we are actively exploring business opportunities that can realize the growth of commercial value, and continue to promote our e-commerce business capabilities to a wider market and a more vertical field through full-case e-commerce services covering brand live broadcast, talent distribution and shopping mall operation.

With the continuous development of cross-media platform operation capability and big data analysis precipitation, as well as the rich service experience and strategic vision of hundreds of subdivided vertical industries, we will continue to develop new business forms with more industry competitiveness, and cooperate with high-value platform traffic resources and ecological partners to expand for high-growth e-commerce tracks such as beauty care, local life and great health. We believe that the layout of the vertical track with the characteristics of high growth will help us to improve the resilience of e-commerce service business and increase the flexibility and development potential of new business development.

Improve international resources and enhance the value growth space of overseas markets

In recent years, driven by the global digitalization wave, the digital economy field in developed markets such as Europe and America and emerging markets such as Southeast Asia is showing a dynamic development trend, and the pace of domestic enterprises going out to sea is accelerating, and the commercialization space in the international digital economy field is expanding day by day. Based on this, with the help of our technical ability and successful methodology accumulated in the domestic short video marketing market, we will accelerate the expansion of overseas mainstream media platforms, promote the integration and collaboration of cross-border digital marketing resources, set up business branches in prosperous economic markets such as Singapore, which have the potential to reproduce commercial models, and then explore opportunities for international value growth that are in line with the business logic of the Group's online marketing services and e-commerce services.

We have noticed that the international digital business ecology has entered a new stage of development, with the change of technology and industry ecological innovation, the transformation and reconstruction of consumption habits, and the characteristics of rich and diverse marketing contacts and scattered media. Therefore, the differentiated operation ability and resource aggregation ability for different marketing scenarios and content forms have become the key to breaking the game. In this context, the Group will further expand the application scope and depth of its three-dimensional marketing service system in international business exploration, assist overseas corporate customers to carry out localized short video marketing operations in combination with different market characteristics, enhance the Group's ability to meet customer needs in overseas markets, and enhance its business adaptability to different cultural markets.

Based on the above four key development aspects, the Group will also actively and selectively seek strategic cooperation or investment M&A opportunities with outstanding external companies, so as to form long-term business synergy value, seize market opportunities that are compatible with our full-link marketing capabilities and accelerate the layout and development of high-value business ecology.

FINANCIAL REVIEW

Year ended December 31, 2023 compared to year ended December 31, 2022

	Notes	**2023** **RMB'000**	2022 *RMB'000*
REVENUE	*3*	**3,009,891**	3,310,085
Cost of sales		**(2,759,140)**	(3,279,603)
Gross profit		**250,751**	30,482
Other income and gains	*3*	**38,163**	55,358
Selling and distribution expenses		**(91,324)**	(12,338)
Administrative expenses		**(96,117)**	(67,967)
Impairment losses on financial assets, net		**(41,986)**	(167,058)
Research and development expenses		**(21,901)**	(8,801)
Other expenses	*3*	**(6,037)**	(654)
Finance costs		**(22,172)**	(25,918)
Share of profits/(losses) of associates		**28**	(5,329)
PROFIT/(LOSS) BEFORE TAX		**9,405**	(202,225)
Income tax (expense)/credit	*4*	**(1,920)**	23,651
PROFIT/(LOSS) AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,485**	(178,574)
Attributable to:			
Owners of the parent		**8,796**	(178,057)
Non-controlling interests		**(1,311)**	(517)
PROFIT/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*6*		
Basic			
– For profit/(loss) for the year		**RMB1.1 cents**	RMB(22.9) cents
Diluted			
– For profit/(loss) for the year		**RMB1.1 cents**	RMB(22.9) cents

Key Financial Ratios

	Year ended December 31,	
	2023	2022
Gross profit margin (%)[(1)]	**8.33**	0.92
Net profit margin (%)[(2)]	**0.25**	(5.39)
Current ratio (times)[(3)]	**1.92**	2.27
Adjusted net profit margin (%)[(4)]	**0.83**	(6.02)
Debt-to-asset ratio (times)[(5)]	**0.48**	0.42

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) e-commerce and distribution; and (iii) other business. Our total revenue decreased by 9.07% from RMB3,310.09 million in 2022 to RMB3,009.89 million in 2023, which was mainly due to the decrease of our online marketing solution business revenue.

Revenue by business segments

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

	Year ended December 31,			
	2023		2022	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Online marketing solutions business	**2,864,951**	**95.2**	3,256,189	98.4
E-commerce and distribution	**53,465**	**1.8**	27,570	0.8
Other business[(1)]	**91,475**	**3.0**	26,326	0.8
Total	**3,009,891**	**100.0**	3,310,085	100.0

Note:

(1) Other businesses include short plays business and SaaS services.

