

JOY SPREADER GROUP INC.

# 樂享集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 6988



2023

ANNUAL REPORT

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# **CORPORATE INFORMATION**

## **BOARD OF DIRECTORS**

#### **Executive Directors**

Mr. Zhu Zinan (朱子南)

(Chairman of the Board and Chief Executive Officer)

Mr. Cheng Lin (成林) Ms. Qin Jiaxin (秦佳鑫)

#### Non-executive Director

Mr. Hu Jiawei (胡家瑋)

#### **Independent Non-executive Directors**

Mr. Tang Wei (唐偉)

Mr. Fang Hongwei (房宏偉) Mr. Huang Boyang (黃博揚)

#### **AUDIT COMMITTEE**

Mr. Tang Wei (唐偉) (Chairman)

Mr. Huang Boyang (黃博揚)

Mr. Fang Hongwei (房宏偉)

#### **REMUNERATION COMMITTEE**

Mr. Fang Hongwei (房宏偉) (Chairman)

Mr. Cheng Lin (成林)

Mr. Huang Boyang (黃博揚)

#### **NOMINATION COMMITTEE**

Mr. Zhu Zinan (朱子南) (Chairman)

Mr. Fang Hongwei (房宏偉)

Mr. Huang Boyang (黃博揚)

#### **AUTHORISED REPRESENTATIVES**

Mr. Zhu Zinan (朱子南) Ms. Lin Sio Ngo (練少娥)

#### **REGISTERED OFFICE**

Office of Sertus Incorporations (Cayman) Limited

Sertus Chambers

Governors Square, Suite #5-204

23 Lime Tree Bay Avenue

P.O. Box 2547, Grand Cayman

KY1-1104, Cayman Islands

# COMPANY'S HEADQUARTERS IN THE

Zone A, Building T18, Jiuxiangiao Diantong Creative Park

Chaoyang District

Beijing

PRC

## PRINCIPAL PLACE OF BUSINESS IN **HONG KONG**

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai

Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Campbells Corporate Services Limited

Floor 4, Willow House

Cricket Square

Grand Cayman KY1-9010

Cayman Islands

#### **AUDITOR**

Deloitte Touche Tohmatsu

Certified Public Accountants and Registered PIE Auditor

35/F, One Pacific Place

88 Queensway

Hong Kong

## **JOINT COMPANY SECRETARIES**

Ms. Qin Jiaxin (秦佳鑫) Ms. Lin Sio Ngo (練少娥)

## HONG KONG LEGAL ADVISOR

Kirkland & Ellis 26th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Central Hong Kong

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

#### **INVESTOR RELATIONS**

Tel: (86)10-87726988

Email: investment@joyspreader.com

#### **WEBSITE**

www.joyspreader.com

## **STOCK CODE**

6988

# CHAIRMAN'S STATEMENT

Dear Shareholders.

Looking back on 2023, with increased uncertainty of the market environment, the complicated market environment still made us face severe challenges. Through its accurate prediction over the macro situation, the Group adjusted its strategic layout in a timely manner, and proactively promoted its culture business while solidifying its existing overseas business, allowing the Group to achieve remarkable results in its strategy adjustment. As the application of artificial intelligence (AI) gradually becomes a key force to promote social progress, AIGC has been widely used in images, video, voice, code, robot movements and other forms of content generation, setting off a new wave of artificial intelligence technology. China has successively issued a number of favorable policies to accelerate the development of the digital economy and support platform enterprises to play a major role in leading development, creating value and international competition. Under the background of technological changes in the industry and the support of national policies, enterprises engaging in digital economy-related industries, including the Group, are facing significant historical development opportunities.

By assessing the situation, deeply understanding and accurately grasping this significant historical opportunity, we closely followed the wave of Al technology, combined it with existing businesses, continuously increased investment in R&D, and optimized and upgraded algorithm technology to maintain strong algorithm and R&D capabilities and consolidate its development base. At the same time, we took overseas E-commerce business as the continuous direction of strategic layout and applied domestic mature algorithm marketing mode to the overseas to actively expand overseas E-commerce business and continue to seize market space. The Group has maintained rapid growth in its business scale in Southeast Asia, laying a solid foundation for the Group to build an independent overseas E-commerce platform. Based on our outstanding advantages in the field of big data and algorithms, we carried out the layout of high-quality traffic and provided technical and commercial support for the digital operation of digital assets.

In 2023, the Board of Directors and senior management of the Group resolutely implemented the established strategy and led employees to make steady progress. From business perspective, with the experience accumulated in overseas E-commerce business over the past two years, the Group has proactively adjusted its business model to give full play to the core competitive advantage of its algorithm-based technology, decided to suspend the trade business model of purchasing goods for sale and transform to focus on the interest-based algorithm to provide accurate performance-based marketing traffic promotion technology services for overseas short video E-commerce platforms. Poly Joy Spreader Digi-Entertainment (Beijing) Co., Ltd. (保利樂享文娛科技(北京)有限公司), a mixed-ownership reform company of the Group and the subsidiary of Poly Culture Group, a central stated-owned company in cultural industry, is the only cultural entertainment technology company in China with mixed reform of central enterprises. Poly Joy Spreader Digi-Entertainment launched "Kong Jian (空 兼)", a digital asset service platform for film and television culture and entertainment contents with its own intellectual property rights, marking that Joy Spreader Group officially entered the Web3.0 era. This is not only an important layout of the Group in the field of cutting-edge technologies of digital assets, but also a concrete action we have taken in response to the national digital economy strategy. With booming development of the short play market in 2023, it has attracted widespread attention and become a trending topic in the film and television industry. With many years of extensive experience, Joy Spreader Group has made forward-looking layout in the field of short plays, and has completed the shooting of certain short plays of different types.

From 2023 to 2024, it is the continuation of time and the relay of hard work. It is not easy for the Group to obtain such achievements but its prospects remain bright. In the context of the digital era, the Group will seize significant historical opportunities, continue to carry forward the character of facing difficulties, maintain the entrepreneurial spirit, forge ahead, work hard together, empower more customers with digital technology, provide more value to users, and move forward together with all Shareholders to create a better future.

Mr. Zhu Zinan Chairman and Chief Executive Officer

# FINANCIAL HIGHLIGHTS

The audited consolidated annual results of the Group for the year ended December 31, 2023 together with comparative figures for the corresponding period in 2022 are as follows:

## **FINANCIAL RESULTS HIGHLIGHTS**

	For the year end	ed December 31,	Year-on-year changes Increase/
	2023	2022	(Decrease)
	(HK\$ in millions, exc	ept for percentages)	
Revenue	5,083.99	3,724.81	36.49%
Gross profit	459.57	436.96	5.17%
Loss for the year attributable to			
owners of the Company	(784.17)	(339.45)	131.01%
Net loss margin	(15.42)%	(9.11)%	(6.31)(1)
Loss per Share			
– Basic (HK cents)	(33.10)	(15.03)	120.23%
– Diluted (HK cents)	(33.10)	(15.03)	120.23%

Note:

(1) Changes in percentage points.

## **FINANCIAL HIGHLIGHTS**

Highlights of the Group's operational results for the year ended December 31, 2023, together with comparative figures for the corresponding period in 2022, are as follows:

## **OPERATIONAL RESULTS HIGHLIGHTS**

	As of Dec or for the y Decem	Year-on-year changes Increase/	
	2023	2022	(Decrease)
Overseas sales of E-commerce goods business			
Sales (HK\$ million)	4,587.90	3,104.61	47.78%
Sales volume (units)	3,776,891	2,793,265	35.21%
Algorithm-based marketing business GMV of domestic short video platform E-commerce marketing (HK\$ million) Number of paid actions of interactive	539.09	721.48	(25.28)%
entertainment products marketing <sup>(1)</sup> ('000)	77,952	139,195	(44.00)%
Average revenue per paid action (HK\$)	2.54	2.37	7.17%
R&D Investments			
R&D expenditure (HK\$ million)	70.01	52.77	32.67%
Number of data models (sets)	192	190	1.05%

Note:

<sup>(1)</sup> Referring to the total number of paid actions, including click, download and installation, top-up, etc.

## **FIVE YEAR FINANCIAL SUMMARY**

A summary of selected items of the results and of the assets, liabilities and equity of the Group for the last five financial years is set out below.

		Year e	nded December :	31,	
HK\$'000	2023	2022	2021	2020	2019
Revenue	5,083,992	3,724,806	1,395,894	923,916	538,001
Gross profit	459,573	436,964	451,853	301,557	132,858
(Loss) profit before tax	(793,102)	(331,888)	241,720	133,357	79,744
(Loss) profit for the year	(793,243)	(339,120)	244,642	138,679	76,526
(Loss) profit for the year attributable to owners					
of the Company	(784,166)	(339,450)	244,642	138,679	76,526
Total comprehensive (expense) income					
for the year	(844,492)	(570,215)	309,269	254,104	71,105
Total comprehensive (expense) income for the year					
attributable to owners of the Company	(835,656)	(570,545)	309,269	254,104	71,105

		As	at December 3	1,	
HK\$'000	2023	2022	2021	2020	2019
Non-current assets	160,856	423,088	155,621	89,580	44,887
Current assets	1,707,921	2,375,233	2,304,654	2,191,073	466,415
Current liabilities	220,236	309,740	138,322	106,228	53,317
Non-current liabilities	72,454	74,300	3,724	15,463	8,511
Total equity	1,576,087	2,414,281	2,318,229	2,158,962	449,474

#### Overview

With recovery of the domestic economy and under the clear guidance of the national direction for the digital construction of cultural industry, the Group has completed its strategic transformation in 2023, and has realized the comprehensive business integration of its domestic business with a mixed-ownership reformed company established by a central state-owned company in cultural industry. It will continue to develop new digital business combining film and television culture and entertainment with Internet technology, achieve the deep integration of cultural value and technological innovation, and create a new culture and entertainment industry focusing on high-quality content, driven by technological innovation and combined with multiple scenarios. For overseas E-commerce platform business, with continuously strengthened concept of domestic goods going overseas and the rapid development of E-commerce platforms, the fierce market competition environment has brought various challenges to the traditional overseas E-commerce model. With the experience accumulated in overseas E-commerce business over the past two years, the Group has proactively adjusted its business model to give full play to the core competitive advantage of its algorithm-based technology, decided to curtail the original trade business model of purchasing goods for sale and transform to focus on the interest-based algorithm to provide accurate performance-based marketing traffic promotion technology services for overseas short video E-commerce platforms, and further improved the operating cash flow performance of overseas E-commerce business, so as to promote the long-term sustainable development of the Group in the future.

#### I. Our Business

# (I) Domestic culture and entertainment technology business (web3.0 business, MCN business, film and television business, digital marketing business and short drama business)

Under the clear guidance of the national direction for the digital construction of cultural industry and in response to the spirit of national policy, the Company, Poly Culture Group Corporation Limited (保利文化集團股份有限公司) (hereinafter referred to as "Poly Culture Group", a central state-owned company in cultural industry) and Poly Film Investment Co., Ltd. (保利影業投資有限公司) (hereinafter referred to as "Poly Film") have established a mixed-ownership reformed company, namely Poly Joy Spreader Digi-Entertainment (Beijing) Co., Ltd. (保利樂享文娛科技(北京)有限公司) (hereinafter referred to as "Poly Digi-Entertainment"), to constantly develop new digital business combining film and television culture and entertainment with Internet technology. Our goal is to achieve the deep integration of cultural value and technological innovation through the digital asset service platform of film and television culture and entertainment, and to create a new culture and entertainment industry focusing on high-quality content, driven by technological innovation and combined with multiple scenarios.

On the strength of Poly Digi-Entertainment, our culture and entertainment technology business primarily consists of web3.0 business, MCN business, film and television business, digital marketing business and short drama business.

#### 1. Web3.0 business

By working together with central enterprises, we jointly explore the creation of digital assets platform and the development of high-quality 1P Traffic. Poly Digi-Entertainment, the Company and JDT (京東科技集團) jointly created the "Poly Digi-Entertainment Chain" (保利文娛科技鍵), a central state-owned enterprise's own blockchain with culture + industry as the main application scenario, which has been granted a recordation number as a blockchain-based information service provider by the Cyberspace Administration of China. Poly Digi-Entertainment Chain supports the state cryptographic algorithm, has the advantages of flexible deployment and low threshold of use, and can realize extensive functional scenarios such as supply chain traceability, digital storage, business-end and customer-end innovative applications. Based on the leading blockchain underlying technology, Poly Digi-Entertainment may provide all kinds of efficient, flexible and secure blockchain technical products and solutions for various users such as governments and enterprises. As a middle platform operator of the platform, the Company will be fully responsible for the actual operation of the platform, including IP (intellectual property) introduction, customer acquisition, platform promotion and other specific business.

Based on its own blockchain "Poly Digi-Entertainment Chain" technology, Poly Digi-Entertainment has launched "Kong Jian (空兼)", a digital asset service platform for film and television culture and entertainment contents. "Kong Jian (空兼)" is a digital asset service platform for film and television culture and entertainment contents independently operated by Poly Digi-Entertainment with independent intellectual property. At present, the major function of "Kong Jian" is to provide digital asset services, including but not limited to customer value-added and consumption probing. Employing copyright protection technology and digital authentication technology, it distributes digital assets in the fields of film and television, culture and entertainment to users in an open, transparent and tamper-resistant form. In January 2024, Poly Digi-Entertainment and Khorgos Head Collect Digital Technology Co., Ltd (霍爾果斯首藏數字技術有限公司) (hereinafter referred to as "Head Collect Digital") held a strategic signing ceremony to jointly create a new model in the field of digital copyright collections based on the common development direction and innovation pursuit. Poly Digi-Entertainment will rely on the central state-owned enterprise's own blockchain "Poly Digi-Entertainment Chain" to provide underlying technical support and innovative solutions for Head Collect Digital. In the future, "Kong Jian" will serve as a multi-scenario and multi-level integrated digital service platform. In addition to digital asset services, it will also expand a series of digital businesses such as virtual human and meta-universe, allowing a wider range of digital asset application scenarios accessible to users.

#### 2. MCN business

Taking advantage of the unique background of Poly Digi-Entertainment, we have established the first national leading central state-owned enterprise MCN, and contracting with talents who conform to the ideology prevailing in the country and make contributions to the society is the key to the synergy between the business value and social benefits of the Company, the Company will leverage its first mover advantages in data scale and interest-based content recommendation model to become the sole support company for this MCN organization, and focus on creating short video contents and talents in line with the general direction of national ideology, so as to promote the sustainable development of the Group's MCN business.

#### 3. Film and television business

With China's development goal of building a cultural powerhouse by 2035 and the joint establishment of a RMB50 billion cultural industry fund by the Ministry of Finance and the Publicity Department of China to increase policy support for the investment in the cultural industry, we believe that the film and television cultural industry is in a golden period of rapid development. With the recovery of the film and television industry, the Group actively develops the following film and television businesses:

#### (1) Film and television presentation

Through Poly Film's full industry chain layout in the film industry, Poly Digi-Entertainment focuses on the diversified development of film and television business and digital business, and actively explores the presentation, distribution and production of film and television works. Our culture and entertainment technology business will take advantage of the mechanism to participate in the production and distribution of film and television works, create and enrich the Company's own IP, and form 1P Traffic cluster of the Company by culture empowering the industry;

In 2023, the culture and entertainment technology business segment has produced films such as "You are by my side" (《你就在我身邊》), "Lion Dance Sisters" (《高樁獅妹》), "Operation Macau" (《澳門行動》) and "Transfer" (《大轉移》), and signed with several well-known artists with positive influence. Meanwhile, it hosted the "Game Animation Film Unit" at the 13th Beijing International Film Festival and was granted the "Special Contribution" award.



#### (2) Artist agency

Leveraging the extensive experience of Poly Culture in the film and television industry for more than 20 years and Joy Spreader Culture (a subsidiary of the Company) in film and television production for many years, as well as the diversified resources of both parties, we provide better development plans and platforms for our artists.

During artist operation, the Company will arrange commercial activities and entertainment content activities for the contracted artists and artist groups through our commercial agents and executive agents. Commercial activities include endorsements, commercial promotions and other commercial activities. We contracted with suitable artists for our clients based on their market positioning, image, interests and past and current endorsements. At the same time, the Company also arranges for our contracted artists to participate in various promotion activities of corporate clients, including social media promotions, live E-commerce and offline business promotions.

#### (3) AIGC Commercialisation

Based on the data algorithm capability of the Company and relying on the high-quality digital original contents and IP resources of Poly Culture Group, the presentation and production of cultural and entertainment products of the culture and entertainment technology business will take full advantage of open-source AI (artificial intelligence) platforms to strengthen the exploration and development of AIGC application and continue to promote the use of AIGC to develop innovative businesses, including but not limited to virtual human, virtual voice business, graphic output, short video AIGC, AIGC script generation, and the exploration and development of pre-production static and dynamic storyboards and post-production special effects.

#### 4. Digital marketing business

#### (1) Online marketing

Based on Poly Culture's rich experience in government relations and the Company's leading new media digital marketing capabilities, our culture and entertainment technology business will leverage the strengths of both parties to provide online new media operation, E-commerce assistance, city image promotion and other marketing services for governments, state-owned and central enterprises and private enterprises, aiming to combine traditional publicity contents with digital marketing to improve publicity penetration and broaden social influence.

#### (2) Offline marketing

We make full advantage of Poly Culture's film and television strengths and interconnections to develop film-empowered offline tourism, which integrates high-quality IPs in films and television shows, and top-notch content productivity with the culture of cities all over China, and creates a variety of integrated businesses, such as film-themed interactive entertainment, culture and tourism performances and activities, theme restaurants, incubation of cultural IP derivatives, and celebrity inns, to support the publicity and development of the relevant cities.

#### 5. Short-drama business

As one of the first companies to deploy short video platform business, the Company has been developing in the short video sector for many years. By virtue of its advantage in the forward-looking deployment in short play sector, Joy Spreader Culture, a subsidiary of the Company, has completed the shooting work of a number of short plays involving a variety of types, and has accumulated a wealth of experience. As a professional cultural industry group among China's central enterprises, Poly Culture owns a strong reserve of IP resources, film, television and performing talent resources and diverse content production experience. Capitalising Poly Culture's resource advantages and the Company's many years of experience in short-video production, the Group plans to launch our own short-drama platform, dedicated to providing users with exciting, high-quality short-video content and high-quality experience under the principle of equal focus on originality, story and emotion to strive to touch the hearts of audiences with each piece of work. Currently, the sector of short play is facing unprecedented development opportunities, and the Group will gradually shift our traditional business to short drama business in line with the development of our own drama video platform, so as to seize new opportunities for the development of our own short dramas.

Main service area: Mainland China.

#### (II)Domestic interest-based algorithm marketing business

Our interest-based content recommendation algorithm-based marketing business in China refers to the development of algorithm-based marketing business on mobile internet social platforms and short video platforms based on the leading interest-based recommendation algorithmic technology. We provide our customers with leading algorithm-based marketing solutions in China, which solves the problem of matching efficiency between products and media through technology and algorithm, thereby helping our customers boost sales, downloads and activity. We conduct short video platform E-commerce marketing business on Douyin platform, and conduct digital distribution of online products business on WeChat official accounts platform and Douyin platform. After years of iterative development, the domestic algorithm-based marketing business is currently in a mature stage of development.



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

In 2023, for the short video platform E-commerce marketing business, we helped customers sell goods in an aggregate amount of HK\$539.09 million on Douyin platform; and for the digital distribution of online products business, we helped customers achieve effective paid actions of 77.95 million throughout 2023, including top-up, download, installation, etc.

62.64% of our employees are technical, R&D and operation personnel. We have developed 192 sets of data models for different products and media, and 2,855 data labels were applied to the algorithm models. This reflects the technology gene of the Company, which are also our valuable assets.

Our revenue and cost model:

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

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

#### Profit model:

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

#### Main services:

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

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

#### (III) Overseas consumer electronics vertical E-commerce platform business

With the continuous consolidation of our domestic business, the Group has gained intense marketing experience in the E-commerce sales on the well-known short video platform in China. The Group started our overseas sales of E-commerce goods business operated by Joy Spreader International in 2021, and "Traffic + supply chain = Gross Merchandise Volume (GMV)" is the underlying logic of our overseas sales of E-commerce goods platform.

#### Trade side:

We cooperate with domestic brand suppliers. After reserving stable sources of goods and integrating relatively mature domestic supply chains, we reserve a large number of inventory goods and sell excellent domestic products overseas, realizing the asset-heavy business model by investing a large amount of money to purchase their electronic products for trade sales.

#### Technology side:

Facing the unprecedented opportunities brought about by the commercialization of famous overseas short video platforms, we have rapidly expanded our mature domestic algorithm-based marketing model overseas together with overseas short video platforms. In the overseas sales of E-commerce goods segment, the Company has built its own E-commerce platform, MARTOP, through which it accurately obtains traffic on overseas short video platforms by using the Group's interest-based algorithm technology and provide accurate marketing services to its customers. We have built a complete overseas supply chain and online and offline payment system through cooperation, and ultimately complete the orders and product deliveries on our independent website, being committed to assisting with the sales of outstanding domestic products overseas.

Since Joy Spreader International used the famous overseas short video platform as the main marketing channel, it occurred relatively large traffic subsidies; meanwhile, in order to quickly occupy the Southeast Asian market, the Company has also invested a large amount of in-kind subsidies into this business. As a large amount of the Company's funds was required to purchase inventory goods to realize commodity sales and then generate sales revenue in the traditional trade side. It has caused more and more pressure on the operating cash flow of the Group with the continuous expansion of business scale. In view of the changes in the current market environment and the intensification of industry competition, the Company has decided to adjust the strategic focus of overseas E-commerce business in the future upon careful consideration. After completing the disposal of the existing inventory goods, we plan to suspend the purchase of new inventory goods and suspend the traditional trading business of earning gross profit through purchasing and selling 3C electronic products in order to reduce the dependence on asset-heavy trading business, and shift the focus to the asset-light business model, i.e. providing accurate traffic promotion services for overseas E-commerce platform customers through overseas short video platforms, which will greatly reduce the occupation of corporate funds, help improve operating cash flow, be more suitable for us at the development stage, and build a more stable moat for the long-term sustainable development of the Company.