We enter into annual framework agreements with our advertising customers and charge them for our online marketing solutions based primarily on a mix of oCPM, oCPC and CPC. Our online marketing solutions business declined during the Reporting Period due to our enhanced risk management and in-depth cooperation with quality customers to ensure the overall profitability. For the year ended December 31, 2023, the revenue generated by online marketing solutions accounted for 95.2% of our total revenue.

Revenue from online marketing solutions business by type of advertising customers

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

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

	Year ended December 31,			
	2023		2022	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Advertisers	**2,529,183**	**88.3**	3,006,788	92.3
Advertising agencies	**335,768**	**11.7**	249,401	7.7
Total	**2,864,951**	**100.0**	3,256,189	100.0

Revenue from online marketing solutions business by industry verticals

The advertisers we serve operate in a wide array of industry verticals, which primarily include online gaming, financial services, e-commerce, internet services, advertising and culture and 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,			
	2023		2022	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Online gaming	**640,781**	**22.4**	872,553	26.8
Financial services[1]	**908,769**	**31.7**	744,662	22.9
E-commerce	**64,156**	**2.2**	120,607	3.7
Internet services	**678,818**	**23.7**	923,692	28.4
Advertising	**216,984**	**7.6**	271,084	8.3
Culture and media	**322,940**	**11.3**	318,141	9.8
Others[2]	**32,503**	**1.1**	5,450	0.1
Total	**2,864,951**	**100.0**	3,256,189	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, 2023, financial services was our largest group of advertising customers. Our revenue generated from financial services accounted for 22.9% and 31.7% of our total revenue derived from online marketing solutions business for the years ended December 31, 2022 and 2023, respectively.

For the year ended December 31, 2023, we further explored other industry verticals, such as culture and media. Our revenue generated from culture and media, as a percentage of our total revenue generated from online marketing solutions business, increased from 9.8% in 2022 to 11.3% in 2023.

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,			
	2023		2022	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Traffic acquisition cost	**2,606,899**	**94.5**	3,153,508	96.2
Employee benefit expenses	**47,939**	**1.7**	42,611	1.3
Others[1]	**104,302**	**3.8**	83,484	2.5
Total	**2,759,140**	**100.0**	3,279,603	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 2023, 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, 2022 and December 31, 2023, our traffic acquisition costs amounted to RMB3,153.5 million and RMB2,606.9 million, respectively, accounting for approximately 96.2% and 94.5%, respectively, of our total cost of sales for the respective years, which was in line with our business change. For the years ended December 31, 2022 and December 31, 2023, our employee benefit expenses amounted to RMB42.6 million and RMB47.9 million, respectively, accounting for approximately 1.3% and 1.7%, respectively, of our total cost of sales for the respective years, which was caused by the company's expanding business model. For the years ended December 31, 2022 and December 31, 2023, our others costs amounted to RMB83.5 million and RMB104.3 million, respectively, accounting for approximately 2.5% and 3.8%, respectively, of our total cost of sales for the respective years, which was attributable to the rising short plays expenses.

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,			
	2023		2022	
	(RMB'000)	***% of the total***	*(RMB'000)*	*% of the total*
Online marketing solutions business	**2,701,506**	**97.9**	3,243,161	98.9
E-commerce and distribution	**22,340**	**0.8**	16,814	0.5
Other business[(1)]	**35,294**	**1.3**	19,628	0.6
Total	**2,759,140**	**100.0**	3,279,603	100.0

Note:

(1) Other businesses include short plays business and SaaS service.

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,			
	2023		2022	
	Gross profit (RMB'000)	***Gross profit margin %***	*Gross profit (RMB'000)*	*Gross profit margin %*
Online marketing solutions business	**163,445**	**5.7**	13,028	0.4
E-commerce and distribution	**31,125**	**58.2**	10,756	39.0
Other business[(1)]	**56,181**	**61.4**	6,698	25.4
Total	**250,751**	**8.3**	30,482	0.9

Note:

(1) Other businesses include short plays business and SaaS service.

Our gross profit consists of our revenue less cost of sales. The Group recorded gross profit of RMB250.75 million in 2023, representing an increase of 722.6% as compared to the gross profit of RMB30.48 million in 2022.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. Gross profit margin increased from 0.9% in 2022 to 8.3%, which was mainly due to the Group's substantial stabilization and improvement of profitability through improving operational efficiency, optimizing cost structure, flexibly responding to market demand, strengthening risk management and in-depth cooperation with quality customers.