- Main products for sales: 3C electronic consumer products
- Main service targets: Distributors (B-end small and medium customers) and customers of electronic consumer products
- Main service area: Member countries of the Association of Southeast Asian Nations (ASEAN)
- Main marketing channels: A famous overseas short video platform

#### П. The Industry Where We Operate

#### Concept of AIGC 1.

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

#### 2. Concept of Web3.0

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

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

#### 3. Film and television entertainment segment

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

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

#### 4. Concept of short video

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

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

## 5. Short play concept segment

As the short play sector is facing unprecedented development opportunities, the Group has completed the shooting work for a number of short dramas involving a variety of types with the advantages of forward-looking layout in the field of short plays, and accumulated extensive experience, marking the solid first step in the field of short plays.

#### 6. Internet marketing segment

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

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

#### 7. Big data segment

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

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

#### 8. Concept of overseas E-commerce of electronic products

Overseas sales of E-commerce goods business is mainly focused on self-establishment of E-commerce platform, targeting the E-commerce customers on the famous overseas short video platform.

The commercialization of the famous overseas short video platform is at the start-up period, and overseas short video E-commerce is entering the blue ocean market stage with significant future growth potential.

#### **Our Strengths** III.

#### (1) Clear industry prospects and vast market space

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

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

#### (a) Artificial intelligence technology is developing at a high speed

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

#### (b) Digital industry of culture and entertainment is undergoing upgrades

Given the government's great efforts to develop the digital economy, Poly Digi-Entertainment, the Company and JDT jointly created the "Poly Digi-Entertainment Chain", a central state-owned enterprise's own blockchain with culture + industry as the main application scenario, which has been granted a recordation number as blockchain-based information service providers by the Cyberspace Administration of China. As a central state-owned enterprise's own blockchain, the "Poly Digi-Entertainment Chain" has broad prospects in such business segments as the issuance and evidence preservation of digital assets. Poly Digi-Entertainment has launched a digital asset service platform for film and television culture and entertainment contents, "Kong Jian", which boasts its own intellectual property rights as well as complete and independent operation, marking that Poly, a central stateowned culture enterprise, has officially entered the Web3 meta-universe era. This is not only an important layout of Poly Digi-Entertainment in the field of cutting-edge technologies such as digital assets, virtual human, meta-universe, but also a concrete action we have proactively taken in response to the national digital economy strategy. This platform will enable us to better grasp the industrial transformation opportunities arising from the development of digital technology, continue to enrich the content expression forms of cultural and entertainment, and expand the digital radiation ability of IP, so as to promote the digital transformation and upgrade of the cultural industry as a whole.



#### (c) China's short video platform E-commerce market is just flourishing

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

#### (d) Shift original asset-heavy trade sales model to a technology-orientated asset-light service model

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

Over the past two years, our overseas E-commerce business has developed rapidly, which has accumulated extensive industry experience and customer resources. Our original overseas sales of E-commerce goods business model consists of two business segments: traditional trade procurement and sales business, and accurate marketing services on overseas short video platforms based on interest-based algorithm technology. We have a clear insight that, although the asset-heavy business model of investing a large amount of money to purchase inventory goods for trade sales in the past has helped the Group to generate a huge revenue scale, but it has also occupied a large amount of funds and imposed pressure on the Group's operating cash flow, which is not suitable for us at the development stage.

By curtailing the traditional trade procurement and sales business, we believe that we will transform to an asset-light business model that focuses on interest-based algorithm technology service, leverages our professional technical team to give full play to our advantages in interest-based algorithm technology and experience advantages of our overseas cross-border E-commerce platforms, and provides customers with accurate traffic promotion services through overseas short video platforms. Although such a change will result in the loss of operating income and gross profit from trade sales in the financial statements of the Group, the business model focusing on interest-based algorithm technology services will help improve our future operating cash flow and build a more stable moat for the long-term sustainable development of the Group.

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

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

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

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

The Group has accumulated long-term and substantial project data relating to domestic and overseas E-commerce and interactive entertainment through business practices, which has enabled the Group to build a technology platform combined with valid data collection capabilities, strong data analysis capabilities and highly automated middle platform implementation capabilities. As a technology-driven company with data and algorithms as its core competencies, the Group started to conduct the R&D of data and model algorithm on the WeChat official accounts platform early in 2013 and did the same on Douyin platform since 2018, and in the fourth quarter of 2021, the Group firstly applied interest-based content recommendation model to a famous overseas short video platform and realized sales revenue from standalone E-commerce website. As a first-mover, we have accumulated data of industry-leading scale (also as to extensive time dimension). Data accumulation has a decisive impact on model construction and model effectiveness, which has also built a competitive barrier for the Group's leading position in the industry. Richly-structured, large-scale, timespanning and real-time interactive data helps us better test, build and improve our algorithm models, and ensure our marketing performance and improve our services continuously.

## Overview of Results for the Year

#### Domestic business remained profitable

As China tightened its regulatory approvals for game licenses and paid literature, revenue from the domestic business decreased by 20.01% year-on-year to HK\$496.10 million. In 2023, through strategic transformation, the Group fully realized the business integration of its domestic business with a mixed-ownership reformed company established by a central state-owned company in cultural industry, and adjusted its strategic core business in a timely manner. With the gradual recovery of the domestic economy, the development space of the domestic business is expected to increase accordingly.

#### b. Huge revenue scale in overseas sales of E-commerce goods market

The revenue of the Group increased by 36.49% from HK\$3,724.81 million in 2022 to HK\$5,083.99 million in 2023. The increase was mainly attributable to the fact that the overseas sales of E-commerce goods business recorded rapid revenue growth for its algorithm-based marketing core technology, accurate online marketing capabilities, rigorous product selection standards and efficient supply chain integration through two years of experience accumulation and time precipitation upon the Group's in-depth analysis and research on the Southeast Asian market and cross-border E-commerce industry.

#### Development of an asset-light business model to build a moat

In order to expand the overseas sales of E-commerce goods business, scale sales and seize market share at a faster pace, the Group conducted traffic promotion and provided in-kind subsidies overseas, resulting in loss for the year of HK\$793.24 million in 2023. In the future, we will adjust our focus to asset-light business, provide customers with accurate traffic promotion through overseas short video platforms, and build a long-term and sustainable moat.

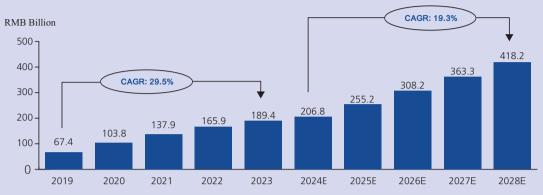
## **Progress of Business for the Year**

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

In 2023, the Group recorded sales of HK\$4,587.90 million from overseas sales of E-commerce goods business, with sales volume of 3,776,891 units. The substantial increase in revenue from overseas sales of E-commerce goods business in 2023 was due to the fact that the overseas sales of E-commerce goods business recorded rapid revenue growth for its core algorithm-based marketing technology, accurate online marketing capabilities, rigorous product selection standards and efficient supply chain integration through two years of experience accumulation and time precipitation upon the Group's in-depth analysis and research on the Southeast Asian market and cross-border E-commerce industry. In 2023, the Group recorded gross profit from the sale of overseas E-commerce goods of HK\$282.32 million, maintaining the gross profit from overseas sales of E-commerce goods at a stable level.

According to Frost & Sullivan, in terms of transaction value, the consumer electronics e-commerce retail market of Southeast Asia increased from RMB67.4 billion in 2019 to RMB189.4 billion in 2023, with a CAGR of 29.5%. And the segment is expected to increase to RMB418.2 billion in 2028, with a CAGR of 19.3% from 2024 to 2028. The market is driven by the significant growth of the overall economy in Southeast Asia and the increasing demand for E-commerce devices such as smartphones, TVs and digital cameras in the countries within the region.





#### Source: Frost & Sullivan

## Algorithm-Based Marketing Business

## Interactive Entertainment and Digital Product Marketing

In 2023, the Group recorded revenue of HK\$186.56 million from interactive entertainment and digital product performance-based marketing services, representing a decrease of 40.02% as compared with HK\$311.06 million of the same period last year, which was due to (i) the tightened regulatory approval of game licenses and paid literature in China, which led to restrictions on such business, therefore the Company adjusted its business layout in a timely manner; and (ii) customers generally lowered their budgets for product placement under the macro environment featuring slowdown in domestic economy, resulting in a decrease in the revenue from this business as compared to the same period last year.

#### Short Video Platform E-Commerce Marketing

In 2023, the Group achieved GMV of domestic short video platform E-commerce marketing of HK\$539.09 million, representing a decrease of 25.28% as compared with HK\$721.48 million in 2022; in particular, revenue from domestic E-commerce products marketing of HK\$306.66 million was recorded in 2023, representing a slight decrease from HK\$307.08 million in 2022. In 2023, the Group adjusted its business strategy with the addition of new customers and E-commerce categories with higher share ratios as compared to the same period last year, therefore, despite the decrease in GMV, there were no material changes to the revenue of this business.

#### Progress on R&D

To ensure the execution performance of the Group's business, we will make investment in R&D based on our business development needs. Especially when entering new business markets and exploring new forms of media, we need to enhance efforts on R&D to ensure the rapid implementation of business and achieve favorable marketing performance. In the first half of 2023, in view of the rapid development of overseas sales of E-commerce goods business, we increased our R&D investment in standalone website, overseas short video contents, user portraits and overseas supply chain digitization. With reduction of the domestic businesses and milestone R&D results in the overseas sales of E-commerce goods business, the Group has adjusted the corresponding R&D investments since the second half of 2023. In 2023, the Group invested a total of HK\$70.01 million in R&D expenses, which was mainly applied to data analysis, algorithm modeling and the E-commerce business on a famous overseas short video platform.

The data models of the Group based on various product categories amounted to 192 sets as of December 31, 2023, representing an increase of 1.05% as compared with 190 sets as of December 31, 2022. Data labels adopted by intelligent recommendation coupling model amounted to 2,855, representing an increase of 1.13% as compared with 2,823 as of December 31, 2022. The improvement of data models and enhancement of algorithm capability have made a solid foundation for the Group to improve its marketing business and expand new business categories in the future.

The Group is one of the first Chinese companies to launch performance-based marketing business on a famous overseas short video platform, and we are optimistic about the tremendous business opportunities that lie on its platform. We will curtail the trading side which is asset-heavy and capital-intensive, and give full play to our technological advantages to realise an asset-light operating model.

## STRATEGIC DECISIONS OF THE GROUP'S MANAGEMENT FOR 2023 AND 2024

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

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

### (1) Expand high-quality 1P Traffic

We will carry forward steadily the implementation of business with central enterprises as strategic partners, and committed to cultivating high-quality self-owned content and traffic through multiple channels to enhance the Group's customer service capabilities and profitability. In addition to the new media cooperation on film and television contents with central enterprises as strategic partners, we also continue to cultivate new media accounts, 1P content and traffic that have in-depth cooperation with the Group by means of strategic alliance, investment and incubation, and provide tailor-made new media content for the Group's customers to improve consumption conversion and further reduce the traffic cost. We have commenced to consecutively implement the cooperative projects in the incubation of film and television culture and entertainment contents, online publicity, digital asset-related businesse, digitalization of E-commerce product of state-owned and central enterprise and related businesses, clarified the investment and production of national key film and television projects, creating the first MCN of central enterprises and other cooperative direction.

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

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

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

#### b. Focus on interest-based algorithm technology services to optimize business model

The E-commerce business based on the interest-attracted traffic of an overseas famous short video platform is one of the strategic priorities of the Group. Currently, it has passed our model verification and we have made significant breakthroughs in revenue scale, team scale and development layout and other aspects. In the 2024 and beyond, by reference to the characteristics of overseas sales of E-commerce goods and the market environment, we will gradually curtail the traditional trade procurement and sales business, and provide customers with accurate traffic promotion services through overseas short video platforms by using the Group's interest-based algorithm technology.

The overseas sales of E-commerce goods business of the Group has been launched in many countries in Southeast Asia. Now we have focused on the vertical sectors of E-consumer and deeply cultivate in Southeast Asia market and build a complete overseas supply chain and online and offline payment system, striving to help outstanding domestic products to be sold overseas. The optimized business model will be more suitable for us in the development stage, and the more flexible and efficient business strategy will build a more stable moat for the long-term sustainable development of the Company.

## Discussion and Analysis of Financial Statement

#### Revenue

The revenue of the Group increased by 36.49% from HK\$3,724.81 million in 2022 to HK\$5,083.99 million in 2023. The increase was mainly attributable to the fact that the overseas sales of E-commerce goods business recorded rapid and sustainable revenue growth for its algorithm-based marketing core technology, accurate online marketing capabilities, rigorous product selection standards and efficient supply chain integration through two years of experience accumulation and time precipitation upon the Group's in-depth analysis and research on the Southeast Asian market and cross-border E-commerce industry. In addition, the Group's overseas sales of E-commerce goods business based on a famous overseas short video platform successfully launched in the fourth quarter of 2021, contributing revenue of HK\$3,104.61 million and HK\$4,587.90 million to the Group in 2022 and 2023 respectively.

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

	2023	For the years end Percentage	led December 31, 2022	Percentage
		(HK\$ million, excep	ot for percentages)	
Marketing revenue from				
interactive entertainment				
and digital products	186.56	3.67%	311.06	8.35%
Games	93.34	1.84%	110.12	2.96%
Online literature	-	-	60.09	1.61%
Apps and others	93.22	1.83%	140.85	3.78%
Marketing revenue from				
domestic E-commerce				
products	306.66	6.03%	307.08	8.24%
Sales revenue from overseas				
E-commerce goods	4,587.90	90.24%	3,104.61	83.35%
Revenue from other products	2.87	0.06%	2.06	0.06%
Total revenue	5,083.99	100.00%	3,724.81	100.00%

#### Cost of Revenue

The cost of revenue of the Group was mainly comprised of purchase cost of traffic on project placement platform and purchase cost of goods. The cost of revenue increased by 40.65% from HK\$3,287.84 million in 2022 to HK\$4,624.42 million in 2023, which was primarily attributable to the corresponding increase in the cost of revenue resulting from the growing scale of the business during the year.

#### **Gross Profit and Gross Profit Margin**

The Group achieved a gross profit of HK\$459.57 million in 2023, representing an increase of 5.18%, as compared with HK\$436.96 million in 2022. The increase in the gross profit of the Group was mainly attributable to the increasing scale sales of the overseas sales of E-commerce goods business, which led to an increase in the overall gross profit of the Group. For the year ended December 31, 2023, the gross profit margin of the Group was 9.04%, representing a decrease of 2.69 percentage points as compared with 11.73% for the year ended December 31, 2022. The decrease in the gross profit margin of the Group was mainly attributable to the higher proportion of the performance of the overseas sales of E-commerce goods business with lower gross profit, which led to a decrease in the overall gross profit margin. In particular, the gross profit of the overseas sales of E-commerce goods business increased by 50.37% to HK\$282.32 million. The gross profit margin of the overseas business was 6.15%, representing an increase of 0.1 percentage point as compared with 6.05% for the year ended December 31, 2022.

The gross profit of the domestic business decreased by 28.88% to HK\$177.25 million. The gross profit margin of the domestic business was 35.73%, representing a decrease of 4.45 percentage points as compared with 40.18% for the year ended December 31, 2022. The decrease in the gross profit of the domestic business was mainly attributable to the fact that game and book licenses are still subject to policy control, resulting in a further decline in demand from our customers.

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

		For the years end	led December 31,	
	2023	Percentage	2022	Percentage
		(HK\$ million, excep	ot for percentages)	
Marketing gross profit from				
interactive entertainment				
and digital products	43.75	9.52%	97.34	22.28%
Games	20.72	4.51%	28.64	6.55%
Online literature	-	-	21.49	4.92%
Apps and others	23.03	5.01%	47.21	10.81%
Marketing gross profit from				
domestic E-commerce				
products	132.03	28.73%	149.93	34.31%
Gross profit from overseas				
sales of E-commerce goods	282.32	61.43%	187.75	42.97%
Gross profit from other products	1.47	0.32%	1.94	0.44%
Total gross profit	459.57	100.00%	436.96	100.00%

#### Other Gains and Losses

The other gains and losses of the Group decreased from gains of HK\$30.05 million in 2022 to gains of HK\$9.03 million in 2023, which was mainly due to the exchange gains, net of HK\$43.04 million recorded in 2022 and the exchange gains, net of HK\$10.52 million recorded in 2023.

#### Distribution and Selling Expenses

For the year ended December 31, 2023, the distribution and selling expenses of the Group amounted to approximately HK\$936.71 million, representing a substantial increase as compared with HK\$523.29 million in 2022, which was mainly due to the combined effect of the significant increases in both the promotion expenses of the overseas sales of E-commerce goods business and the subsidy during the year.

#### **Administrative Expenses**

The administrative expenses of the Group decreased by 24.98% from HK\$190.76 million in 2022 to HK\$143.11 million in 2023, primarily due to the significant decrease in share-based compensation expense during the year as compared with that of the same period last year.

#### **R&D** Expenses

R&D expenses of the Group increased by 32.67% from HK\$52.77 million in 2022 to HK\$70.01 million in 2023, which was mainly used to establish and optimize the data model of the overseas sales of E-commerce goods business.

#### Finance costs

For the year ended December 31, 2023, the finance costs of the Group were interest expenses of lease liabilities arising from leasing properties during the Reporting Period. The Group had no bank loans during the Reporting Period.

#### **Inventories**

As of December 31, 2022 and December 31, 2023, the balance of the inventories of the Group amounted to HK\$40.25 million and HK\$108.68 million, respectively, which was mainly due to the increase in the balance of the inventories resulting from the growing scale of overseas sales of E-commerce goods business during the year.

#### Trade and Other Receivables and Deposits

The Group had trade and other receivables and the balance of deposits of HK\$1,268.50 million as of December 31, 2022 and HK\$729.02 million as of December 31, 2023, respectively.

As of December 31, 2023, the balance of trade receivables of the Group amounted to HK\$222.99 million, representing a decrease of 18.67% as compared to HK\$274.17 million as of December 31, 2022, which was mainly attributable to the provision made for credit impairment of some customers during the year.

Other receivables and deposits are deposits paid to suppliers to expand the overseas sales of E-commerce goods business, receivables of income from investments in films and television dramas, employee petty cash and rental deposits, etc. As of December 31, 2022 and as of December 31, 2023, the balance of other receivables and deposits amounted to HK\$994.34 million and HK\$506.03 million, respectively, which was mainly attributable to the fact that partial deposits for the overseas sales of E-commerce goods business were refunded in 2023.

#### **Prepayments**

The Group had the balance of prepayments of HK\$706.75 million and HK\$499.32 million as of December 31, 2022 and as of December 31, 2023, respectively. The decrease in balance was mainly attributable to the consumption of partial prepaid traffic payment by the Group.



#### Deposits and Prepayments Paid to the Largest Supplier

The Group purchases domestic traffic mainly from Shenzhen Lesou Technology Co., Ltd. (深圳市樂搜科技有限公司) and Shenzhen Infinite Joy Network Information Technology Co., Ltd. (深圳市無限歡樂網絡信息科技有限公司), and purchases overseas traffic mainly from Infinite Information Technology Co., Limited (無限歡樂網絡信息科技有限公司). These are entities under common control of an independent third party and together constitute the largest traffic supplier of the Group (the "Largest Traffic Supplier").

The reason of making prepayments for traffic is to ensure a smooth execution of projects and obtain better pricing policies in promoting periods. In addition, the Group also makes certain deposits to the Largest Traffic Supplier pursuant to the policies of ultimate network platforms, which are in turn customers of the Largest Traffic Supplier, for the purpose of indemnifying the platforms from potential liabilities arising from the Group's commercial activities conducted on such platforms. The amount of prepayments made by the Group is determined based on the anticipated traffic to be consumed by the Group, and the amount of deposits varies depending on a series of factors, such as the nature of the e-commerce business, the business and legal environment of the aimed market and the market size of the aimed market. The prepayments will be utilized when the traffic is consumed.

As of December 31, 2023, the Group's total advanced payments (including the above-mentioned prepayments and deposits) to the Largest Traffic Supplier was HK\$932.91 million, representing 50% of the Company's total assets of HK\$1,868.78 million as at the same date. The historical highest percentage since Group's listing was 59%, which was recorded in December 31, 2022. As of December 31, 2022, the Group's total advanced payments (including the above-mentioned prepayments and deposits) to the Largest Traffic Supplier was HK\$1,638.89 million, while the Group's total assets were HK\$2,798.32 million as at the same date.

#### Equity Instruments at Fair Value through Other Comprehensive Income

The Group had balance of equity instruments of HK\$27.97 million and HK\$12.99 million at fair value through other comprehensive income as of December 31, 2022 and as of December 31, 2023, respectively. The decrease was mainly due to the fair value decrease as a result of the investment.

#### Bank Deposits/Restricted Bank Balances/Cash and Cash Equivalents

The Group had bank deposits/restricted bank balances/cash and cash equivalents of HK\$572.93 million and HK\$367.92 million as of December 31, 2022 and as of December 31, 2023, respectively. The decrease in balances was mainly due to the increase in the funds used for purchasing inventories resulting from the growing scale of overseas E-commerce business of the Group.

#### Trade and Other Payables

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

The balance of trade payables of the Group decreased by 31.13% from HK\$251.23 million as of December 31, 2022 to HK\$173.03 million as of December 31, 2023, which was mainly due to the timely settlement of payables for the purchase of data traffic and payables for the purchase of goods with suppliers in 2023.

The balance of other payables of the Group decreased by 26.82% from HK\$43.10 million as of December 31, 2022 to HK\$31.54 million as of December 31, 2023, which was mainly attributable to the decrease in amount due to third parties.

#### Lease Liabilities

Lease liabilities of the Group decreased by 3.99% from HK\$43.08 million as of December 31, 2022 to HK\$41.36 million as of December 31, 2023, showing no significant change.

#### Liquidity and Capital Resources

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

	For the year ended December 31,		
	2023		
	HK\$ million		
Net cash used in operating activities	(237.76)	(526.29)	
Net cash from (used in) investing activities	41.03	(91.95)	
Net cash (used in) from financing activities	(18.06)	587.17	
Net decrease in cash and cash equivalents	(214.79)	(31.07)	
Cash and cash equivalents at beginning of the year	533.95	619.04	
Effect of foreign exchange rate changes	6.81	(54.02)	
Cash and cash equivalents at end of the year	325.97	533.95	

As of December 31, 2022 and as of December 31, 2023, cash and cash equivalents were mainly denominated in Renminbi, United States dollars and Hong Kong dollars.

#### Cash Flow from Operating Activities

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

For the year ended December 31, 2023, our net cash used in operating activities was HK\$237.76 million (for the year ended December 31, 2022: HK\$526.29 million), which is mainly due to the combined effect of the purchase of inventories, the increase in account receivable collection and partial deposits for the overseas sales of E-commerce goods business were refunded in 2023. The net operating cash outflow of the Group improved significantly with the substantial increase in revenue, representing the Group's strong capital management capacity.

#### Cash Flow from Investing Activities

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

For the year ended December 31, 2023, our net cash from investing activities was HK\$41.03 million (for the year ended December 31, 2022: net cash used in investing activities was HK\$91.95 million), primarily attributable to the combined effect of purchase and disposal of fixed assets, grant and recovery of loan receivables and interest income.

#### Cash Flow from Financing Activities

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

For the year ended December 31, 2023, our net cash used in financing activities was HK\$18.06 million (for the year ended December 31, 2022: net cash from financing activities of HK\$587.17 million), primarily attributable to the proceeds from the placement of Shares in June 2022.

#### **Capital Expenditures**

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

	For the year ended December 31, 2023 2022		
	HK\$ million		
Fixed assets	18.90	35.10	
Right-of-use assets	26.41	47.65	
Total	45.31	82.75	

#### Significant Investments, Material Acquisitions and Disposals of Subsidiaries and Associates

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

#### Future Plans for Material Investments or Capital Assets

Save as disclosed under the section headed "Future Plans and Use of Proceeds" in the Prospectus and the section headed "Use of Proceeds from Listing" in this annual report, the Group does not have any other plans for material investments or capital assets.

#### Indebtedness

#### **Bank Borrowings**

As of December 31, 2022 and December 31, 2023, the Group did not have any bank borrowings.

#### Contingent Liabilities, Charges of Assets and Guarantees

#### **Contingent Liabilities**

As of December 31, 2022 and December 31, 2023, the Group was not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, and did not have any contingent liabilities, that, we expected would materially adversely affect our business, financial position or results of operations.

#### Charge of Assets and Guarantees

As of December 31, 2022 and December 31, 2023, the Group did not have any outstanding mortgages, charges, debentures, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

#### **Gearing Ratio**

Gearing ratio is calculated using total liabilities divided by total assets and multiplied by 100%. As of December 31, 2023, the gearing ratio of the Group was 15.66% (as of December 31, 2022: 13.72%).

#### **Current Ratio**

Current ratio represents current assets divided by current liabilities. The current ratio of the Group increased from 7.67 times as of December 31, 2022 to 7.75 times as of December 31, 2023.

#### **Treasury Policy**

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

#### Foreign Exchange Risk and Hedging

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

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

#### **Employees and Remuneration Policies**

As of December 31, 2023, we had 91 full-time employees, the majority of whom were based in the PRC. As of December 31, 2023, over 62.64% of our employees were in the departments of R&D, technical and operation.

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

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

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

#### **Share Award Scheme**

The Company has adopted the Share Award Scheme on June 21, 2021 (the "Adoption Date") to recognize the contributions of the certain directors, employees, consultants and advisers of the Group in order to incentivize them to retain with the Group, and to motivate them to strive for the future development and expansion of the Group. The summary of the Share Award Scheme is as follows:

#### (I) Duration and termination of the Share Award Scheme

Unless terminated earlier by the Board in accordance with the Share Award Scheme rules, the Share Award Scheme is valid and effective for a term of 10 years commencing from the Adoption Date. The Share Award Scheme shall terminate on the earlier of (i) the 10th year from the Adoption Date; and (ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant. Upon termination, (i) no further grant of award Shares may be made under the Share Award Scheme; (ii) all award Shares and the related income shall become vested in the selected participant so referable on such date of termination; and (iii) net sale proceeds (after making appropriate deductions) of the returned Shares and such non-cash income together with the residual cash and such other funds remaining in the trust shall be remitted to the Company forthwith after the sale.

#### **(II)** Share Award Scheme limit

The Board shall not make any further award of award Shares in case that the award of the Shares by the Board under the Share Award Scheme will result in the nominal value of such Shares exceeding ten per cent of the issued share capital of the Company from time to time.

The maximum number of Shares which may be awarded to any selected participant under the Share Award Scheme shall not exceed one per cent of the issued share capital of the Company from time to time in any 12-month period.

#### (III) Administration of the Share Award Scheme

The Share Award Scheme is subject to the administration of the Board and the trustee in accordance with the terms stated in the Share Award Scheme rules and the terms of the trust deed.

#### (IV) Voting rights of the Award Shares

Notwithstanding that the trustee is the legal registered holder of the Shares held upon trust pursuant to the trust deed, the trustee shall not exercise the voting rights attached to such Shares.

#### (V) Operation of the Share Award Scheme

The Board may, in respect of the Share Award Scheme and after having regard to the requirement under the Share Award Scheme, determine the number of Shares to be purchased as scheme Shares, and cause to be paid the purchase price for the scheme Shares and the related expenses to the trustee who will purchase the scheme Shares. The trustee shall apply the entire amount without deduction (except for transaction levy, stamp duty and other statutory fees) towards the purchase of the maximum number of board lots of Shares at the prevailing market price.

The Board may, from time to time, at its absolute discretion select any director, employee, consultant and adviser of the Group (other than any person who is resident in a place where the award and/or the vesting and transfer of the award Shares is not permitted under the laws and regulations of such place or where compliance with applicable laws and regulations in such place makes it necessary to exclude such person) for participation in the Share Award Scheme as a selected participant and determine the award Shares for each of them.

Upon receipt of the instruction from the Board as to the name of selected participant(s) and the number of award Shares to be granted to the selected participant(s), the trustee shall make relevant arrangement to convert the scheme Shares to the award Shares for the relevant selected participant(s).

#### (VI) Vesting and lapse of the Share Award Scheme

When the selected participant(s) has(have) satisfied all vesting conditions specified by the Board at the time of making the award and becomes entitled to the Shares forming the subject of the award, the trustee shall transfer the relevant award Shares to the selected participant(s) or their nominee(s). The vesting date shall be on any business day at the end of the month specified by the Company of any year, but in any event not later than 12 months after the reference date.

An award lapses when (i) the relevant selected participant ceases to be an employee of the Group; (ii) any fraud or serious misconduct, violation of laws or regulations, or damage to the interests of the Company by selected participant; or (iii) an order for the withdrawal of Listing and the winding-up of the Company is made or a resolution is passed for the voluntary winding-up of the Company (otherwise than for the purposes of, and followed by, an amalgamation or reconstruction in such circumstances that substantially the whole of the undertaking, assets and liabilities of the Company pass to a successor company), the award shall automatically lapse forthwith and the award Shares shall not vest on the relevant vesting date but shall become returned Shares for the purposes of the Share Award Scheme.

For the year ended 31 December 2023, there were no purchases of the Shares of the Company by the Trustee in the market. No Shares were granted to eligible employees under the Share Award Scheme during the Reporting Period. At the end of the Reporting Period, the Trustee held 0 Shares.

For details of the Share Award Scheme, please refer to the Company's announcement dated June 21, 2021.

Details of the award shares granted by the Group during the year ended December 31, 2023 are set out below

				Num	ber of award sh	ares	
						Lapsed/	
			Unvested	Granted	Vested	Cancelled	Unvested
			as at	during the	during the	during the	as of
Name of	Type of		January 1,	Reporting	Reporting	Reporting	December 31,
grantees	grantees	Date of grant	2023	Period	Period	Period	2023
	<b>9</b> 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1			i cilou	i ciiou	i cilou	_0_5
				Terrou	Tenou	Terrou	2025

#### Notes:

- (1) The employee is one of the five highest paid individuals of the Group during the Reporting Period and is not a Director of the Group;
- (2) The employee was granted award shares on November 16, 2022;
- (3) The closing price of the Shares before the date of grant on November 16, 2022 was HK\$1.48.

In addition, the Company has adopted the Joy Spreader International (HK) Limited ("Joy Spreader International") Share Award Scheme (the "Joy Spreader International Share Award Scheme" or the "Scheme") on September 28, 2023. A summary of the Joy Spreader International Share Award Scheme is set out below. For details, please refer to the announcement of the Company dated September 13, 2023.

#### (I) Purpose of the Scheme

To motivate the contribution of certain directors and employees of the Group so as to provide additional incentives to eligible incentive participants to retain them for the ongoing business operations and development of the Group and to recruit suitable talents for the further development of the Group.

#### MANAGEMENT DISCUSSION AND ANALYSIS

#### (11) Participants of the Scheme

Under the Joy Spreader International Share Award Scheme, persons eligible to participate in the Joy Spreader International Share Award Scheme include directors and employees of the Company and its subsidiaries (whether full-time or part-time, including persons who are granted awards under the Joy Spreader International Share Award Scheme for the purpose of attracting them to enter into employment contracts with the Group).

#### (111) Total Number of Shares Available for Grant And their Percentage of Issued Shares of Joy Spreader International as at the Date of the Annual Report

Subject to the Listing Rules, no further awards may be granted by the Company if, without the approval of the Shareholders, the grant of such awards would result in the total number of award shares of Joy Spreader International in respect of all grants under the Scheme together with any other options and awards which may be granted under the Scheme and any other share schemes of Joy Spreader International for the time being exceeding the number of shares representing 10% of the entire issued share capital of Joy Spreader International as at the adoption date. Award shares which have been canceled in accordance with the terms of the Scheme will be taken into account for the purpose of calculating the scheme limit. Apart from the Joy Spreader International Share Award Scheme, Joy Spreader International has not adopted any other employee incentive schemes for the time being.

As at the date of this annual report, the total number of issued shares of Joy Spreader International was 10,000 shares. Mr. Zhu has been conditionally granted 1,000 shares of Joy Spreader International on September 28, 2023, representing 100% of the shares available for grant under the Joy Spreader International Share Award Scheme. Of the award shares, 200 shares were vested immediately to him and the other 800 shares were conditionally vested in accordance with a stepwise vesting schedule (200 shares vesting on March 1, 2024, 300 shares vesting on September 1, 2024 and 300 shares vesting on March 1, 2025). As at the date of this annual report, there were no other shares available for grant under the Joy Spreader International Share Award Scheme.

#### (IV) Maximum Entitlement per Participant under the Scheme

If the grant of any award to an eligible participant would result in the number of award shares transferred or to be transferred or allotted and issued or to be allotted and issued in respect of all options and awards granted to such eligible participant (excluding any options and awards which have lapsed in accordance with the terms of the Scheme) in the period of twelve (12) months from and including the date of such grant, being more than 1% of the total issued shares of Joy Spreader International, such grant shall be subject to Shareholders' approval at a general meeting and such eligible participant and his/her close associates (or, where the eligible participant is a connected person or close associate of a connected person) shall abstain from voting.

#### **MANAGEMENT DISCUSSION AND ANALYSIS**

In the event that a grant of shares or any option of Joy Spreader International to a Director (other than an independent non-executive Director) or a chief executive or any of their respective associates would result in all the shares of Joy Spreader International transferred or to be transferred, or allotted and issued or to be allotted and issued, in respect of all shares of Joy Spreader International granted to that person during the period of twelve (12) months up to and including the date of such grant (excluding any shares of Joy Spreader International which have lapsed in accordance with the terms of the relevant scheme) in aggregate exceeding 0.1% of the issued shares of Joy Spreader International, such further grant of award shall be subject to Shareholders' approval at a general meeting of the Company.

The 1,000 shares of Joy Spreader International (representing 10% of the total issued share capital of Joy Spreader International as at the adoption date) conditionally granted to Mr. Zhu on September 28, 2023 was approved by the Shareholders at a general meeting of the Company.

#### (V) Period within which Grantees may Exercise Options under the Scheme

The Company may issue to each eligible participant an award letter in such form as the Board or a person authorized by the Board may determine from time to time, stating the date of grant, the number of award shares in respect of which the award is made, the criteria and conditions for vesting, the date of vesting and such other details as may be considered necessary.

#### (VI) Vesting Period

Subject to certain special circumstances, the grantee shall hold the award for at least 12 months before the award shares vest.

#### (VII) Application for or Acceptance of Award and Basis of Determination

The grant price of the 1,000 shares of Joy Spreader International granted to Mr. Zhu is nil. The nil consideration was also determined in recognition of Mr. Zhu's past contribution to the Group's overseas E-commerce business and to motivate him to continue to contribute to the Group.

#### (VIII) Remaining Validity Period of the Scheme

Subject to compliance with the rules of the Joy Spreader International Share Award Scheme, the Joy Spreader International Share Award Scheme shall be effective and valid for a period of ten years commencing from the adoption date and ending on the business day immediately before the expiry of the 10th anniversary of the adoption date (after which no further awards shall be granted).

#### **DIRECTORS**

#### **Executive Directors**

Mr. Zhu Zinan (朱子南), aged 43, is our founder, Chairman, executive Director, chief executive officer and the chairman of the Nomination Committee. He is responsible for the overall management, strategic planning and decision-making of the Group. He has been the chief executive officer at Beijing Joyspreader since June 2012 and was appointed as an executive director and the chief executive officer at Beijing Wuyou Technology Co, Ltd (伍遊(北京)科技有限公司) in July 2014.

Mr. Zhu has over 14 years of experience in the online marketing industry. Mr. Zhu served as secretary of director at the science and research department in National Education Examinations Authority (國家教育部考試中心) from October 2004 to August 2005. From August 2005 to April 2007, he was the vice president at Molong International Co,. Ltd. (魔龍國際有限 責任公司), a company that is principally engaged in the development and production of mobile games. From April 2007 to June 2012, he worked as a general manager at the business department of Phoenix Online (Beijing) Information Technology Co., Ltd (鳳凰在線(北京)信息技術有限公司), a company that principally engages in providing premium new media contents and services for the mainstream Chinese community on a seamless platform across internet, mobile and TV network. In December 2017, Mr. Zhu was selected as one of the "Top Ten Most Outstanding People in China's Gaming Industry" (中 國遊戲產業十大新鋭人物) at the China Game Industry Annual Conference (中國遊戲年會). In December 2022, he served as the chairman of the new session of the Board of Supervisors of Quzheng Love Foundation (屈正愛心基金會). In October 2023, he obtained the Business Leader Course Certificate (商業領袖課程學習證書) from HKU Business School (港大經管學 院). In January 2024, he was awarded the "Responsible Business Leadership 2023 (2023 年度責任商業領袖)" at the 13th Philanthropy Festival (第十三屆公益節).

Mr. Zhu graduated from Beijing Administration for Industry and Commerce School (北京市工商行政管理學校) majoring in industrial and commercial administration in June 2000, and obtained a bachelor's degree.

Mr. Cheng Lin (成林), aged 41, joined the Group in January 2014, is an executive Director, vice president of the Company and the member of the Remuneration Committee. He is responsible for overseeing our sales and marketing, maintaining the relationship between marketers and content publishers and assisting in the overall management of the Group. He is currently the chief operating officer, director and vice president of Beijing Joyspreader.

Mr. Cheng has over 17 years of experience in sales, marketing and operation. Prior to joining the Group, Mr. Cheng served as a business supervisor in Sony Ericsson Mobile Communications (China) Co., Ltd (索尼愛立信移動通信產品(中國)有限公司) from 2005 to 2008. From 2009 to 2011, he worked as a business supervisor in Beijing Potevio Communication Technology Co., Ltd (北京普天太力通信科技有限公司), a mobile communication products distributor and service provider. He then served as chief operating officer in Beijing Yuancai Technology Co., Ltd (北京源彩科技有限公司), an application service provider, from 2011 to 2013. He later assumed the role of the operation director in Beijing Huiqun Zhidi Technology Co., Ltd from April 2013 to December 2013.

Mr. Cheng obtained an associate degree from Shenyang University (瀋陽大學) in July 2005, majoring in computer application and maintenance. In July 2010, Mr. Cheng obtained his undergraduate diploma (part-time) in business administration from the same institute.

Ms. Qin Jiaxin (秦佳鑫), aged 34, was appointed as an executive Director of the Company with effect from March 22, 2021. She concurrently serves as the secretary of the Board and joint company secretary of the Company. Ms. Qin joined the Group in January 2017 as the secretary of the Board. She is responsible for the information disclosure and the supervision and inspection in relation to legal compliance, investor relations management, investment, financing and capital operation of the Group. She also assists in the coordination and organisation of the Board meetings and general meetings.

Prior to joining the Group, she served as the assistant to the president of Beijing Qianhe Capital Investment Management Co., Ltd. (北京千和資本投資管理有限公司) from May 2014 to December 2014. Ms. Qin Jiaxin joined Beijing Opportune Technology Development Co., Ltd. (北京正辰科技發展股份有限公司) in April 2015 and served as the chairman of its board of supervisors until October 2016.

Ms. Qin Jiaxin received a master's degree in international finance and management and a bachelor of arts degree in international business from the University of Central Lancashire in November 2013 and September 2012, respectively. Ms. Qin Jiaxin passed the qualification examination and received the board secretary certificate from the Shanghai Stock Exchange in November 2017, from the Shenzhen Stock Exchange in November 2016 and from the National Equities Exchange and Quotations (全國中小企業股份轉讓系統) ("NEEQ") in April 2017. She also obtained the independent director qualification from the Shenzhen Stock Exchange in December 2017 and from the Shanghai Stock Exchange in June 2018. In December 2023, she obtained the "ESG Reporting Certification Course" (ESG報告課程證書) from the Hong Kong Chartered Governance Institute.

#### Non-executive Directors

Mr. Hu Jiawei (胡家瑋), aged 36 and formerly named as Hu Wei (胡威), was appointed as a non-executive Director of the Company with effect from March 22, 2021 and is responsible for participating in formulating the Company corporate and business strategies.

Mr. Hu Jiawei has been working at Nanjing Pingheng Capital since May 2016 and is currently the deputy general manager thereof, responsible for leading and managing equity investment and funds operation, as well as leading such work as fundraising, investment, post-investment management and disinvestment. He makes investment projects in industries of the advanced manufacturing, health care, culture and education. From March 2013 to April 2016, he was the investment manager of Jiangsu Hi-tech Venture Capital Management Co., Ltd. (江蘇高新創業投資管理有限公司), responsible for project investment and post-investment management. From September 2011 to December 2012, he served as an auditor at Deloitte Touche Tohmatsu Limited in China.

Mr. Hu Jiawei also holds the directorship in several listed companies, including (i) a director of Beijing Ecosystem Technology Co., Ltd. (whose shares were listed on the NEEQ (stock code: 832204) and delisted in December 2022) from January 2017 to December 2022; and (ii) a director of Jiangsu Ruifeng Information Technology Co., Ltd. (whose shares were listed on the NEEQ (stock code: 871949) and delisted in November 2022) from November 2019 to November 2021.

Mr. Hu Jiawei received a bachelor's degree in accounting from Nanjing University of Finance and Economics (南京財經大學) in June 2009 and later obtained a master's degree in accounting and finance from University of Exeter, the United Kingdom in January 2011.

#### **Independent Non-executive Directors**

**Mr. Tang Wei** (唐偉), aged 48, was appointed as an independent non-executive Director of the Company with effect from August 26, 2020. He serves as the chairman of the Audit Committee. Mr. Tang Wei is responsible for providing independent opinion and judgment to our Board.

Prior to joining the Group, Mr. Tang Wei had served several positions, including an assistant vice president of the investment banking department of Bank of China International Holdings Limited from December 2000 to August 2006, an associate of the corporate finance department in Goldman Sachs Gaohua Securities Company Limited (高盛高華證券有限公司) from September 2006 to September 2008 and as a deputy general manager of investment banking department in China International Capital Corporation Limited (中國國際金融股份有限公司) from October 2008 to January 2010. He later returned to the corporate finance department in Goldman Sachs Gaohua Securities Company Limited and worked as executive director and vice president from January 2010 to October 2014. From June 2015 to January 2016, Mr. Tang Wei acted as an investment director of CNIC Corporation Limited (國新國際(中國)投資有限公司) where he primarily advised on offshore investments. From March 2016 to September 2018, he joined NavInfo Co., Ltd (四維圖新科技股份有限公司) (a Shenzhen Stock Exchange listed company, stock code: 002405), where he took the role of the chief financial officer and deputy general manager. From October 2019 to May 2023, he served as the chief financial officer and secretary to the board in Primarius Shanghai Electronic Co., Ltd. (上海概倫電子股份有限公司) (a company listed on the Sci-Tech Innovation Board of the Shanghai Stock Exchange, stock code: 688206). Since June 2023, he has been serving as the chief financial office of Beijing Huimeiyun Technology Co., Ltd. (北京惠每雲科技有限公司). Currently, he is an independent non-executive director of Weimob Inc. (微盟集團) (a company listed on the Stock Exchange, stock code: 2013).