Other Income and Gains

Our other income and income decreased from RMB55.36 million for the year ended December 31, 2022 to RMB38.16 million for the year ended December 31, 2023, mainly including the amount of value-added tax plus deduction and government subsidies enjoyed by the Group for the whole year. The reason for this year's decrease is that the amount of value-added tax plus deduction is less than that in 2022.

Selling and Distribution Expenses

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

Our selling and distribution expenses increased from RMB12.34 million in 2022 to RMB91.32 million in 2023, which was mainly due to the initial increase in the cost of the Company's new business model and the need for a large amount of publicity expenses to acquire users for new businesses such as e-commerce and short plays.

General and Administrative Expenses

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

Our administrative expenses gradually increased from RMB67.97 million for the year ended December 31, 2022 to RMB96.12 million for the year ended December 31, 2023, which was mainly caused by expanding the Company's business, optimizing the operation and management mode and increasing the number of managers.

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 RMB41.99 million in 2023, which was mainly attributable to the general provision made by us for the credit loss of trade receivables.

Research and Development Expenses

Our research and development expenses primarily comprise (i) employee benefit expenses; (ii) outsourcing development expenses; and (iii) others mainly consisting of server rental expenses. Our research and development expenses increased by 148.8% from RMB8.80 million for the year ended December 31, 2022 to RMB21.90 million for the year ended December 31, 2023, which was mainly attributable to the increase in the number of R&D projects, the number of R&D personnel and their average salary level.

Other Expenses

Our other expenses increased from RMB0.65 million for the year ended December 31, 2022 to RMB6.04 million for the year ended December 31, 2023, mainly due to exchange losses.

Finance Costs

Our finance costs decreased from RMB25.92 million for the year ended December 31, 2022 to RMB22.17 million for the year ended December 31, 2023. The increase in finance costs was mainly due to the decrease in the interest rate of bank loans, which led to a decrease of RMB7.97 million in the corresponding interest expenses of bank loans.

Income Tax Credit

For the year ended December 31, 2023, we recorded an income tax expense of RMB1.92 million, while the income tax credit for the year ended December 31, 2022 was RMB23.65 million, mainly due to the pre-tax profit of RMB9.41 million this year, an increase of RMB211.63 million compared with the previous year.

Profit for the Year

As a result of the above, our profit for the year ended December 31, 2022 was a loss of RMB178.57 million, while our profit for the year ended December 31, 2023 was a profit of RMB7.49 million. Our net loss margin for the year ended December 31, 2022 was 5.39% and our net profit margin for the year ended December 31, 2023 was 0.25%.

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,	
	2023	2022
	(RMB in millions)	
Net (loss)/profit for the year	**7.49**	(178.57)
Add:		
Share-based compensation	**13.50**	4.07
Foreign exchange differences	**2.05**	(0.98)
Income tax expense	**1.92**	(23.65)
Adjusted net (loss)/profit[1]	**24.96**	(199.13)

Note:

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

Liquidity and Financial Resources

Our business operations and expansion plans require a significant amount of capital, including acquiring user traffic from online publishers, enhancing our content production capabilities, improving our big data analytics and AI capabilities, upgrading our proprietary DMP and other infrastructures as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, and capital contributions from shareholders of the Company (the "**Shareholders**"). As at December 31, 2022 and 2023, our cash and bank balances significantly increased from RMB290.81 million to RMB363.61 million, mainly due to the expansion of business scale, which was supplemented by working capital.

The table below sets out our cash and bank balance as of December 31, 2023 and December 31, 2022, respectively:

	2023	2022
	RMB'000	*RMB'000*
Cash and bank balance	**363,605**	290,807
Denominated in RMB	**363,417**	217,589
Denominated in HKD	**56**	364
Denominated in USD	**132**	72,854
	363,605	290,807

As at December 31, 2023, our bank loans amounted to approximately RMB414.94 million (as at December 31, 2022: approximately RMB574.73 million). Our bank loans are denominated in RMB. The interest rates on our bank loans ranged from 2.30% to 4.30% (for the year ended December 31, 2022: 3.55% to 4.85%) per annum and the terms of the loans ranged from three months to one year. We will repay the above borrowings in due course on maturity.

Capital Expenditures

Our capital expenditures in 2023 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,	
	2023	2022
	(RMB in millions)	
Property, plant and equipment	**21.52**	1.55
Intangible assets	**9.50**	16.29
Total	**31.02**	17.84

We incurred capital expenditures of approximately RMB31.02 million for the year ended December 31, 2023, primarily related to office building, 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 of December 31, 2023, the Group's inventory with a total book value of approximately RMB5.39 million (2022: Nil) has been pledged to guarantee other loans granted to the Group. The trade receivables of some customers of the Group have been pledged to guarantee the trade payables of approximately RMB150.00 million granted to the Group (2022: Nil).