Mr. Tang Wei received a bachelor's degree in international business and financial administration from China University of Petroleum (中國石油大學(北京)) in July 1998. He later obtained a master's degree in business administration from the University of International Business and Economics (對外經濟貿易大學) in June 2001. He is a fellow member of the Association of Chartered Certified Accountants (UK) and a member of the Chinese Institute of Certified Public Accountants.

Mr. Fang Hongwei (房宏偉), aged 43, was appointed as an independent non-executive Director of the Company with effect from August 26, 2020. He is a member of the Nomination Committee and Remuneration Committee. He was appointed as a member of the Audit Committee of the Company with effect from July 7, 2023. Mr. Fang Hongwei is primarily responsible for providing independent opinion and judgment to our Board.

From February 2009 to February 2016, Mr. Fang Hongwei served as the secretary of the board of directors and legal affairs director at Beijing Jinhe Network Company Limited (北京金和網絡股份有限公司) (a former NEEQ listed company, stock code: 430024). He joined Jingci Material Science Co., Ltd. (京磁材料科技股份有限公司) (a former NEEQ listed company, stock code: 836299) in March 2016 and he is currently a director, the deputy general manager and the secretary to the board there. He is primarily responsible for securities investment and financing, legal compliance affairs, internal control and public relation matters of the company.

Mr. Fang Hongwei received a graduation certificate from China University of Labor Relations (中國勞動關係學院) in July 2004 majoring in laws. He is a qualified independent non-executive director on the Shanghai Stock Exchange and a certified secretary to the board of directors on the NEEQ and Shenzhen Stock Exchange.

Mr. Huang Boyang (黃博揚), aged 36, was appointed as an independent non-executive Director of the Company with effect from March 31, 2023. He is a member of the Nomination Committee, Audit Committee and Remuneration Committee. Mr. Huang Boyang is primarily responsible for providing independent opinion and judgment to our Board.

Mr. Huang Boyang joined the international business department of China Credit Trust Co., Ltd. (中誠信託有限責任公司) in 2013, and was responsible for US and Hong Kong stock-related products. From 2016 to 2017, he worked in the corporate business department of Founder Securities Co., Ltd. (方正證券股份有限公司) responsible for M&A and equity financing and other related businesses. Since 2018, he has been a long-term senior consultant of Vechain, a leading global blockchain enterprise application service platform, where he helped the company reach cooperation with a number of internationally renowned enterprises. Since 2020, he has been deeply involved in the field of Web3.0, and has managed two funds and focused on the investment of Web3.0 projects at the same time.

Mr. Huang Boyang received a master's degree in international trade from Frankfurt School of Finance and Management in 2013.

#### **SENIOR MANAGEMENT**

Our senior management is responsible for the day-to-day management and operation of our business. The executive Directors, namely Mr. Zhu Zinan, Mr. Cheng Lin and Ms. Qin Jiaxin, also hold senior management positions of the Group. Please refer to the paragraphs above for their respective biographies.

Mr. KOT Man Tat (葛文達), aged 52, was appointed as the chief financial officer of the Company in May 2021 and was primarily responsible for the financial management and treasury operations of the Group. Mr. Kot has over twenty years' experience in accounting and financial management. Mr. Kot graduated from the Chinese University of Hong Kong in 1996 with the degree of bachelor in business administration. He had worked with KPMG and Ernst & Young auditing division, and served as head of corporate finance with Zhongsheng Group Holdings Limited (a company listed on the Stock Exchange, stock code: 881). Prior to joining the Group, Mr. Kot was the chief financial officer of China Zhongwang Holdings Limited (中國忠旺控股有限公司) (a company previously listed on the Stock Exchange which was delisted on April 13, 2023, stock code: 1333) from June 2016 to May 2021. Since April 2022, Mr. Kot has been serving as an independent non-executive director of Xiabuxiabu Catering Management (China) Holdings Co., Ltd. (呷脯呷脯餐飲管理(中國) 控股有限 公司) (a company listed on the Stock Exchange, stock code: 520). Since August 24, 2023, Mr. Kot has been serving as an independent non-executive director and the chairman of the audit committee of Beijing Jingkelong Company Limited (北京 京客隆商業集團股份有限公司) (a company listed on the Stock Exchange, stock code: 814).

The Group's corporate culture aims to create wealth for a large number of Shareholders, drive long-term development through innovation and with concerted efforts, and empower more customers with digital technology and provides more value to users, building the Group into a mobile internet marketing group for full industrial chain and creating values for customers relying on digital technology, with the aim of serving the development of digital economy at home and abroad and sharing the long-term growth of the Company with a large number of Shareholders supporting us.

The Group is committed to maintaining high standards of corporate governance to protect the interests of its Shareholders, improve the corporate values, set the business strategies and policies as well as improve its transparency and accountability. The Company has adopted the principles and code provisions under the Corporate Governance Code as its own corporate governance code.

The Board is of the view that for the year ended December 31, 2023, the Company has complied with all applicable code provisions, except for the deviation from code provision C.2.1 of the Corporate Governance Code. The roles of Chairman and chief executive officer of the Company are not separate and both are acted by Mr. Zhu Zinan. In view of Mr. Zhu's experience, personal profile and his roles in the Group as mentioned above and that Mr. Zhu has assumed the role of chief executive officer of our Group since the Group's incorporation, the Board considers it beneficial to the business prospect and operational efficiency of our Group for Mr. Zhu acting as the Chairman of the Board and continuing to act as the chief executive officer of the Company. The Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors, and we believe that there is sufficient check and balance in the Board; (ii) Mr. Zhu and other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that they act for the benefit and in the best interests of the Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategies and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of Chairman of the Board and chief executive officer is necessary. The Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of the Shareholders.

The Board will continue to review and monitor the Group's corporate governance practices to ensure compliance with the Corporate Governance Code and maintain a high standard of corporate governance.

#### **BOARD OF DIRECTORS**

The Board of Directors is in charge of supervising all material issues of the Company and guiding and supervising its issues through senior management. The Board exercises other power, functions and duties under the Articles of Association and all applicable laws and regulations (including the Listing Rules). The Board delegates the authority of daily operation and management to the management of the Company, who will implement the strategies and guidance determined by the Board.

The Board has appropriate skills and experience required by the business of the Company. The Company has also adopted the board diversity policy (the "Board Diversity Policy") which sets out the objectives and approaches to achieve Board diversity.

The main corporate governance duties of the Board include:

- (a) to develop and review the Company's policies and practices on corporate governance;
- (b) to review and monitor the training and continuous professional development of the Directors and senior management;
- (c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- (d) to develop, review and monitor the code of conduct and compliance issues of employees and Directors; and
- (e) to review the Company's compliance with the Corporate Governance Code and disclosure in the corporate governance report.

As of the date of this report, the Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. A balanced mix of executive Directors and non-executive Directors (including independent non-executive Directors) on the Board ensures the independent components of the Board. Non-executive Directors and independent non-executive Directors can effectively exercise independent judgment in Board meetings and Board Committee meetings.

As at the date of this report, the Board consists of:

#### **Executive Directors**

Mr. Zhu Zinan (Chairman and Chief Executive Officer)

Mr. Cheng Lin Ms. Qin Jiaxin

#### Non-executive Directors

Mr. Hu Jiawei

Mr. Hu Qingping (resigned as a non-executive Director on July 7, 2023)

#### Independent non-executive Directors

Mr. Tang Wei

Mr. Fang Hongwei

Mr. Huang Boyang (appointed as an independent non-executive Director on March 31, 2023)

Mr. Xu Chong (resigned as an independent non-executive Director on March 31, 2023)

Biographies of the Directors are set out on pages 38 to 41 of this annual report.

As of December 31, 2023, the Company has complied with the Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules and appointed at least three independent non-executive Directors (representing at least one-third of the Board), including at least one with appropriate professional qualifications or knowledge in accounting or financial management related fields.

None of the members of the Board has relationship with other members of the Board and chief executive officer of the Company.

During the year ended December 31, 2023, the total emoluments payable to the Directors (including fees, salaries, contributions to pension scheme, discretionary bonus, housing and other allowances and other benefits-in-kind) amounted to approximately HK\$6.72 million.

The emoluments of the Directors and senior management are determined after taking into account of salaries paid by comparable companies, the time of commitment and duties of the Directors as well as the Group's results. Details of the emoluments of Directors (including any senior management who also serve as a Director), chief executive and employees, and emoluments of key management personnel for 2023 are set out in note 14 and note 40 to the consolidated financial statements. In addition, pursuant to code provision E.1.5 of the Corporate Governance Code, the emoluments of the members of senior management of the Company (who are not the Directors) by band for the year ended December 31, 2023 are set out below:

Emoluments of senior management by band	Number of senior management
HK\$6,000,000-HK\$6,500,000	1
Total	1

During the year ended December 31, 2023, the Company has three independent non-executive Directors, which was in compliance with the Listing Rules, which requires that the numbers of independent non-executive Directors shall account for at least one-third of the members of the Board and no less than three people.

Pursuant to Rule 3.13 of the Listing Rules, the Company has received the written confirmation of independence of each independent non-executive Director and considered all of them to be independent.

The Directors can be rendered service by the company secretary to guarantee the compliance of the Board procedures.

#### **JOINT COMPANY SECRETARIES**

During the year ended December 31, 2023, Ms. Qin Jiaxin (秦佳鑫) and Ms. Lin Sio Ngo (練少娥) were the joint company secretaries of the Company. From January 1, 2023 to September 27, 2023, Mr. Zhang Mengchi (張夢弛) (from an external secretarial service provider) acted as a joint company secretary of the Company and has tendered his resignation as (i) joint company secretary of the Company; (ii) authorised representative of the Company under Rule 3.05 of the Listing Rules ("authorised representative"); and (iii) authorised representative of the Company for accepting service of process and notices on the Company's behalf in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("process agent") on September 28, 2023, with effect from that date.

Since September 28, 2023, Ms. Lin Sio Ngo (練少娥) (from an external secretarial service provider) has been appointed as joint company secretary, authorised representative and the process agent. Ms. Qin Jiaxin will continue to serve as the other joint company secretary. Ms. Lin Sio Ngo will assist Ms. Qin Jiaxin in discharging his functions as a joint company secretary. Ms. Qin Jiaxin was confirmed by the Stock Exchange for her qualification as Company Secretary of the Company under Rule 3.28 of the Listing Rules on September 21, 2023, and Ms. Qin Jiaxin is the main corporate associate of Ms. Lin Sio Ngo, the other joint company secretary.

Pursuant to Rule 3.29 of the Listing Rules, during the year ended December 31, 2023, Ms. Qin Jiaxin and Ms. Lin Sio Ngo have all taken not less than fifteen hours of relevant professional training.

#### **BOARD MEETINGS/GENERAL MEETINGS AND ATTENDANCE OF DIRECTORS**

The code provision C.5.1 of the Corporate Governance Code stipulated that the Board should hold at least four regular meetings (roughly one for a quarter) involving active participation, either in person or through electronic means of communication, of a majority of Directors.

During the year ended December 31, 2023, the Board held a total of 9 meetings, reviewing and approving issues such as the annual results for the year ended December 31, 2022, the unaudited interim results of the Company and its subsidiaries for the six months ended June 30, 2023, the announcements of business update and financial position and the changes of the members of the Board.

During the Reporting Period, two general meetings were held.

The table below sets out the details of attendance of the Directors at the Board meetings and general meetings during the year ended December 31, 2023.

	Attendance at board meetings/board meetings held	Attendance at general meeting/general meeting held
Executive Directors		
Mr. Zhu Zinan (Chairman of the Board and Chief Executive Officer)	9/9	2/2
Mr. Cheng Lin	9/9	2/2
Ms. Qin Jiaxin	9/9	2/2
Non-executive Directors		
Mr. Hu Qingping (resigned as a non-executive Director on July 7, 2023)	3/3 <sup>(1)</sup>	1/1(1)
Mr. Hu Jiawei	9/9	2/2
Independent Non-executive Directors		
Mr. Xu Chong (resigned as an independent executive Director on March 31, 2023)	2/2 <sup>(2)</sup>	N/A <sup>(2)</sup>
Mr. Tang Wei	9/9	2/2
Mr. Fang Hongwei	9/9	2/2
Mr. Huang Boyang (appointed as an independent non-executive Director on		
March 31, 2023)	7/7 <sup>(3)</sup>	2/2(3)

#### Notes:

- (1) Mr. Hu Qingping resigned as a non-executive Director on July 7, 2023. He shall attend 3 Board meetings and 1 general meeting when he was in office during the Reporting Period.
- (2) Mr. Xu Chong resigned as an independent non-executive Director on March 31, 2023. He shall attend 2 Board meetings when he was in office during the Reporting Period.
- (3) Mr. Huang Boyang was appointed as an independent non-executive Director on March 31, 2023. He shall attend 7 Board meetings when he was in office during the Reporting Period.

During the year ended December 31, 2023, there was one meeting between the Chairman and the independent nonexecutive Directors of the Company without the presence of the other Directors.

#### **CORPORATE GOVERNANCE FUNCTIONS**

The Board is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code and determining the corporate governance policies of the Company accordingly. The Board has reviewed the Company's corporate governance policies and practices, the training and continuous professional development of the Directors and senior management, the Company's policies and practices in compliance with the legal and regulatory requirements, standard code and written staff manual and code as well as the disclosure in this corporate governance report.

#### **BOARD COMMITTEES**

The Company has established three main Board committees (the "Board Committees"), namely the Audit Committee, Nomination Committee and Remuneration Committee. Each Board Committee operates based on its terms of reference. The terms of reference of Board Committees are available on the Company's website and the Stock Exchange's website.

The Board Committees are provided with sufficient resources to discharge their duties, and may seek independent professional advice in appropriate circumstances (upon reasonable request) at the Company's expenses.

#### **Audit Committee**

The Company has established the written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.4 of the Corporate Governance Code.

The Audit Committee consists of three members, namely, the independent non-executive Directors Mr. Tang Wei, Mr. Huang Boyang and Mr. Fang Hongwei. Mr. Tang Wei, an independent non-executive Director, is the chairman of the committee and holds the appropriate qualifications or relevant financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The primary duties of the Audit Committee are, including but not limited to: (i) to review and supervise the financial reporting, risk management and internal control systems of the Group; (ii) to provide advice and opinions to our Board; (iii) to perform other duties and responsibilities as may be assigned by our Board; (iv) to audit the financial statements of the Company; (v) to oversee the audit process; (vi) to review and approve connected transactions; and (vii) to perform the corporate governance functions of the Company as to comply with the disclosure requirement of the Corporate Governance Code and Corporate Governance Report.

During the year ended December 31, 2023, four Audit Committee meetings were held and the attendance record of the members of the Audit Committee is as follows:

Directors	Attendance/ attendance as required
Mr. Tang Wei (chairman)	4/4
Mr. Xu Chong (resigned as a member of the Audit Committee on March 31, 2023)	1/1(1)
Mr. Hu Qingping (resigned as a member of the Audit Committee on July 7, 2023)	1/1 <sup>(2)</sup>
Mr. Fang Hongwei (appointed as a member of the Audit Committee on July 7, 2023)	3/3(3)
Mr. Huang Boyang (appointed as a member of the Audit Committee on March 31, 2023)	3/3 <sup>(4)</sup>

#### Notes:

- (1) Mr. Xu Chong resigned as a member of the Audit Committee on March 31, 2023. He shall attend 1 Audit Committee meeting when he was in office during the Reporting Period.
- (2) Mr. Hu Qingping resigned as a member of the Audit Committee on July 7, 2023. He shall attend 1 Audit Committee meeting when he was in office during the Reporting Period.
- (3) Mr. Fang Hongwei was appointed as a member of the Audit Committee on July 7, 2023. He shall attend 3 Audit Committee meetings when he was in office during the Reporting Period.
- (4) Mr. Huang Boyang was appointed as a member of the Audit Committee on March 31, 2023. He shall attend 3 Audit Committee meetings when he was in office during the Reporting Period.

The Audit Committee has reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staffs' qualifications and experience, the training plan and budget of the accounting and financial reporting departments of the Company), risk management system and procedure, the placement of Shares under general mandates as well as re-appointment of external auditors. The Board did not deviate from any recommendations proposed by the Audit Committee in respect of the selection, appointment, resignation or dismissal of external auditors.

The Audit Committee also reviewed the interim and final results of the Company and its subsidiaries for interim period and the financial year, as well as the audit report prepared by the external auditors in respect of the accounting issues and key investigation results.

#### **Nomination Committee**

The Company has established the written terms of reference in compliance with paragraph B.3 of the Corporate Governance Code. The Nomination Committee currently consists of three members, namely, executive Director Mr. Zhu Zinan and independent non-executive Directors Mr. Huang Boyang and Mr. Fang Hongwei. Mr. Zhu Zinan is the chairman of the committee.

The primary duties of the Nomination Committee are, including but not limited to: (i) to review the structure, size and composition (including the skills, knowledge, experience and diversity perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategies; (ii) to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals from relevant departments nominated for directorships; (iii) to assess the independence of the independent non-executive Directors; (iv) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the Chairman or chairlady of the Board and the chief executive officer); (v) to review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and (vi) to make recommendations to our Board on the appointment and removal of Directors and senior management and on matters of succession planning.

Pursuant to the nomination policy adopted by the Company, the Nomination Committee is responsible for the nomination of Directors and candidates with respect to succession planning for Directors (hereinafter referred to as "**Director Candidates**") to the Board of the Company. Taking account of the appointment, reappointment or re-election of Directors, the Nomination Committee and the Board will continue to perform the appointment of Directors in accordance with the selection criteria and nomination procedures in the nomination policy.

Our Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Corporate Governance Code. Our Nomination Committee will continue to review the Board Diversity Policy from time to time to ensure its continued effectiveness.

#### Director Nomination System

According to the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board, but any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at the meeting. Subject to provisions under the Articles of Association and the Companies Act, the Company may appoint any person as a Director by an ordinary resolution either to fill a casual vacancy or as an addition to the Board. According to the Articles of Association, the Company may by ordinary resolution at any time remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed.

#### Selection and Recommendation Criteria

The below is the selection and recommendation criteria adopted by the Nomination Committee during the Reporting Period:

- (a) to assess ethics, integrity and reputation of relevant Director Candidates (including but not limited to conduct appropriate background checks and other verification processes on such candidate);
- (b) to take into account the structure, size and composition of the Board, with reference to the Board diversity policy, and the Company's corporate strategy, with due regard for the benefits of the Board diversity and also the candidate's potential contributions thereto;
- (c) in case of a candidate for an independent non-executive Director, to assess: (i) the independence of such candidate with reference to, among others, the independence criteria as set out in Rule 3.13 of the Listing Rules; and (ii) the quidance and requirements relating to independent non-executive Directors set out in code provision B.3.4 of the Corporate Governance and in the Guidance for Boards and Directors; and
- (d) to consider any other relevant factors as determined by the Nomination Committee or the Board from time to time.

#### Nomination Procedures

The below is the nomination procedures adopted by the Nomination Committee during the Reporting Period:

- (a) All Directors and the Nomination Committee may recommend Director Candidates to the Company for the Nomination Committee's consideration;
- (b) The joint secretaries of the Company shall undertake due diligence on the background of the Director Candidates, obtain their academic qualifications and work certificates, as well as other information and documents required by the Company for the Director Candidates;
- (c) In the context of the appointment of Director Candidates, the joint secretaries of the Company shall convene a meeting for the Nomination Committee, and may consider inviting the Director Candidates to participate in the meeting and answer questions raised by the Nomination Committee regarding the appointment;
- (d) In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall propose and make recommendations to the Board for its consideration, and the Director Candidates shall stand for reelection at the forthcoming general meeting; and
- The Board shall have final decision on all matters concerning the recommendations of Director Candidates for (e) election at the general meetings.

During the year ended December 31, 2023, two Nomination Committee meetings were held and the attendance record of the members of the Nomination Committee is as follows:

Directors	Attendance/ attendance as required
Mr. Zhu Zinan (chairman)	2/2
Mr. Xu Chong (resigned as a member of the Nomination Committee on March 31, 2023)	1/1(1)
Mr. Fang Hongwei	2/2
Mr. Huang Boyang (appointed as a member of the Nomination Committee on March 31, 2023)	1/1 <sup>(2)</sup>

#### Notes:

- (1) Mr. Xu Chong resigned as a member of the Nomination Committee on March 31, 2023. He shall attend 1 Nomination Committee meeting when he was in office during the Reporting Period.
- (2) Mr. Huang Boyang was appointed as a member of the Nomination Committee on March 31, 2023. He shall attend 1 Nomination Committee meeting when he was in office during the Reporting Period.

For the year ended December 31, 2023, the Nomination Committee has reviewed the nomination policies and the Board Diversity Policy; assessed the independence of the independent non-executive Directors; and made recommendations to the Board in respect of the resignation of Mr. Xu Chong as an independent non-executive Director of the Company and appointment of Mr. Huang Boyang as an independent non-executive Director of the Company.

The Nomination Committee has conducted annual assessment on the independence of each independent non-executive Director.

#### Remuneration Committee

The Company has established the Remuneration Committee and its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of three members, namely the independent non-executive Director Mr. Fang Hongwei, executive Director Mr. Cheng Lin and the independent non-executive Director Mr. Huang Boyang. Mr. Fang Hongwei, the independent non-executive Director, was appointed as the chairman of the Remuneration Committee.

The primary duties of our Remuneration Committee are, including but not limited to: (i) to make recommendations to the Board on the policy and structure of the Company for remuneration of all Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) to review and approve the management's remuneration recommendations with reference to the Board's corporate goals and objectives; (iii) to determine, with delegated responsibility, the remuneration packages of individual executive Directors and senior management; which should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment; (iv) to make recommendations to the Board on the remuneration of non-executive Directors; (v) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the group; (vi) to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive; (vii) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; and (viii) to ensure that no Director or any of his associates is involved in determining his own remuneration.

The Remuneration Committee has adopted the standards set out in code provision E.1.2 of the Corporate Governance Code within its terms of reference.

The Remuneration Committee has reviewed and approved the grant of share award under the Share Award Scheme and under the Articles of Association and relevant Listing Rules.

For the year ended December 31, 2023, two Remuneration Committee meetings were held and the attendance record of the members of the Remuneration Committee is as follows:

Directors	attendance as required
Mr. Fang Hongwei (appointed as the chairman of the Remuneration Committee on March 31, 2023)	2/2
Mr. Cheng Lin	2/2
Mr. Xu Chong (resigned as the chairman of the Remuneration Committee on March 31, 2023)	1/1(1)
Mr. Huang Royang (appointed as a member of the Remuneration Committee on March 31, 2023)	1/1(2)

#### Notes:

- (1) Mr. Xu Chong resigned as the chairman of the Remuneration Committee on March 31, 2023. He shall attend 1 Remuneration Committee meeting when he was in office during the Reporting Period.
- (2) Mr. Huang Boyang was appointed as a member of the Remuneration Committee on March 31, 2023. He shall attend 1 Remuneration Committee meeting when he was in office during the Reporting Period.

The Remuneration Committee has discussed and reviewed the service agreements, appointment letters and remuneration policy of the Directors and senior management of the Company, and made recommendations to the Board on the service agreements, appointment letters and remuneration policy of individual executive Directors and senior management in accordance with the requirement in code provision E.1.2(c)(ii) in Part 2 of the Corporate Governance Code.

#### MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its code of conduct regarding securities transactions by Directors. The provisions of the Listing Rules relating to compliance with the code of conduct regarding securities transactions by Directors have been applicable to the Company since the Listing Date.

Having made specific enquiry by the Company, all Directors confirm that they have complied with the Model Code during the year ended December 31, 2023.

#### **DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT**

Each newly appointed Director is provided with the necessary induction and information to ensure that he/she has a proper understanding of the Company's operations and businesses as well as his/her responsibilities under the relevant statues, laws, rules and regulations. The Company also arranges seminars regularly to provide the Directors with updates on the latest development and changes in the Listing Rules and other relevant legal and regulatory requirements. The Directors are provided with updated information on the Company's performance, position and prospects, enabling the Board as a whole and each Director to discharge their duties.

All Directors are encouraged to participate in continuous professional development trainings to develop and update their knowledge and skills. The joint company secretaries of the Company update and provide the Directors with electronic training materials of their roles, functions and duties from time to time.

Based on the information provided by the Directors, a summary of training received by the Directors during the year ended December 31, 2023 is as follows:

**Nature of** 

	continuous	
	professional	
	development	
Mr. Zhu Zinan	A, B, C and D	
Mr. Cheng Lin	A, C and D	
Ms. Qin Jiaxin	A, C and D	
Mr. Hu Qingping (resigned as a non-executive Director on July 7, 2023)	A, C and D	
Mr. Hu Jiawei	A, C and D	
Mr. Xu Chong (resigned as an independent non-executive Director on March 31, 2023)	A and D	
Mr. Tang Wei	A, C and D	
Mr. Fang Hongwei	A, C and D	
Mr. Huang Boyang (appointed as an independent non-executive Director on March 31, 2023)	A, C and D	

#### Notes:

- A: Attend meetings and/or briefings
- B: Made speech at meetings and/or briefings
- C: Participate in trainings of Directors provided by the law firms
- Read documents on various topics, including corporate governance, Directors' duties, Listing Rules, anti-corruption and other relevant laws

#### **BOARD DIVERSITY POLICY**

We have adopted the Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of our Board in order to enhance the effectiveness of our Board. This policy aims to set out the basic principles to ensure that the members of the Board achieve an appropriate balance of diversification in skills, experience and perspectives, so as to enhance the effective operation of the Board and maintain a high standard of corporate governance.

The nomination and appointment of Board members will continue to be on a merit competence basis, based on daily business needs, and taking into account of the benefits of diversity of Board members.

Pursuant to the Board Diversity Policy, the selection of candidates will be based on a series of diversified categories, with reference to the company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience.

The Company recognises and embraces the benefits of having a diverse Board and see increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. We have also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to our Board and the senior management levels. Currently, one of our Directors is female, demonstrating that we have realized gender diversity in our Board. We recognise that the gender diversity at our Board level can be improved given the majority of our Directors is male, and we will continue to ensure gender diversity in the recruitment of middle and senior staff so that our management includes a wide range of genders, thereby allowing a diverse group of potential successors to succeed our Board in due course. As of December 31, 2023, the Group had seven Directors, of whom six (85.7%) were male and one (14.3%) was female, and the Group had four senior executives, of whom three (75%) were male and one (25%) was female. As at December 31, 2023, the Group had 91 employees of which 47 (52%) were male and 44 (48%) were female. The Board believes that the Company has achieved gender diversity among its employees and it has set an ultimate goal of achieving gender balance. The Company will continue to implement its diversity policy.

Our Directors have a balanced mix of knowledge and skills, including in management, strategic and business development, research and development, sales and marketing, legal compliance and corporate finance. Our Nomination Committee will review and assesses the composition of the Board and make recommendations to the Board on appointment of members of the Board. Meanwhile, our Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, professional experience, skills, knowledge, education background, age, gender, culture and ethnicity and length of service, in order to maintain an appropriate range and balance of talents, skills, experience and diversity of perspectives on the Board.

# MECHANISM(S) THAT INDEPENDENT VIEWS AND INPUT ARE AVAILABLE TO THE BOARD

The Company has appointed the independent non-executive Directors in accordance with the independence criteria as set out in the Listing Rules and has proactively organized our independent non-executive Directors to join in each of the professional committees under the Board, to make sure that the Board and the professional committees under the Board can obtain independent options. Same as other Directors, the independent non-executive Directors have the rights to seek for further data and documents from the management of the Company in respect of the issues discussed at the Board meeting, to facilitate their adequate evaluation and then propose constructive independent views. The Board has annually evaluated the independence of all our independent non-executive Directors in accordance with the independence criteria as set out in the Listing Rules to make sure that they can constantly exercise independent judgement.

The Company has engaged an independent third party to give independent opinions on internal control report, ESG report and other matters, so as to enable the Board of the Company to make better judgement. The affiliated Directors of the Company have abstained from voting on the matter of granting award Shares to the executive Directors under the Share Award Scheme, so as to make sure the independence of the Board in making decisions.

The Board of the Company reviews the implementation and effectiveness of the abovementioned mechanism(s) on an annual basis. For the year ended December 31, 2023, the Board considered these mechanism(s) to be effective.

#### **EXTERNAL AUDITOR**

For the year ended December 31, 2023, the Company has appointed Deloitte Touche Tohmatsu as its external auditor. A statement on the reporting responsibility for the financial statements issued by Deloitte Touche Tohmatsu is set out in the independent auditor's report in this annual report.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Deloitte Touche Tohmatsu for the year ended December 31, 2023 are set out in the table below:

Services provided	(HK\$ million)
Audit services:	
Annual audit of the Group's consolidated financial statements	3.72
Non-audit services:	
Interim review of the Group's consolidated financial statements	1.28

#### **ACCOUNTABILITY AND AUDIT**

The Directors are responsible for overseeing the preparation of financial statements, which should give a true and fair view of the state of affairs of the Group and of the results and cash flow for the Reporting Period. The independent auditor's report on the financial statements is set out on pages 125 to 129 in this annual report. In preparing the financial statements for the year ended December 31, 2023, the Directors have selected suitable accounting policies and have applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and have prepared the financial statements on a going concern basis. There were no events or conditions relating to any material uncertainties that might cast significant doubt upon the Company's ability to continue as a going concern.

#### INTERNAL CONTROL AND RISK MANAGEMENT

# Risk management and internal control

Adequate and effective risk management and internal control systems are indispensable and important guarantees for the realization of the long-term goals of the Group. They help ensure the effective conduct of the Group's business activities, the authenticity and accuracy of accounting records, and the Group's compliance with relevant laws, regulations and policies.

The Board confirms that it has the ultimate responsibility for ensuring and maintaining sound and effective systems of risk management and internal control to safeguard the Group's assets and Shareholders' rights and interests, and has the responsibility to continuously review the effectiveness of such systems. The Audit Committee, on behalf of the Board, reviews the management's work on the design, implementation and supervision of risk management and internal control systems at least on an annual basis, including the effectiveness of these systems. The Board will also be responsible for overseeing the risks faced by the Group, as well as analyzing, evaluating and determining the level of risk the Group expects and can withstand, and thereby continuously reviewing and improving such systems, implementing policies and formulae that are most suitable for the Group's business, and establishing and maintaining a robust risk management and internal control system. Such risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve performance goals, and only provide reasonable but not absolute assurance against material misstatement or loss.

#### 1.1 Risk management organizational structure

The Group is committed to continuously improving the risk management system and organizational structure, and improving the overall risk management and control capabilities through standardised risk management procedures, thereby ensuring the achievement of business objectives and sustainable development. The Group has established the "Risk Control System" and the "Comprehensive Risk Management System", in which the "Three Lines of Defense" risk management model has been established, and the responsibilities of each related party in risk management, risk management related policies and reporting process have been clearly divided and defined. In order to ensure the effectiveness of risk management and internal control systems, the Group has established a risk management structure covering all departments in accordance with the actual situation of the Company under the guidance and supervision of the Board.

#### 1.2 Five guiding principles of our risk management system

#### Principle of comprehensiveness

• Internal control shall cover various businesses, departments and positions, as well as all the links including decision-making, implementation, supervision and feedback, etc.

#### Principle of continuity

• Each business department shall implement continuous risk control, continuously identify and evaluate the risks in the business, and take corresponding control measures in a timely manner.

#### Principle of prudence

• The core of internal control is to effectively prevent various risks. All decisions of the Company shall take risk prevention and prudent operation as the starting point.

#### Principle of mutual checks and balances

• The Company's internal organizational structure shall be designed to form mutual checks and balances mechanism, and reduce the occurrence of risks through checks and balances among different positions.

#### Principle of cost-effectiveness

• The Company uses scientific management methods to reduce operating costs, improve economic efficiency, and maximize the effectiveness of risk control with reasonable cost control.

#### 1.3 Our Group's "Three Lines of Defense" risk management model

Clear responsibilities and sound monitoring measures are essential to managing risks. We have conducted a review of the Group's risk management structure in the past, strengthened the risk management structure based on the results of the review, and handled, allocated and coordinated the Group's risk management and internal control issues through a sound risk management model, thereby deepening and strengthening the Group's internal control ability. The risk management structure of the Group is set out below:

#### The Board

- Evaluating and determining the nature and extent of the risks (including ESG risks) it is willing to take in achieving the Company's strategic objectives;
- Ensuring that the Company establishes and maintains appropriate and effective risk management and internal control systems;
- Reviewing the effectiveness of risk management and internal control systems at least annually; and
- Overseeing management of the Company in the design, implementation and supervision of the risk management and internal control systems on an on-going basis

#### The Audit Committee

- Assisting the Board to oversee the effectiveness of the design, implementation and supervision of the risk management and internal control systems;
- Reviewing and approving the annual internal audit plan and review results; and
- Reviewing the annual risk management and internal control report of the Group.

#### **The Senior Management**

- Identifying and overseeing all risks (including ESG risks) related to the daily operations of
- Reporting the identified risks to the Board and the Audit Committee, including strategic, operational, financial, ESG, reporting and compliance risks, and risk changes during the year;
- Implementing, executing and overseeing risk management and internal control procedures on an ongoing basis; and
- Drawing up and implementing appropriate action plans to mitigate the identified risks and resolve major internal control deficiencies.

The First Line of Defense **Business Team** 

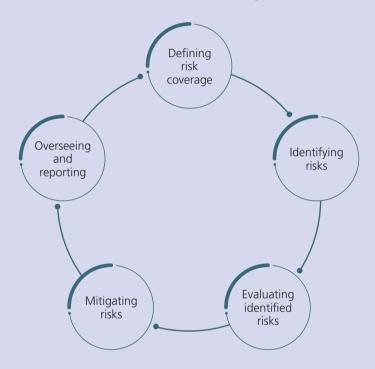
The Second Line of Defense Risk Management Team

The Third Line of Defense Internal Audit Function



#### 1.4 Risk management procedures

The Group's risk management procedures include defining procedures for identifying, assessing, responding to and overseeing risks and their changes. The management of the Group regularly communicates and discusses with each business department, regularly collects the risks identified by each department at the daily operation level, and strengthens their understanding of risk management at the strategic level of the Group to promote two-way communication. The management collects views on risks from different angles and formulates risk coverage so that the risks related to the Group can be identified. Risk identification is a continuous and interactive process that communicates the relevant main risks between the low-level and high-level.



Significant risks are classified into one of the following five categories: strategic risks, operational risks, ESG risks, financial risks as well as reporting and compliance risks. After identifying all relevant risks, the management evaluates the potential impacts and possibility of these risks and handles them in order of importance, and then formulates appropriate internal control measures to mitigate the risks, as well as continuously oversees the effectiveness of the internal control measures and their changes. The management also communicates with the Board and the Audit Committee so that they can oversee at a high level.

The Board has conducted an annual review of the above risks and considers that the current mechanism is effective.

#### 1.5 Internal audit function

The Board secretariat and finance department of the Company are responsible for the internal audit function of the Group. They are responsible for evaluating and monitoring the effectiveness of risk management and internal control systems, and performing a comprehensive review of all aspects of the Group's activities and systems to review all aspects of the Group's supervision and governance. The Audit Committee reviews and approves the prepared internal audit plan each year. The scope of the review of the plan includes financial information auditing, fixed and intangible asset auditing, contract management auditing, information system auditing, routine internal control program auditing, and emergencies or temporary auditing work, the purposes of which are to assess the reasonableness, compliance and timeliness of the internal control systems of the Group, and to conduct a comprehensive evaluation and test of the Group's internal control environment, operational risks, control activities, etc. The Board secretariat and finance department conduct audits every year according to the approved work plan and report to the Audit Committee the review of the risk management and internal control systems during the year, put forward suggestions for improving the effectiveness of the Group's risk management and internal control systems, and report the main audit findings and the implementation of relevant rectification suggestions.

On the other hand, in order to further strengthen the internal control of the Group, it has also appointed an independent professional consultant ("Internal Control Consultant") to conduct an annual review on the effectiveness of the risk management and internal control system for the year ended December 31, 2023. The Internal Control Consultant has reported the findings and improvement suggestions to the Audit Committee, and the management of the Group will continue to closely follow up the relevant rectification measures to ensure that the improvement suggestions are implemented within a reasonable time.

The internal audit function, as one of the important lines of defense of the Group's risk management structure, makes objective assessments of the Group's risk management and internal control systems and reports to the Audit Committee in a timely manner.

The Audit Committee (on behalf of the Board) continuously reviews the Company's risk management and internal control systems, reviews related work reports and key performance indicator information, and discusses major risks with the senior management of the Company. The Board believes that the Company's risk management and internal control systems are effective and adequate during the Reporting Period. In addition, the Board also believes that the internal audit, accounting, financial reporting and other functions of the Group have been performed by employees with appropriate qualifications and experience, and such employees have received appropriate and adequate training and development activities.

#### 1.6 Disclosure of inside information policy

In order to ensure timely, fair, accurate and complete disclosure of inside information and compliance with applicable laws and regulations, the Group has formulated a comprehensive inside information disclosure policy. The Group also implemented the control procedures to ensure the timely handling and release of inside information disclosure, which provides comprehensive work guidelines for Directors, senior management and relevant employees of the Group. At the same time, the Group has also implemented strict internal control procedures to prohibit Directors, senior management and relevant employees from unauthorised access and use of inside information.

#### Communication with Shareholders and Investors

The Company believes that effective communication with Shareholders and investors will enable a better understanding toward the Group's business and strategies. The Company will continue to provide Shareholders and investors with information disclosure in a high degree of transparency and timely manner so that they can obtain relevant information to make the best investment decisions.

#### Convening of Extraordinary General Meetings by Shareholders of the Company

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more Shareholders deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company as at the date of deposit of the requisition. General meetings may also be convened on the written requisition of a Shareholder which is a recognized clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong, specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company as at the date of deposit of the requisition.

If the Board does not proceed duly within 21 days from the date of deposit of the requisition to convene the meeting that should be held within a further 21 days from the date of deposit of the requisition, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

#### **Propose Resolutions at General Meetings**

There are no provisions in the Companies Act or the Articles of Association that allow the Shareholders to propose new resolutions at general meetings. However, the Shareholders who wish to propose a resolution at a general meeting may do so by convening an extraordinary general meeting in accordance with the procedures set out in the paragraph above.

#### **Enquiries to the Board and Contact Information**

Inquiries about the Company can be submitted to the Board by contacting the Company or directly raise questions at the annual general meeting or extraordinary general meeting.

#### The above enquiries and requisitions can be made by the Shareholders by following means:

Address: Zone A, Building T18, Jiuxianqiao Diantong Creative Park, Chaoyang District, Beijing

Tel.No.: (+86) 010-87726988 Email: investment@joyspreader.com

Shareholders of the Company could directly contact the Company's Hong Kong branch registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for enquiry of shareholdings.

#### Communication with Shareholders and Investors Relations

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders. Directors will meet Shareholders and answer their enquiries through annual general meetings and other general meetings.

In order to promote the effective communication with Shareholders and investors, the Company maintains a website (http://www.joyspreader.com), where the Company's business update and operations, financial information, corporate governance practices and policies and other information are available for public access.

The Board has considered the above-mentioned shareholder communication policy of the Company and is satisfied that there are effective channels for shareholders to communicate with and be concerned about the Company.

In addition, the Company has established various channels of communication with its Shareholders, investors and other stakeholders to enhance investor relations and allow them to understand the Group's results and strategies. Such channels include (i) the publication of annual reports and/or dispatch of circulars, notices and other announcements; (ii) annual general meetings or extraordinary general meetings which provide a forum for Shareholders to present their advices to and exchange views with the Board; (iii) updates and key information of the Group which are available on the Company's website and the website of the Stock Exchange; (iv) the Company's website which provides a channel of communication between the Company and its stakeholders; and (v) the Company's share registrar in Hong Kong which provides services to Shareholders for the registration of all share transfers.

The Company has annually reviewed the shareholder communication policy of the Company on a regular basis, and is of the opinion that the current shareholder communication policy is appropriate and effective.

#### **DIVIDEND POLICY**

Subject to the Companies Act of the Cayman Island and the Articles of Association of the Company, the Shareholders of the Company may approve any declaration of dividends in a general meeting, which must not exceed the amount recommended by the Board.

Any dividends the Company pays will be determined at the absolute discretion of the Board, taking into account factors including the Company's general business conditions, financial position, cash requirements and availability, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors that the Board deems to be appropriate.

# **CONSTITUTIONAL DOCUMENTS**

There are no changes to the Company's constitutional documents for the year ended December 31, 2023.

#### CORPORATE GOVERNANCE PRACTICES

The Company strives to achieve a high standard of corporate governance to protect the interest of its Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has adopted the principles and code provisions of the corporate governance Code. The Board is of the view that, for the year ended December 31, 2023, except for the deviation from code provision C.2.1 of the Corporate Governance Code, the Company has been complying with all applicable code provisions of the Corporate Governance Code.

Code provision C.2.1 of the Corporate Governance Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Zhu Zinan is the Chairman of the Board and the chief executive officer of the Company. Mr. Zhu Zinan has always been a key leader of the Group in the history of the Company's business. He mainly participated in the Group's strategic development, overall operational management and major decision-making. Taking into account the continuous implementation of the Company's business plan, the Directors believe that at the current development stage of the Group, Mr. Zhu Zinan's concurrent post of Chairman and chief executive officer is beneficial to and is in the interest of our Company and the Shareholders as a whole. The Board will review the existing structure from time to time, make necessary changes when appropriate and notify Shareholders accordingly. The Group will continue to review and oversee its corporate governance practices to ensure compliance with the Corporate Governance Code.

#### **RESPONSIBILITY OF THE BOARD**

The Board is responsible for the overall leadership of the Group, overseeing the strategic decisions as well as business and performance of the Group. The Board has delegated to the senior management of the Group the powers and responsibilities for the daily management and operation of the Group. In order to oversee specific fields of the Company's affairs, the Board has established three Board Committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated the responsibilities contained in the terms of reference to the Board Committees.

All Directors (including non-executive Directors and independent non-executive Directors) bring extensive valuable business experience, knowledge and expertise to the Board, enabling it to operate efficiently and effectively. Independent nonexecutive Directors are responsible for maintaining a high level of regulatory reporting, achieving a balanced Board and making effective independent judgments on corporate actions and operations.

All the Directors must ensure that they act in good faith, comply with applicable laws and regulations and the Listing Rules, and perform their duties in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage for liabilities arising from legal proceedings against the Directors and will review such insurance coverage annually.

# **DIRECTORS' REPORT**

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

# **PRINCIPAL ACTIVITIES**

The Company was incorporated in the Cayman Islands on February 19, 2019 as an exempted company with limited liability under the Companies Act of the Cayman Islands. Shares of the Company were listed on the Main Board of the Stock Exchange on September 23, 2020. The Group is a leading mobile new media performance-based marketing technology company in China.