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 RMB. 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, 2023, we did not have any outstanding debt securities, mortgage, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or acceptance credits, or other similar indebtedness, leasing and financial leasing commitments, hire purchase commitments, guarantees or other material contingent liabilities.

Employees

As of December 31, 2023, we had 351 full-time employees, including 308 in Shanghai, 23 in Xi'an, 12 in Beijing, and 8 in Xinjiang. As of December 31, 2023, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

Our employees typically enter into standard employment contracts with us. We place high value on recruiting, training and retaining our employees. We maintain high recruitment standards and provide competitive compensation packages. Remuneration packages for our employees mainly comprise base salary and bonus. We also provide both in-house and external trainings for our employees to improve their skills and knowledge. For the year ended December 31, 2023, total staff remuneration expenses including Directors' remuneration amounted to RMB121.19 million.

We contribute to social security insurance and housing provident funds for our employees in accordance with applicable PRC laws, rules and regulations in all material aspects.

We have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development. The Company has adopted a post-IPO share option scheme, a restricted share unit scheme (the "**Restricted Share Unit Scheme**"), a amended post-IPO Share option scheme and share award scheme. As of December 31, 2023, the Trustee had purchased a total of 30,805,939 Shares in the market under the restricted share unit scheme adopted by the Company on October 18, 2021, representing approximately 3.872% of the total number of Shares in issue as at the date of this announcement (i.e. 795,658,000 Shares).

RETIREMENT AND EMPLOYEE BENEFITS SCHEMES

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

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

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

During the Reporting Period, the Group did not acquire or sell subsidiaries, associates and joint ventures. As of December 31, 2023, the Group did not hold any significant investments.

USE OF NET PROCEEDS FROM GLOBAL OFFERING

In 2022, the Group fully used the net proceeds from the Global Offering.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

The Group did not have any future plans of material investment and capital assets as at the date of this announcement.

SUBSEQUENT EVENTS

As of the date of this announcement, the Group had no material events subsequent to the Reporting Period.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended December 31, 2023.

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 Monday, June 24, 2024, the register of members of the Company will be closed from Thursday, June 19, 2024 to Monday, June 24, 2024, both days inclusive, during which no transfer of Shares will be registered. To qualify for attending and voting at the AGM, Shareholders must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Tuesday, June 18, 2024 for registration of the relevant transfer.

CORPORATE GOVERNANCE CODE

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of its shareholders and enhance its value and accountability. The Company has adopted the Corporate Governance Code (the "**Corporate Governance Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") as its governance code.

During the Reporting Period, the Company has always complied with all the applicable code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix C1 to the Listing Rules.

The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTION

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended December 31, 2023, none of the Company or any of its subsidiaries or its Consolidated Affiliated Entities had purchased, sold or redeemed any of the listed securities of the Company.

AUDIT COMMITTEE

The Board has established an audit committee (the "**Audit Committee**"), consisting of two independent non-executive Directors, namely, Mr. CHEN Changhua (Chairman) and Dr. RU Liyun, and one non-executive Director, namely Mr. DAI Liqun. Written terms of reference have been adopted for the Audit Committee, which clearly specify its duties and responsibilities and are available for inspection on the websites of the Company and the Stock Exchange.

The Audit Committee has, together with the senior management and the Company's external auditor of the Company, reviewed the accounting principles and practices adopted by the Group, and reviewed the audited consolidated financial statements of the Group for the year ended December 31, 2023.

This annual results announcement is based on the audited consolidated financial statements of the Group for the year ended December 31, 2023 as agreed with the Company's external auditors.

AUDITOR'S SCOPE OF WORK

The figures in respect of the Group's consolidated statements of financial position, consolidated statements of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND 2023 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.netjoy.com). The annual report of the Company for the year ended December 31, 2023 containing all the information required by the Listing Rules will be despatched to the Shareholders (if required) and published on the above websites in due course.

By order of the Board
Netjoy Holdings Limited
XU Jiaqing
Chairman of the Board

Shanghai • China, March 28, 2024

As at the date of this announcement, the Board comprises Mr. XU Jiaqing, Mr. WANG Chen, Mr. LIN Qian and Ms. ZHA Lijun as executive Directors; Mr. DAI Liqun and Mr. WANG Jianshuo as non-executive Directors; and Mr. CHEN Changhua, Dr. RU Liyun and Ms. CUI Wen as independent non-executive Directors.