A list of the Company's subsidiaries and consolidated affiliated entities, together with their places of establishment or incorporation, principal activities and details of their issued shares/paid up capital, is set out in note 42 to the consolidated financial statements of this annual report.

#### **BUSINESS REVIEW**

#### Review and Performance of the Year

A review of the Group's business during the year, a discussion on and analysis of the Group's future business development and the financial and operating key performance indicators used by the Directors in measuring the Group's business performance are set out in the sections headed "Financial Highlights" on pages 5 to 7, "Corporate Profile" on pages 8 to 20 and "Management Discussion and Analysis" on pages 21 to 37 of this annual report.

#### **Environment Policies and Performance**

The Group shall comply with the national and local laws and regulations on environment, health and safety in China. The Group has established detailed internal rules on environmental protection. As far as the Group is aware, during the year ended December 31, 2023, the Group complied with relevant environmental and occupational health and safety laws and regulations in China, and no incidents or complaints occurred during the Reporting Period that had a material adverse effect on our business, financial condition or results of operations.

#### Compliance with Relevant Laws and Regulations

For the year ended December 31, 2023, the Group has established compliance procedures to ensure compliance with applicable laws, rules and regulations that have a significant impact on the Group. The Board and senior management, within their respective scope of responsibilities, together with internal and external professional advisers, monitor policies and practices relating to the Group's compliance with laws and regulations. Changes, if any, in applicable laws, rules and regulations that have a significant impact on the Company will be brought to the notice of relevant employees and relevant business units from time to time. During the Reporting Period, the work of the Board and senior management complied with relevant applicable laws and regulations, the Articles of Association of the Company, charters of the Board Committees, internal policies and the relevant provisions of various internal control systems. Decision-making procedures of the Company are legitimate and effective. Directors and senior management of the Company have performed in a diligent and responsible manner and the resolutions of the Board meetings are implemented faithfully. Meanwhile, the Company has timely performed its disclosure obligations which are in strict compliance with the requirements of the Listing Rules and the Model Code

#### **DIRECTORS' REPORT**

The Group provides and establishes (including but not limited to) pension insurance, mandatory provident funds, basic medical insurance, injury insurance and other statutory benefits for employees in accordance with the laws, regulations and relevant policies of China and other regions in which the Group operates.

As far as the Group is aware, employees of the Group and the Group have complied with all relevant rules and regulations that have a significant impact on the Group for the year ended December 31, 2023.

# Key Relationships with Stakeholders

The Group recognizes different stakeholders, including customers, suppliers, Shareholders, employees and other business partners, as the key to the success of the Group. The Group strives to maintain contact and cooperation and establish stable relationship with them to achieve sustainable development of the enterprise.

The Group believes that attracting, recruiting and retaining quality employees is essential. In order to maintain the quality, know-how and skills of the Group's employees, the Group provides regular training to employees, including induction training for new employees, technical training, professional and management training and health and safety training. The Group believes that it maintains a good relationship with its employees and has not experienced any significant labor disputes or difficulties in recruiting employees for its business operations.

#### Major Risks and Uncertainties and Risk Management

There are certain risks relating to our business and industry, relating to our Contractual Arrangements, relating to doing business in China and in connection with the Global Offering (as defined in the Prospectus), many of which are beyond our control. We believe the most significant risks we face include but are not limited to the following:

- (i) we may fail to retain existing marketers and we-media publishers or attract new marketers and we-media publishers;
- (ii) we may be unable to innovate, adapt and respond timely and effectively to rapidly-changing technologies and new market trends in the performance-based we-media marketing services market;
- (iii) the performance-based we-media marketing services industry may fail to continue to develop, or develops or grows at a slower pace than expected;
- (iv) our algorithms for assessing and predicting potential target audience may be or become flawed or ineffective, and our performance-based marketing may fail to deliver satisfactory results;
- (v) we may face limitations on our data collection, or challenges to our right to collect and use such data, which could significantly diminish the value of our services and cause us to lose marketers and we-media publishers; and
- (vi) the data that we collect from marketers and we-media publishers may be inaccurate or fraudulent.

The Company believes that risk management is essential to the efficient and effective operation of the Group. The management of the Company assists the Board in assessing major risks arising inside and outside the Group's business, including operation risks, financial risks, regulatory risks, etc., and actively establishes appropriate risk management and internal control systems in daily management. The financial risk management objectives and policies of the Group are set out in note 37 to the consolidated financial statements of this annual report.

# **Events After the Reporting Period**

Subsequent to the end of the Reporting Period, the management of the Group has been revisiting its strategy over the sales of E-commerce goods business, and has temporarily suspended the operation of the sales of E-commerce goods business, details of which are set out in note 7 to the consolidated financial statements of this annual report.

Save as disclosed above and elsewhere in this annual report, there are no material events that affected the Group after December 31, 2023.

#### **DIRECTORS**

The Board currently comprises three executive Directors, one non-executive Director and three independent non-executive Directors.

The Directors up to the date of this annual reports are:

#### **Executive Directors**

Mr. Zhu Zinan (Chairman and Chief Executive Officer)

Mr. Cheng Lin

Ms. Qin Jiaxin

# Non-executive Director

Mr. Hu Jiawei

# Independent non-executive Directors

Mr. Huang Boyang (appointed on March 31, 2023)

Mr. Tang Wei

Mr. Fang Hongwei

In accordance with Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company upon his/her appointment and shall then be eligible for re-election at that meeting. In accordance with Article 16.3 of the Articles of Association, the Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall not be less than two. Subject to the provisions of these articles and the Companies Act, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company upon his/her appointment and shall then be eligible for re-election at the meeting.

#### **DIRECTORS' REPORT**

In accordance with Article 16.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or Article 16.3 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

In accordance with Article 16.18 of the Articles of Association, Mr. Zhu Zinan, Mr. Tang Wei and Ms. Qin Jiaxin shall retire from office at the AGM. Such retiring Directors, being eligible, will offer themselves for re-election at the AGM.

No Director proposed for re-election at the AGM has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than under normal statutory obligations.

#### Biography of Directors and Senior Management of the Group

The biographical details of Directors and senior management of the Group is set out in the section headed "Directors and Senior Management" in this annual report.

#### Changes on Directors' Information

On March 31, 2023, Mr. Xu Chong resigned as an independent non-executive Director.

On March 31, 2023, Mr. Huang Boyang was appointed as an independent non-executive Director.

On July 7, 2023, Mr. Hu Qingping resigned as a non-executive Director.

Mr. Xu Chong and Mr. Hu Qingping have confirmed that they have no disagreement with the Board, and that there are no other matters in respect of their resignation that needs to be brought to the attention of the Stock Exchange and the Shareholders of Company.

#### **Directors' Service Contracts**

Each of Mr. Zhu Zinan and Mr. Cheng Lin in the three executive Directors, has entered into a service agreement with the Company with an initial term of three years commencing from the Listing Date, and is subject to termination in certain circumstances as stipulated in the relevant service agreements. Ms. Qin Jiaxin as the other executive Director has entered into a service agreement with the Company on March 22, 2021 and has renewed the service agreement with the Company on March 22, 2024, and will be re-elected at the forthcoming annual general meeting with a term of three years.

Each of our non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company. The terms and conditions of each of such letters of appointment are similar in all material aspects.

Each of our executive Directors (except for Ms. Qin Jiaxin) and independent non-executive Directors (except for Mr. Huang Boyang) is appointed with an initial term of three years commencing from the Listing Date subject to termination in certain circumstances as stipulated in the relevant letters of appointment. Ms. Qin Jiaxin and Mr. Hu Jiawei have entered into a service agreement or appointment letter with the Company, respectively with effect from March 22, 2021, and renewed a service agreement or appointment letter on March 22, 2024. Mr. Hu Jiawei has been re-elected at the annual general meeting of the Company held on June 30, 2023 with a term of three years. Ms. Qin Jiaxin will be re-elected at the forthcoming annual general meeting with a term of three years. Mr. Huang Boyang has entered into a service agreement or appointment letter with the Company with effect from March 31, 2023, and has been re-elected at the annual general meeting of the Company held on June 30, 2023 with a term of three years.

#### Remuneration of the Directors and Five Highest Paid Individuals

Details of the remuneration of the Directors and five highest paid individuals of the Group are set out in note 14 and note 40 to the consolidated financial statements of this annual report.

During the year ended December 31, 2023, none of the Directors has waived or agreed to waive any emoluments.

#### **Employees and Remuneration Policies**

A review of the Group's employees and remuneration policies during the year is set out in the section headed "Management Discussion and Analysis" on pages 21 to 37 of this annual report.

#### The Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence from each of the independent non-executive Directors in accordance with Rule 3.13 of the Listing Rules. The Company believes that all independent non-executive Directors are independent under the guidance of the Listing Rules.

#### The Directors' Interests in Competing Business

As at December 31, 2023, none of the Directors or their respective associates was engaged in or had an interest in any business which competes or might compete with the business of the Group.

#### The Directors' Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in this annual report, no transactions, arrangements or contracts of significance in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted during the Reporting Period or at the end of the Reporting Period.

#### **Connected Transactions**

No related party transactions disclosed in note 40 to the consolidated financial statements of this annual report constituted as a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules.

Save as disclosed below in this annual report, during the year ended December 31, 2023, the Company had no connected transactions or continuing connected transactions which fell to be disclosed in accordance with the provisions under Chapter 14A of the Listing Rules in relation to the disclosure of connected transactions and continuing connected transactions.

#### **DIRECTORS' REPORT**

#### **CONTRACTUAL ARRANGEMENT**

The Group has entered into the Contractual Arrangements with WFOE, Beijing Joyspreader and the Registered Shareholders, to enable us to, among other things, (1) obtain substantially all of the economic benefits from Beijing Joyspreader in consideration for the management and consultation services provided by the Company in this regard; (2) exercise effective control over Consolidated Affiliated Entities; and (3) hold an exclusive option to purchase all or any part of equity interests in Beijing Joyspreader where permitted by PRC laws. Accordingly, through the Contractual Arrangements, our Consolidated Affiliated Entities' results of operations, assets and liabilities, and cash flows will be consolidated into the Company's financial statements.

# I. The Specific Agreements that Constitute the Contractual Arrangements

A brief description of the specific agreements that constitute the Contractual Arrangements is as follows:

#### 1. Exclusive Management and Consultation Service Agreement

Pursuant to the exclusive management and consultation service agreement entered into by Beijing Joyspreader and WFOE on December 11, 2019 (the "Exclusive Management and Consultation Service Agreement"), WFOE agreed to be engaged by Beijing Joyspreader as its exclusive provider of management and consultation services, including:

- (1) to formulate the management mode and operation plan of the Consolidated Affiliated Entities;
- (2) to facilitate the construction of enterprise standardization and information management system of the Consolidated Affiliated Entities;
- (3) to formulate market expansion plan of the Consolidated Affiliated Entities;
- (4) to provide services in relation to market research, market survey, research consultation and judgment, and to provide market information to the Consolidated Affiliated Entities;
- (5) to assist the Consolidated Affiliated Entities in establishing complete management of business process;
- (6) to provide management and consultant services in relation to daily operation, finance, investment, asset, credit and debt, human resource, internal informatization, and other management and consultant services;
- (7) to provide management, development, upgrading, renewal and maintenance services of office application system and network system to the Consolidated Affiliated Entities;
- (8) to formulate client maintenance plan for the Consolidated Affiliated Entities and assist them in maintaining the relationships with clients;
- (9) to provide advice and suggestion in relation to asset and business operation of the Consolidated Affiliated Entities;

- (10)to provide advice and suggestion in relation to the negotiation, execution and implementation of material contracts:
- to provide advice and suggestion in relation to acquisitions and mergers and other expansion plan of (11)the Consolidated Affiliated Entities;
- to provide management of technical support; (12)
- to provide training on staff of the Consolidated Affiliated Entities and to help improve their (13)professional skills; and
- (14)to provide other services from time to time based on the actual business requirement and its capacity.

Pursuant to the Exclusive Management and Consultation Service Agreement, the service fee shall be equivalent to the total consolidated profit after tax of Beijing Joyspreader, after offsetting the prior-year loss (if any) and statutory reserve funds (if applicable). Notwithstanding the foregoing, WFOE may adjust the level of the service fee based on the actual service scope and with reference to the operating conditions and expansion needs of the Consolidated Affiliated Entities and send the service fee invoice ("WFOE's invoice") to Beijing Joyspreader within 10 days after receiving the fiscal documents. Beijing Joyspreader has agreed to pay the service fee within 7 days after receiving WFOE's invoice. The service fee shall be paid annually under the direction of WFOE. Although there is payment arrangement contained in the Exclusive Management and Consultation Service Agreement, WFOE shall have the right to adjust the payment schedule and payment terms. Beijing Joyspreader agreed to accept any relevant adjustments.

In addition, pursuant to the Exclusive Management and Consultation Service Agreement, without the prior written approval from WFOE, Beijing Joyspreader shall not, and shall procure the other Consolidated Affiliated Entities not to, accept the same or any similar services provided by any third party and shall not establish cooperation relationships similar to that formed by the Exclusive Management and Consultation Service Agreement with any third party.

The Exclusive Management and Consultation Service Agreement also provides that (i) all intellectual property rights developed or created by the Consolidated Affiliated Entities during the performance of the Exclusive Management and Consultation Service Agreement, or those intellectual property invented, developed or authorised to be invented by Beijing Joyspreader based on services provided by WFOE or from any other means belong to WFOE; and (ii) WFOE is entitled to authorize the Consolidated Affiliated Entities to use such intellectual property rights; (iii) WFOE is authorised to use all existing intellectual property rights owned by Beijing Joyspreader and the Consolidated Affiliated Entities on or before the execution of the Exclusive Management and Consultation Service Agreement for free.

The Exclusive Management and Consultation Service Agreement shall remain effective unless being terminated (a) in writing by both parties; or (b) all the equity interest and/or assets of Beijing Joyspreader has been legally transferred to WFOE or the nominee(s) designated by WFOE. Nonetheless, WFOE shall always have the right to terminate this agreement by giving a prior written notice of termination 30 days in advance.

#### **DIRECTORS' REPORT**

# 2. Exclusive Option Agreement

Pursuant to the exclusive option agreement entered into by WFOE, Beijing Joyspreader and the Registered Shareholders on December 11, 2019 (the "Exclusive Option Agreement"), WFOE shall have the rights to require the Registered Shareholders to transfer any or all their equity interests in Beijing Joyspreader to WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at a minimum purchase price permitted under PRC laws and regulations. If not explicitly specified in PRC laws and regulations, the transfer price shall be the nominal price, i.e. RMB1.00. The Registered Shareholders have also undertaken that, subject to the relevant PRC laws and regulations, if the consideration is over RMB1.00, they will return to WFOE any consideration that over RMB1.00 they receive in the event that WFOE exercises the options under the Exclusive Option Agreement to acquire the equity interests and/or assets in Beijing Joyspreader.

Pursuant to the Exclusive Option Agreement, the Registered Shareholders and Beijing Joyspreader have undertaken to perform certain acts or refrain from performing certain other acts unless they have obtained prior approval from WFOE, including but not limited to the following matters:

- (1) Without the prior written consent of WFOE, Beijing Joyspreader shall not in any manner supplement, change or alter its constitutional documents or increase or decrease its registered capital or change the structure of its registered capital in other manner;
- (2) Beijing Joyspreader shall prudently and effectively operate its business and transactions in accordance with the good financial and business standards to avoid its liquidation, dissolution and bankruptcy;
- (3) Beijing Joyspreader shall not sell, transfer, create encumbrances or otherwise dispose of any assets, business, legal or beneficial interest of its income or allow any guarantee or security to be created on its assets;
- (4) Beijing Joyspreader shall not terminate or procure the management team to terminate the Contractual Agreements entered into with WFOE, or enter into any contracts or agreements that conflict with the Contractual Agreements without WFOE's prior written consent;
- (5) Beijing Joyspreader shall not incur, take up, guarantee or allow any indebtedness other than those in the ordinary course of business and having been disclosed to and consented by WFOE in writing;
- (6) Beijing Joyspreader shall operate its business in order to maintain its asset value or not allow any acts or omission which adversely affects its business or assets value;
- (7) Without the prior written consent of WFOE, Beijing Joyspreader shall not enter into any material contracts with a value above RMB10 million, except the contracts executed in the ordinary course of business;
- (8) Without the prior written consent of WFOE, the Consolidated Affiliated Entities shall not incur, take up, guarantee any form of indebtedness to any third party nor pledge or allow the encumbrance thereon of any security interest on the shares or any asset of the Consolidated Affiliated Entities;

- (9) Beijing Joyspreader and its affiliates shall provide its labor, operation and financial information to WFOE or its designated person upon WFOE's request;
- (10) when necessary, Beijing Joyspreader and its affiliates shall only purchase insurances from insurance companies that WFOE recognizes, and the amounts and categorizes of the insurances shall maintain the same with the companies having similar businesses or assets in the same field;
- (11) Beijing Joyspreader and its affiliates shall not separate, or merge, or enter into joint operation agreements with other entities, or acquire or be acquired by other entities, or invest in any entities;
- (12) Beijing Joyspreader shall immediately inform WFOE if its assets, business or income involved in any disputes, litigations, arbitrations or administrative proceedings, and take all necessary measures upon WFOE's requests;
- (13) Beijing Joyspreader shall sign all necessary and appropriate documents, take all necessary and proper acts, bring up all necessary and proper requests, or provide necessary and proper defenses against claims to maintain Beijing Joyspreader and its affiliates' ownership for all the assets;
- (14) if the Registered Shareholders or Beijing Joyspreader fails to perform the tax obligations under applicable laws and results in obstacles for WFOE to exercise its exclusive option right, Beijing Joyspreader or the Registered Shareholders shall pay the taxes or pay the same amount to WFOE so WFOE may pay the taxes instead; and
- (15) Beijing Joyspreader shall not distribute any dividend to its shareholders without WFOE's written consent. Each Registered Shareholder shall inform and transfer all distributable dividends, capital dividend and other asset receivable by him at nil consideration to his designated WFOE or a third party within 3 days of receiving such interests.

The Exclusive Option Agreement commenced on December 11, 2019, being the date of the agreement, until it is terminated (i) in writing by all parties, or (ii) upon the transfer of the entire equity interests held by the Registered Shareholders and/or the transfer of all the assets of Beijing Joyspreader to WFOE or its designated person. Nonetheless, WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination 30 days in advance.

# 3. Equity Pledge Agreement

Pursuant to the equity pledge agreement entered into by WFOE, Beijing Joyspreader and the Registered Shareholders on December 11, 2019 (the "**Equity Pledge Agreement**"), each of the Registered Shareholders agreed to pledge all of their respective equity interests in Beijing Joyspreader to WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements.

Under the Equity Pledge Agreement, Beijing Joyspreader represents and warrants to WFOE that appropriate arrangements have been made to protect WFOE's interests in the event of death, bankruptcy or divorce of the Registered Shareholders to avoid any practical difficulties in enforcing the Equity Pledge Agreement and shall procure any successors of the Registered Shareholders to comply with the same undertakings as if they were parties to the Equity Pledge Agreement. If Beijing Joyspreader declares any dividend during the term of the pledge, WFOE is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. If any of the Registered Shareholders or Beijing Joyspreader breaches or fails to fulfill the obligations under any of the aforementioned agreements, WFOE, as the pledgee, will be entitled to dispose of the pledged equity interests, entirely or partially and WFOE will be paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interests upon notice to the Registered Shareholders. In addition, pursuant to the Equity Pledge Agreement, each of the Registered Shareholders has undertaken to WFOE, among other things, not to transfer his equity interests in Beijing Joyspreader and not to create or allow any pledge thereon that may affect the rights and interest of WFOE without its prior written consent.

The registration of the Equity Pledge Agreement as required by the relevant laws and regulations has been completed in accordance with the terms of the Equity Pledge Agreement and PRC laws and regulations.

The Equity Pledge Agreement takes effect upon the execution date and shall remain valid until (i) all the obligations under the Contractual Arrangements (other than the Equity Pledge Agreement) have been fulfilled; (ii) each of the Registered Shareholders has transferred his equity interests in Beijing Joyspreader in accordance with the Exclusive Option Agreement; (iii) all the agreements underlying the Contractual Arrangements have been terminated; (iv) Beijing Joyspreader has transferred all of its assets in accordance with the Exclusive Option Agreement; and (v) the Equity Pledge Agreement has been unilaterally terminated by WFOE with a prior written notice of termination 30 days in advance.

#### 4. Shareholders' Rights Proxy Agreement

Pursuant to the shareholders' rights proxy agreement entered into by each of Beijing Joyspreader, the Registered Shareholders and WFOE on December 11, 2019 (the "Shareholders' Rights Proxy Agreement"), each Registered Shareholder irrevocably appoints WFOE or its designated person, as his attorney-in-fact to exercise such shareholder's rights in Beijing Joyspreader, including but not limited to the following matters:

- to attend shareholders' meetings of Beijing Joyspreader and to execute any and all written resolutions (1) and meeting minutes in the name and on behalf of such shareholder;
- to prompt appointed directors to attend board meetings of Beijing Joyspreader and to execute any (2) and all written resolutions and meeting minutes;
- (3) to exercise all shareholder's rights and shareholder's voting rights in accordance with law and articles of association of Beijing Joyspreader;
- to sell and transfer the equity interests of Beijing Joyspreader held by Beijing Joyspreader Registered (4) Shareholders and to execute and take any action necessary for such sale or transfer;

- (5) to dispose any or all of the assets in Beijing Joyspreader;
- (6) to nominate or appoint directors and supervisors of Beijing Joyspreader;
- (7) to determine and take actions for winding-up and dissolution of Beijing Joyspreader; and
- (8) exercise other shareholders' rights as specified in other applicable laws and regulations and the articles of association of Beijing Joyspreader (and its amendments from time to time).

The Shareholders' Rights Proxy Agreement have an indefinite term and will be terminated in the event that (1) the Shareholders' Rights Proxy Agreement is unilaterally terminated by all parties in writing; or (2) all the equity interest or assets has been legally and effectively transferred to WFOE and/or a third party designated by it. Nonetheless, WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination.

Each Registered Shareholder of Beijing Joyspreader has irrevocably appointed WFOE and/or its designated person as his proxy in accordance with the corresponding Shareholders' Rights Proxy Agreement dated December 11, 2019, with effect from the same date until the date of terminating the Shareholders' Rights Proxy Agreement.

#### 5. Spousal Consent Letters and Undertakings from the Registered Shareholders

The spouse of each of the Registered Shareholders, where applicable, has signed an undertaking (the "Spousal Consent Letter") to support the Contractual Arrangements and to the effect that (i) he/she acknowledges and consents that the respective Registered Shareholders enter into the Contractual Arrangements and the amendments and termination of the Contractual Arrangements do not require his/her further consents under the Contractual Arrangements; (ii) he/she has no right to or control over such interests of the respective Registered Shareholder and will not have any claim on such interests of the respective Registered Shareholders and Contractual Arrangements; and (iii) he/she undertakes to be bound by the agreements under the Contractual Arrangements (as amended from time to time) in the event that he/she for any reason obtains any equity interests in Beijing Joyspreader as the relevant Registered Shareholder's spouse.

Each of the Registered Shareholders undertakes to WFOE that, in the event of death, divorce, bankruptcy, liquidation or other circumstances regarding the Registered Shareholders which may affect the exercise of its/his/her direct or indirect equity interests in Beijing Joyspreader, the Registered Shareholder's respective spouse, successor, liquidator, and any other person/entity which may as a result of the above events obtain the equity interest or relevant rights directly or indirectly shall not prejudice or hinder the enforcement of the Contractual Arrangements.

As of the date of this annual report, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our business through our Consolidated Affiliated Entities under the Contractual Arrangements.

#### II. **Grounds for the Contractual Arrangements**

Pursuant to the List of Special Management Measures for the Market Entry of Foreign Investment (2021 Version) 《《外商投資准入特別管理措施(負面清單)》(2021 年版)), our business of analyzing, optimizing and distributing internet culture products operated through the Consolidated Affiliated Entities and their respective subsidiaries falls within the definition of internet culture business and subjects to foreign investment restrictions. Since the foreign investments in certain business fields which we currently operate subject to the applicable PRC laws and regulations nowadays, according to the opinion of our PRC Legal Advisors (as defined in the Prospectus), we confirm that the Company cannot hold the Consolidated Affiliated Entities directly through equity ownership.

The Consolidated Affiliated Entities are Beijing Joyspreader and its subsidiaries, each of which was established under PRC laws. Under the Contractual Arrangements, the Restricted Businesses (as defined in the Prospectus) are conducted by the Consolidated Affiliated Entities, while WFOE in turn asserts management control over the business operations of each of the Consolidated Affiliated Entities and derives the economic benefits from the Consolidated Affiliated Entities. Each of Beijing Joyspreader, Beijing Wuyou Technology Co., Ltd (伍遊(北京)科技有限公司), Horgos Wuyou Internet Technology Co., Ltd (霍爾果斯伍遊網絡科技有限公司), Horgos Yaoxi Internet Technology Co., Ltd (霍 爾果斯耀西網絡科技有限公司) and Zhipu Shulian Internet Technology Co., Ltd (霍爾果斯智普數聯網絡科技有限公司) has obtained the Internet Culture Operation License, which is essential to the operation of our business.

Our Directors (including the independent non-executive Directors) are of the view that the (i) Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business operations, (ii) those transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (iii) many other companies can use similar arrangements to achieve the same purpose.

#### III. The Development of PRC Foreign Investment Law

On March 15, 2019, the PRC Foreign Investment Law 《中華人民共和國外商投資法》) was approved at the Second Session of the 13th Standing Committee of the National People's Congress, and took effect on January 1, 2020. The Foreign Investment Law replaced the Sino-foreign Equity Joint Venture Enterprise Law 《中外合資經營企業法》》, the Sino-foreign Cooperative Joint Venture Enterprise Law 《中外合作經營企業法》 and the Wholly Foreign-invested Enterprises Law 《外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law stipulated three forms of foreign investment, but does not explicitly stipulate the Contractual Arrangements as a form of foreign investment. The Foreign Investment Law specially stipulated three forms of foreign investment, namely: (1) foreign investors set up foreign invested enterprises in China severally or jointly with other investors; (2) foreign investors acquire shares, equity, properties or other similar interests in PRC domestic enterprise; and (3) foreign investors invest in new projects in China severally or jointly with other investors.

The Foreign Investment Law does not explicitly stipulate the Contractual Arrangements as a form of foreign investment. If no other laws, administrative regulations, departmental rules or other regulatory documents concerning the Contractual Arrangements are issued and promulgated, the Foreign Investment Law itself will not have any significant adverse operational and financial impact on the legality and effectiveness of the Contractual Arrangements of the Company.

Notwithstanding the above, the Foreign Investment Law stipulates that foreign investment includes "a foreign investor makes investment in any other way stipulated by laws, administrative regulations or provisions of the State Council". Therefore, there are possibilities that future laws, administrative regulations or provisions of the State Council may stipulate whether our Contractual Arrangements will be recognised as foreign investment, whether our Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and how our Contractual Arrangements will be handled are uncertain. The Company will disclose the relevant updated information as soon as possible if the change in the Foreign Investment Law will have a material and adverse impact on it.

#### IV. Risks Relating to the Contractual Arrangements

There are certain risks relating to the Contractual Arrangements, including:

- If the PRC government finds that the agreement on setting up a business operation structure in China does not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in our Consolidated Affiliated Entities.
- Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and Beijing Joyspreader or their Shareholders may fail to perform their obligations under the Contractual Arrangements. We may lose the ability to use and enjoy assets held by the PRC Operational Entities (as defined in the Prospectus) that are important to the operation of our business if any of the PRC Operational Entities declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.
- The ultimate shareholder of Beijing Joyspreader may potentially have a conflict of interest with us, which could materially and adversely affect our business.
- If we exercise the option to acquire equity ownership and asset of Beijing Joyspreader, the ownership and asset transfer may subject us to certain limitations and substantial costs.
- Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign
  Investment Law and how it may impact the viability of our current corporate structure, corporate governance
  and business operations.

Our Group has adopted measures to ensure the effective operation of the Group with the implementation of the Contractual Arrangements and compliance with the Contractual Arrangements, including:

(1) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

- the Board will review the overall performance of and compliance with the Contractual Arrangements at least (2) once a year;
- our Company will disclose the overall performance and compliance with the Contractual Arrangements in our (3) Company's annual reports; and
- (4) our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and the Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

#### V. **Listing Rules Implications**

The highest applicable percentage ratios under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

#### VI. The Waiver Granted by the Stock Exchange

Pursuant to Rule 14A. 102 and Rule 14A. 105 of the Listing Rules, the Stock Exchange has granted a waiver that the Company, during the period of its Shares listed on the Stock Exchange, (i) strict compliance with the announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions under the Contractual Arrangements; (ii) setting an annual cap for the transactions under the Contractual Arrangements; and (iii) fixing the term of the Contractual Arrangements to three years or less, for so long as subject to the certain conditions. If any terms of the Contractual Arrangements are amended or we enter into a new agreement with any connected person in the future, we shall comply with Chapter 14A of the Listing Rules to obtain a waiver from the Stock Exchange. These conditions including:

- (1) no changes shall be made without the approval of the independent non-executive Directors;
- no changes shall be made without the approval of the independent Shareholders; (2)
- the Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived (3) by the Consolidated Affiliated Entities;
- (4) upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign-owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, the Contractual Arrangements may be renewed and/or reproduced without obtaining the approval of the Shareholders, on substantially the same terms and conditions of Contractual Arrangements; and
- (5) The Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

#### VII. Confirmation from Independent Non-Executive Directors

The independent non-executive Directors have reviewed the Contractual Arrangements and confirmed that (i) the transactions carried out during the year ended December 31, 2023 have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) during the year end December 31, 2023, no dividends or other distributions have been made by Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, (iii) during the year end December 31, 2023, the Group has not entered into, renewed or reproduced any new contracts with Consolidated Affiliated Entities, and (iv) Contractual Arrangements have been entered into in the ordinary and usual course of business of the Group on normal commercial terms or better, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

# VIII. Confirmation from Auditor of the Company in Relation to the Continuing Connected Transactions

Deloitte Touche Tohmatsu, the Company's auditor, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised), "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu has issued its unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in connection with the Equity Pledge Agreement and the Exclusive Management and Consultation Service Agreement for the year ended December 31, 2023 in accordance with Main Board Listing Rules 14A.56, with an emphasis of matter paragraph in relation to the fact that the Company is not required to establish and announce an annual cap in respect of the continuing connected transactions in connection with the Equity Pledge Agreement and the Exclusive Management and Consultation Service Agreement for the year ended December 31, 2023.

#### IX. **Non-exempted Continuing Connected Transactions**

During the Year, the Group carried out the following transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules and were subject to annual review.

Transactions	Parties involved	Continuing connected transactions in relation to	Continuing connected transactions amount for the year ended December 31,	Annual cap for the year ended December 31, 2023
Equity Pledge Agreement entered into among Beijing Joy Spreader Interactive Network Technology Group Co., Ltd (formerly known as Beijing Joy Spreader Interactive Network Technology Co., Ltd, "Beijing Joyspreader"), Joy Spreader Interactive Group Co., Ltd (formerly known as Beijing Joy Spreader Interactive Technology Co., Ltd, "WFOE") and Registered Shareholders	Beijing Joyspreader and its subsidiaries (collectively referred to as the "Consolidated Affiliated Entities") and the holders of equity interests of the Consolidated Affiliated Entities, including WFOE	Dividends or other distributions made by Consolidated Affiliated Entities to the holders of equity interests of Consolidated Affiliated Entities	Nil	Not applicable
Equity Pledge Agreement entered into among Beijing Joyspreader, WFOE and Registered Shareholders	Consolidated Affiliated Entities and the holders of equity interests of the Consolidated Affiliated Entities, including WFOE	Dividends or other distributions made by Consolidated Affiliated Entities to the holders of equity interests of Consolidated Affiliated Entities	Nil	Not applicable
Exclusive Management and Consultation Service Agreement entered into between Beijing Joyspreader and WFOE	Consolidated Affiliated Entities and WFOE	Management and consultation service provided by WFOE to Consolidated Affiliated Entities	Nil	Not applicable

# THE DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

#### Interests in Shares or Underlying Shares of the Company

Name of Directors	Nature of interest	Number of Shares/ underlying Shares <sup>(1)</sup>	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporation <sup>(2)</sup>	783,409,400 (L)	33.03%
ZZN. Ltd.	Beneficial owner	747,298,300 (L)	31.51%
Laurence mate. Ltd.	Beneficial owner	36,111,100 (L)	1.52%
Ms. Qin Jiaxin	Beneficial owner	4,400,000 (L)	0.19%

#### Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.
- (2) 747,298,300 Shares and 36,111,100 Shares of the Company are held by ZZN. Ltd. and Laurence mate. Ltd. respectively. Mr. Zhu held 100% interests of ZZN. Ltd. and 90% interests of Laurence mate. Ltd., and therefore Mr. Zhu is deemed to be interested in the Shares held by ZZN. Ltd. and Laurence mate. Ltd. under the SFO.

## Interests in Shares or Underlying Shares of Beijing Joyspreader

Name of Director	Nature of interest	Number of shares of Beijing Joyspreader <sup>(1)</sup>	Approximate percentage of shareholding interest in Beijing Joyspreader
Mr. Zhu	Beneficial owner	7,472,983 (L)	45.81%
	Interest in controlled corporation <sup>(2)</sup>	1,111,111 (L)	6.81%

#### Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.
- (2) Mr. Zhu held 90% equity interests of Beijing Zinan and Friends, which in turn held 1,111,111 shares of Beijing Joyspreader, and therefore Mr. Zhu is deemed to be interested in the shares held by Beijing Zinan and Friends in Beijing Joyspreader under the SFO.

## Interests in Shares or Underlying Shares of Joy Spreader International

			Approximate percentage of shareholding
		Number of shares	interest in
		of Joy Spreader	Joy Spreader
Name of Director	Nature of interest	International <sup>(1)</sup>	International
Mr. Zhu	Beneficial owner	1,000 (L) <sup>(2)</sup>	10.00%

#### Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.
- (2) Pursuant to Joy Spreader International Share Award Scheme adopted on September 28, 2023, on the same date, Mr. Zhu was conditionally granted 1,000 shares of Joy Spreader International (HK) Limited, among which 200 shares was immediately vested to him, with the other 800 shares following a step-wise vesting schedule: 200 shares by March 1, 2024, 300 shares by September 1, 2024 and 300 shares by March 1,

Save as disclosed above, as at December 31, 2023, so far as it was known to the Directors or chief executives of the Company, none of the Directors or chief executives of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which were required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### THE DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of Shares in or debentures of the Company or any other body corporate, and none of the Directors or their spouses or children under the age of 18 were granted any right to subscribe for the share capital or debt securities of the Company or any other body corporate, or had exercised any such right.

# SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2023, so far as it was known to the Directors or chief executives of the Company, the following persons (other than the Directors and chief executives of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

#### Interests in Shares or Underlying Shares of the Company

Name of Shareholders	Nature of interest	Number of Shares/ underlying Shares <sup>(1)</sup>	Approximate percentage of shareholding interest
Mr. Zhu	Interest in controlled corporation(2)	783,409,400 (L)	33.03%
ZZN.Ltd.	Beneficial owner <sup>(3)</sup>	747,298,300 (L)	31.51%
Laurence mate. Ltd.	Beneficial owner <sup>(4)</sup>	36,111,100 (L)	1.52%
NT Balance Capital Ltd.	Beneficial owner <sup>(5)</sup>	114,135,300 (L)	4.81%
Balance Capital Group Ltd.	Beneficial owner <sup>(6)</sup>	60,727,100 (L)	2.56%

#### Notes:

- (1) The letter "L" denotes the person's long position in the Shares and the underlying Shares of the Company.
- (2) Mr. Zhu held 100% interests of ZZN. Ltd. and 90% interests of Laurence mate. Ltd.
- (3) ZZN. Ltd. is a limited liability company incorporated in the BVI and wholly owned by Mr. Zhu.
- (4) Laurence mate. Ltd. is owned as to 90% by Mr. Zhu and 10% by Mr. Zhang Zhidi.

- (5) Each of Nantong Pinghengchuangye (sole shareholder of NT Balance Capital Ltd.), Nantong Pingheng Capital Management Center (Limited Partnership) (南通平衡資本管理中心(有限合夥)) ("Nantong Pingheng Capital", general partner of Nantong Pinghengchuangye), Nanjing Pingheng Capital (general partner of Nantong Pingheng Capital), Mr. Lv Xueqiang (呂學強, general partner of Nanjing Pingheng Capital), Nantong Luhai Tongchou Growth Fund Co., Ltd (南通陸海統籌發展基金有限公司) (limited partner holding 40% equity interests of Nantong Pinghengchuangye) and Nantong Finance Bureau (holding 75% equity interest of Nantong Luhai Tongchou Growth Fund Co., Ltd) is deemed to be interested in the Shares held by NT Balance Capital Ltd. under the SFO.
- (6) Each of Nanjing Pingheng Capital (sole shareholder of Balance Capital Group Ltd.) and Mr. Lv Xueqiang (呂學強, general partner of Nanjing Pingheng Capital) is deemed to be interested in the Shares held by Balance Capital Group Ltd. under the SFO. Mr. Lv Xueqiang is also the ultimate controller of NT Balance Capital Ltd.

Save as disclosed above, as at December 31, 2023, the Directors and chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

#### CONTROLLING SHAREHOLDERS' INTERESTS IN MATERIAL CONTRACTS

Save as disclosed in this annual report, none of the controlling shareholders of our Group or their subsidiaries had a material interest, directly or indirectly, in any material contract during the Reporting Period for the provision of services to the Company or the Group to which any of its subsidiaries belongs or other reasons.

#### **MAJOR CUSTOMERS AND SUPPLIERS**

#### **Major Customers**

The Group's sales to its five largest customers accounted for 37.37% of the Group's total revenue for the year ended December 31, 2023 and 48.65% for the year ended December 31, 2022. Sales to the Group's largest customer accounted for 20.13% of the Group's total revenue, compared to 23.58% for the year ended December 31, 2022.

#### **Major Suppliers**

The purchase attributable to the Group's five latest suppliers accounted for 99.88% of the Group's total purchases for the year ended December 31, 2023 and 100.00% for the year ended December 31, 2022. The purchase attributable to the Group's largest supplier accounted for 92.41% of the Group's total purchases for the year ended December 31, 2023, as compared to 88.72% for the year ended December 31, 2022.

For the year ended December 31, 2023, none of the Directors or any of their close associates or Shareholders, which to the knowledge of the Directors owned more than 5% of the Company's issued Shares, had an interest in any of the five largest customers and the five largest suppliers of the Group.

#### **MANAGEMENT CONTRACTS**

During the Reporting Period, the Company did not enter into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group.

#### **EQUITY-LINKED AGREEMENT**

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended December 31, 2023.

#### PERMITTED INDEMNITY OF DIRECTORS

According to the Articles of Association, every Director or other officer of the Company shall be indemnified out of the assets of the Company against all actions, costs, charges, losses, damages and expenses incurred or sustained by him in the performance of his duties or in the execution of his duties on trust or otherwise incurred or sustained. For the year ended December 31, 2023, the Company has arranged appropriate liability insurance for the Directors of the Group.

#### **RESULTS**

The Group's loss for the year ended December 31, 2023 and the Group's financial position as at that date are set out in the consolidated financial statements on pages 130 to 133.

#### **DIVIDENDS**

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

### **SHARE CAPITAL**

Details of the movements in the share capital of the Company during the Reporting Period are set out in note 33 to the consolidated financial statements of this annual report.

#### **BONDS ISSUED**

During the year ended December 31, 2023, the Company has not issued any bonds and convertible bonds.

#### BANK LOANS AND OTHER BORROWINGS

As of December 31, 2023, the Group did not have any bank loans and other borrowings.

# LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of the date of this annual report, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders.

#### **MATERIAL LITIGATION**

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2023. To the best knowledge of Directors, there was also not any material litigation or claims that were pending or threatened against the Group during the year ended December 31, 2023.

#### FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this annual report, we did not have any plan for material investments and capital assets.

#### **RESERVES**

Details of the movements in reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity and note 34 to the consolidated financial statements of this annual report.

As at December 31, 2023, the Company's reserves available for distribution to Shareholders of the Company amounted to HK\$1,768,653,000.

#### **CHARITABLE DONATIONS**

During the Reporting Period, charitable and other donations made by the Group were HK\$20,000.

#### PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the Reporting Period are set out in note 18 to the consolidated financial statements of this annual report.

#### **USE OF PROCEEDS FROM LISTING**

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

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

The Board has passed a resolution on August 31, 2022 to determine that the unutilized Original Net Proceeds from the Listing and the Increased Net Proceeds from the Listing (the "Unutilized Proceeds from the Listing") are reallocated for the first time as follows:

proc	ntended use of the net eeds from the listing as ibed in the Prospectus	Original Net Proceeds from the Listing (including net proceeds from the exercise of the Over allotment Option) (HK\$ million)	Approximate percentage of Original Net Proceeds from the Listing (%)	Unutilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)	Reallocated Updated Net Proceeds from the Listing (HKS million)	Unutilized Proceeds from the Listing upon first reallocation (HK\$ million)	Unutilized proceeds from the Listing upon first reallocation as of January 1, 2023 (HK\$ million)	Utilized proceeds from the Listing upon first reallocation from January 1, 2023 to December 31, 2023 (HKS million)	Unutilized proceeds from the Listing upon first reallocation as of December 31, 2023 (HK\$ million)	Utilized proceeds from the Listing upon first reallocation as of March 28, 2024 (HK\$ million)	Unutilized proceeds from the Listing upon first reallocation as of March 28, 2024 (HK\$ million)	Expected timetable for the use of Unutilized Proceeds from the Listing
n b	evelop our short-form video pobile new media monetization usiness, the net proceeds:											
(1)	Will be used to invest in developing our self-owned user											over the next one and a
	traffic;	511.11	34.10%	18.83	-	18.83	10.73	10.73	-	-	-	half years over the next
(2)	Will be used to expand our team:	61.45	4.10%	26.09		26.09	26.09		26.09		26.09	one and a half years
(3)	Will be used to further develop		4.1076	20.09	-	20.09	20.09	-	20.09	-	20.09	over the next
	our short-form video technology infrastructure;	<i>1</i> 37.47	2.50%	9.10	-	9.10	7.07	-	7.07	-	7.07	one and a half years
(4)	Will be used to procure high quality copyrights or ownership of high quality interactive											
	entertainment products or license-in high quality interactive											over the next
	entertainment products; and	265.29	17.70%	32.16	-	32.16	32.16	-	32.16	-	32.16	half years
(5)	Will be used to continuously develop and optimize our algorithms and data collection capabilities to											
	increase the effectiveness of recommendation algorithms for											over the next one and a
	short-form videos.	23.98	1.60%	1.46	-	1.46	1.46	-	1.46	-	1.46	half years

							Utilized				
	Original Net						proceeds from				
	Proceeds from					Unutilized	the Listing	Unutilized	Utilized	Unutilized	
	the Listing		Unutilized			proceeds from	upon first	proceeds from	proceeds from	proceeds from	
	(including net		Original Net			the Listing	reallocation	the Listing	the Listing	the Listing	Expected
	proceeds from	Approximate	Proceeds from		Unutilized	upon first	from	upon first	upon first	upon first	timetable for
	the exercise	percentage of	the Listing	Reallocated	Proceeds from	reallocation	January 1,	reallocation	reallocation	reallocation	the use of
The intended use of the net	of the Over –	Original Net	as of	Updated Net	the Listing	as of	2023 to	as of	as of	as of	Unutilized
proceeds from the listing as	allotment	Proceeds from	August 31,	Proceeds from	upon first	January 1,	December 31,	December 31,	March 28,	March 28,	Proceeds from
described in the Prospectus	Option)	the Listing	2022	the Listing	reallocation	2023	2023	2023	2024	2024	the Listing
	(HK\$ million)	(%)	(HK\$ million)								

0	continue to strengthen our
	capabilities in performance-
	based mobile new media
	marketing services, the net
	proceeds:

1	marketing services, the net											
ı	proceeds:											
(1)	Will be used for potential											
	investments in, or acquisitions											
	of suitable licensed or large											over the
	agents of top mobile we-media											next one and
	platforms;	106.42	7.10%	70.21	-	70.21	70.21	3.00	67.21	-	67.21	a half years
(2)	Will be used for upgrading and											over the
	optimizing our technologies,											next one and
	platforms and algorithms;	46.46	3.10%	22.06	-	22.06	22.06	22.06	-	-	-	a half years
(3)	Will be used to expand our											over the
	interactive entertainment											next one and
	product offerings; and	121.41	8.10%	85.77	-40.00	45.77	45.77	-	45.77	-	45.77	a half years
(4)	Will be used to increase and											
	diversify our collaboration											
	with licensed or large agents											
	of popular mobile new media											
	platforms in order to capture											over the
	high-quality mobile new media											next one and
	resources.	22.48	1.50%	22.48	-	22.48	22.48	-	22.48	-	22.48	a half years

proc	ntended use of the net eeds from the listing as ribed in the Prospectus	Original Net Proceeds from the Listing (including net proceeds from the exercise of the Over – allotment Option) (HKS million)	Approximate percentage of Original Net Proceeds from the Listing (%)	Unutilized Original Net Proceeds from the Listing as of August 31, 2022 (HK\$ million)	Reallocated Updated Net Proceeds from the Listing (HK\$ million)	Unutilized Proceeds from the Listing upon first reallocation (HK\$ million)	Unutilized proceeds from the Listing upon first reallocation as of January 1, 2023 (HK\$ million)	Utilized proceeds from the Listing upon first reallocation from January 1, 2023 to December 31, 2023 (HK\$ million)	Unutilized proceeds from the Listing upon first reallocation as of December 31, 2023 (HK\$ million)	Utilized proceeds from the Listing upon first reallocation as of March 28, 2024 (HK\$ million)	Unutilized proceeds from the Listing upon first reallocation as of March 28, 2024 (HK\$ million)	Expected timetable for the use of Unutilized Proceeds from the Listing
	mance our international xpansion, the net proceeds: Will be used to establish an overseas office in South Korea or countries in Southeast Asia and to											over the
(2)	establish an international sales and marketing team; Will be used for exploring potential investments and acquisitions, including talent trainee agency companies with strong talent resources	61.45	4.10%	61.45	-	61.45	61.45	0.18	61.27	-	61.27	next one and a half years over the
(3)	in South Korea and Southeast Asia; Will be used for procuring user traffic from overseas mobile new media platforms or their agents that provide traffic resources to extend our performance-based mobile new media marketing services to overseas platforms for both domestic marketers and foreign marketers that	38.97	2.60%	38.97	-38.97	-	-	-	-	-	-	next one and a half years
(4)	seek to market their products on overseas short-video platforms; Will be used to develop	29.98	2.00%	14.80	+10.92	25.72	25.72	25.72	-	-	-	over the next one and a half years over the
(5)	overseas versions of our technology platforms; and Will be used to expand overseas sales of E-commerce	22.48	1.50%	7.66	+10.92	18.58	18.58	18.58	-	-	-	next one and a half years over the next one and
	goods business.  net proceeds to develop our ulture business:				+18.97	60.00	60.00	6.82	60.00		60.00	a half years  over the next one and a half years
	our working capital and eneral corporate purposes:	149.88	10.00%	23.50		23.50	14.92	13.12	1.80	1.61	0.19	over the next one and a half years
Tota		1,498.83	100.00%	434.54	21.84	456.38	425.52	100.21	325.31	1.61	323.70	

Due to the reasons set out in the paragraph headed "Reasons for and Benefits of the Change in the Use of Proceeds from the Listing" below, the Board has passed a resolution on March 28, 2024 to determine that the unutilized net proceeds from the Listing upon first reallocation (the "Unutilized Net Proceeds from the Listing") are reallocated for the second time as follows:

	Net proceeds							
	from the							
	Listing							
	upon first							
	reallocation							
	(including net	Approximate		Reallocation		Unutilized	Approximate	
	proceeds from	percentage of	Unutilized	of proceeds		Proceeds	percentage of	
	the exercise	updated net	updated net	from the		from the	updated net	Expected
	of the	proceeds	proceeds	Listing	Proceeds	Listing	Proceeds upon	timetable for
The intended use of the net proceeds as	Over-allotment	upon first	as of	upon first	upon second	upon second	second	unutilized
described in the Prospectus	Option)	reallocation	March 28, 2024	reallocation	reallocation	reallocation	reallocation	proceeds
	(HK\$ million)	(%)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(%)	

To develo	p our	short-for	m video	mobil	e new
media	mone	tization	busine	ss, th	e net
procoor	۱۰.				

	,,								
p	roceeds:								
(1)	Will be used to invest in developing our								over the next
	self-owned user traffic;								one and a
		511.11	33.61%	-	+30.00	541.11	30.00	35.59%	half years
									over the next
									one and a
(2)	Will be used to expand our team;	61.45	4.04%	26.09	-10.00	51.45	16.09	3.38%	half years
									over the next
(3)	Will be used to further develop our short-form								one and a
	video technology infrastructure;	37.47	2.46%	7.07	-	37.47	7.07	2.46%	half years
(4)	Will be used to procure high quality copyrights								
	or ownership of high quality interactive								over the next
	entertainment products or license-in high								one and a
	quality interactive entertainment products; and	265.29	17.45%	32.16	-20.00	245.29	12.16	16.13%	half years
(5)	Will be used to continuously develop and								
	optimize our algorithms and data collection								
	capabilities to increase the effectiveness of								over the next
	recommendation algorithms for short-form								one and a
	videos.	23.98	1.58%	1.46	-	23.98	1.46	1.58%	half years

	Net proceeds							
	from the							
	Listing							
	upon first							
	reallocation							
	(including net			Reallocation		Unutilized	Approximate	
	proceeds from	Approximate	Unutilized	of proceeds		Proceeds	percentage of	
	the exercise	percentage of	updated net	from the		from the	updated net	Expected
	of the	updated net	proceeds	Listing	Proceeds	Listing upon	proceeds upon	timetable fo
e intended use of the net proceeds as	Over-allotment	proceeds upon	as of	upon first	upon second	second	second	unutilize
scribed in the Prospectus	Option)	first reallocation	March 28, 2024	reallocation	reallocation	reallocation	reallocation	proceed
	(HK\$ million)	(%)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(%)	

· ·								
in performance-based mobile new media								
marketing services, the net proceeds:								
Will be used for potential investments in, or								over the next
acquisitions of suitable licensed or large agents								one and a
of top mobile we-media platforms;	106.42	7.00%	67.21	-60.00	46.42	7.21	3.05%	half years
								over the next
Will be used for upgrading and optimizing our								one and a
technologies, platforms and algorithms;	46.46	3.06%	-	+60.00	106.46	60.00	7.00%	half years
								over the next
Will be used to expand our interactive								one and a
entertainment product offerings; and	81.41	5.35%	45.77	-40.00	41.41	5.77	2.72%	half years
Will be used to increase and diversify our								
collaboration with licensed or large agents of								
popular mobile new media platforms in order								over the next
to capture high-quality mobile new media								one and a
	technologies, platforms and algorithms;  Will be used to expand our interactive entertainment product offerings; and Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order	technologies, platforms and algorithms; 46.46  Will be used to expand our interactive entertainment product offerings; and 81.41  Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order	technologies, platforms and algorithms; 46.46 3.06%  Will be used to expand our interactive entertainment product offerings; and 81.41 5.35%  Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order	technologies, platforms and algorithms; 46.46 3.06% –  Will be used to expand our interactive entertainment product offerings; and 81.41 5.35% 45.77  Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order	technologies, platforms and algorithms; 46.46 3.06% – +60.00  Will be used to expand our interactive entertainment product offerings; and 81.41 5.35% 45.77 -40.00  Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order	technologies, platforms and algorithms; 46.46 3.06% - +60.00 106.46  Will be used to expand our interactive entertainment product offerings; and 81.41 5.35% 45.77 -40.00 41.41  Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order	technologies, platforms and algorithms; 46.46 3.06% - +60.00 106.46 60.00  Will be used to expand our interactive entertainment product offerings; and 81.41 5.35% 45.77 -40.00 41.41 5.77  Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order	technologies, platforms and algorithms;  46.46  3.06%  - +60.00  106.46  60.00  7.00%  Will be used to expand our interactive entertainment product offerings; and 81.41  5.35%  45.77  -40.00  41.41  5.77  2.72%  Will be used to increase and diversify our collaboration with licensed or large agents of popular mobile new media platforms in order

22.48

-15.00

7.48

7.48

0.49%

22.48

resources.

half years

The intended use of the net proceeds as described in the Prospectus	Net proceeds from the Listing upon first reallocation (including net proceeds from the exercise of the Over-allotment Option) (HK\$ million)	Approximate percentage of updated net proceeds upon first reallocation (%)	Unutilized updated net proceeds as of March 28, 2024 (HK\$ million)	Reallocation of proceeds from the Listing upon first reallocation (HK\$ million)	Proceeds upon second reallocation (HK\$ million)	Unutilized Proceeds from the Listing upon second reallocation (HK\$ million)	Approximate percentage of updated net proceeds upon second reallocation (%)	Expected timetable for unutilized proceeds
To finance our international expansion, the net								
proceeds:  (1) Will be used to establish an overseas office in South Korea or countries in Southeast Asia and to establish an international sales and marketing team;  (2) Will be used for procuring user traffic from overseas mobile new media platforms or their agents that provide traffic resources to extend our performance-	61.45	4.04%	61.27	-55.00	6.45	6.27	0.42%	over the next one and a half years
based mobile new media marketing services to overseas platforms for both domestic marketers and foreign marketers that seek to market their products on overseas short-video platforms;	40.90	2.69%	-	+60.00	100.90	60.00	6.64%	over the next one and a half years
(3) Will be used to develop overseas versions of our technology platforms; and	33.40	2.20%	-	+30.00	63.40	30.00	4.17%	over the next one and a half years over the next
(4) Will be used to expand overseas sales of E-commerce goods business.	18.97	1.25%		+20.00	38.97	20.00	2.56%	one and a half years
The net proceeds to develop our culture business	60.00	3.94%	60.00		60.00	60.00	3.95%	over the next one and a half years
For our working capital and general corporate purposes	149.88	9.85%	0.19	-	149.88	0.19	9.86%	over the next one and a half years
Total	1,520.67	100.00%	323.70		1,520.67	323.70	100.00%	

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

The Board is of the opinion that, it is necessary for the Group to further intensify its investment in culture business and interest-based algorithm technology service based on overseas mobile new media. The Board believes that the change in the use of Gross Proceeds from the listing is beneficial for the Group to satisfy its current operational requirements, and is therefore in the best interests of the Group and the Shareholders as a whole.

#### USE OF PROCEEDS FROM THE PLACING

On June 6, 2022, the Company, ZZN. Ltd. (the "**Top-up Vendor**") and Goldman Sachs (Asia) L.L.C. (the "**Placing Agent**") entered into the Placing and Subscription Agreement, pursuant to which, (i) the Top-up Vendor agreed to sell, and the Placing Agent agreed, as agent of the Top-up Vendor, to procure on a best effort basis purchasers to purchase, 192,000,000 Placing Shares held by the Top-up Vendor (the "**Vendor Placing**") at a price of HK\$3.14 per Placing Share; and (ii) the Top-up Vendor conditionally agreed to subscribe for (the "**Subscription**"), and the Company conditionally agreed to issue, 192,000,000 Subscription Shares at the Subscription Price, which is equivalent to the Placing Price. Completion of the Vendor Placing and the Subscription have been took place on June 9, 2022 and June 16, 2022, respectively. The Company received total net proceeds of approximately HK\$592.3 million from the Subscription, net of all applicable costs and expenses including commissions, professional fees and out-of-pocket expenses. For details, please refer to the Company's announcements dated June 7, 2022 and June 16, 2022. As of December 31, 2023, the Company has utilized the proceeds from the placing in full.

#### ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend the AGM of the Company to be held on June 28, 2024 (Friday), the register of members of the Company will be closed from June 25, 2024 (Tuesday) to June 28, 2024 (Friday), both days inclusive, during which period no transfer of Shares of the Company will be effected. In order to be entitled to attend the AGM, all share transfer documents accompanied by the relevant Share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on June 24, 2024 (Monday).

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

For the year ended December 31, 2023, the Company has not purchased or cancelled any Shares.

#### SUFFICIENCY OF PUBLIC FLOAT

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

### TAX RELIEF AND EXEMPTION

To the best knowledge of the Directors, none of the Shareholders is entitled to any tax relief and exemption by reason of their holding of the Company's listed securities.

#### **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Articles of Association, or the law of Cayman Islands being the jurisdiction in which the Company is incorporated under which the Company would be obliged to offer new Shares on a pro-rata basis to existing Shareholders.

#### **AUDITOR**

The Company did not change its auditor since its Listing. The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2023. A resolution for the re-appointment of Deloitte Touche Tohmatsu as the auditor of the Company will be proposed at the forthcoming AGM for the approval of Shareholders.

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

Beijing, China March 28, 2024

#### **FOREWORD**

#### **Explanation for the Preparation of the Report**

#### Summary

This report is the Environmental, Social and Governance Report for 2023 (hereinafter referred to as the "Report") of Joy Spreader Group Inc. (the "Company"), together with its subsidiaries (collectively referred to as the "Group", "our Group", "we", "us", or "our"). This Report truthfully and objectively introduces the implementation of activities of Joy Spreader Group, its branches and subsidiaries in fulfilling corporate social responsibilities in 2023, focusing on the disclosure of relevant information in the three major areas of social, environmental and governance (ESG) of the Company.

#### **Reporting Scope**

Time range: The Report is an annual report covering the period from January 1, 2023 to December 31, 2023 (the "**Reporting**"), which is in line with the financial year covered by the 2023 Annual Report of the Group.

Scope of organization: The Report covers the Company and its subsidiaries unless otherwise stated.

#### **Basis of Preparation**

The Environmental, Social and Governance Reporting Guide (effective from December 31, 2023) in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange")

#### Reporting Language

Traditional Chinese

#### Principles of the Report

- Principle of materiality: Based on stakeholder research, data analysis and other efforts, the Report identifies and
  responds to important ESG issues affecting the Company's sustainable development, as detailed in page 100 of this
  annual report.
- Principle of quantification: The Report has disclosed the Company's ESG quantitative key performance, for details of which please refer to the performance disclosure under each chapter of the Report.
- Principle of consistency: The indicators used in the Report for different reporting periods shall be kept consistent as far as possible, and if there are changes in key performance indicators, explanations shall be provided for the changed indicators.
- Principle of balance: The contents of the Report reflect objective facts while disclosing both positive and negative indicators.

#### **Contact Information**

If you have any questions or suggestions about the content or format of the Report, please contact us through:

Tel: 010-87726988

Email: investment@joyspreader.com

#### Statement of the Board

In 2023, the Board of the Company continuously improved the ESG management standard of the Company in terms of ESG governance structure, ESG risk management and other aspects, aiming to lay a solid foundation for achieving high-quality sustainable development. The Directors of Joy Spreader Group presented a new ESG responsibility performance to stakeholders.

In terms of ESG governance structure, the Company had three dedicated ESG staff in 2023. Under the supervision and management of the Board, the Group's ESG task force will promote the construction of the ESG system, formulate ESG objectives, review the Company's ESG-related management system, lead the compilation of ESG reports, continuously coordinate internal and external communication on ESG issues, and conduct internal ESG training, etc.

In conjunction with its strategic objectives, in terms of ESG risk management, the Company has incorporated ESG risks into its overall risk management, actively integrated ESG concepts with the Company's strategies and operations, and identified ESG key issues and corresponding risks, such as the protection of customers' rights and interests, privacy and information security, and the protection of investors' rights and interests related to the E-commerce platform business; the protection of technological innovations and intellectual property rights related to the culture and entertainment technology business; and responsible marketing related to the interest-based content recommendation algorithm-based marketing business, to fulfill its corporate social responsibility and promote the long-term sustainable development of the Company.

In considering substantive issues, the Board follows the materiality principle of the Stock Exchange, taking stakeholders' requirements as the basis for judging the annual material issues. The Company systematically analyzed and evaluated the impact of each issue on the sustainable development of the Company together with external experts. The material issues identified in 2023 included five issues such as corporate governance, risk management and control, compliance operation, service to the real economy, information security and privacy protection, which were the focuses of ESG report disclosure in 2023.

Standing at the new starting point of building a modern capital market with Chinese characteristics, Joy Spreader Group will gather the majestic power of working side by side, integrate into the new development pattern, comprehensively promote the green transformation of production and lifestyle, accelerate the construction of a resource-saving and environment-friendly society, become a firm supporter of and participant in the implementation of the national strategy, promote the Company's high-quality development to a new level and make greater contributions to the high-quality development of the digital marketing and E-commerce industry in the new era!

### **Corporate Profile**

Joy Spreader Group is a mobile internet marketing group for full industrial chain, consisting of culture and entertainment technology business in China (Web3.0 business, MCN business, film and television business, digital marketing business, short video business), domestic interest-based content recommendation algorithm-based marketing business, and overseas consumer electronics vertical E-commerce platform business. Based on the mobile internet industry, the Company is committed to providing diversified marketing solutions for customers, constantly deepening the layout of the industrial chain and expanding business boundaries.

The culture and entertainment technology business is the Company's continuous innovation field, covering Web3.0, MCN, film and television, digital marketing, short video and other businesses. The Company, Poly Culture Group and Poly Film have established a mixed-ownership reformed company, Poly Joy Spreader Digi-Entertainment. We continued to explore new digital business combining film, television, culture and entertainment and internet technology. We realized the deep integration of cultural values and technological innovation, and created a new culture and entertainment industry combining multiple scenarios with high-quality content as the core and technological innovation as the driving force. Through blockchain technology, we have built "Kong Jian (空兼)", a digital asset service platform for film and television culture and entertainment contents, established the first central enterprise MCN, actively explored the presentation, distribution and production of film and television works, provided better development plans and platforms for artists, and cooperated with open Al platforms to carry out commercial applications of AIGC, driving the development of cultural industries with digitalization and intelligence.

The interest-based content algorithm-based marketing business in China is one of the main businesses of the Company. Through advanced interest-based content recommendation algorithm-based technology, the Company has carried out algorithm-based marketing on mobile internet social platforms and short video platforms in Mainland China, indicating that customers have increased sales volume, downloads and activity, thus achieving remarkable results.

In terms of overseas E-commerce business, based on Joy Spreader International, the Company has built MARTOP, an overseas consumer electronics vertical E-commerce platform, focusing on the sales of 3C electronic consumer products. Through cooperation with overseas well-known short video platforms, the Group accurately obtains traffic on overseas short video platforms and provides accurate marketing services for customers with interest-based algorithm technology.

In Mainland China, the Company has a wide range of businesses to provide customers with a variety of services and products. We will continue to adhere to the concept of integrity, innovation, cooperation and win-win, and strive to promote the development of the industry to achieve sustainable growth of the Company and maximize its social value.

Company name 樂享集團股份有限公司 English name Joy Spreader Group Inc.

Listing code 06988 HK

Address of headquarters Joy Spreader Group, Zone A, Building T18, Jiuxianqiao Diantong Creative Park, Chaoyang

District, Beijing City, China

Total assets HK\$1,868.78 million
Operating income HK\$5,083.99 million

Total number of employees 91

Principal activities

Culture and entertainment technology business (In China) Interest-based content recommendation algorithm-based marketing business - Mainland China

Web3.0 business, MCN business, film and television business, digital marketing business and short video business Main services: Interactive entertainment product distribution over mobile internet, selling goods through E-commerce, APP downloads, marketing activity, etc.

Main service area: Mainland China

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

(Overseas) Consumer electronics vertical E-commerce platform business

Main products for sales: 3C electronic consumer products Main service targets: Distributors (B-end small and medium customers) and customers of electronic consumer products Main service area: The Association of Southeast Asian

Nations (ASEAN)

Main marketing channels: A famous overseas short video

platform

#### **Company Milestones in 2023**

On March 11, 2023, the Group's overseas E-commerce business entity, Joy Spreader International, held a grand opening ceremony in Chengdu, officially opening the road of independent operation. This activity means that the overseas E-commerce business has entered a new stage of more flexible and efficient operation. In the future, Joy Spreader International will utilize advanced concept mode and digital technology to strengthen business digitalization construction, local language management and intelligent development, continuously improve technical capabilities, lock core competitiveness, and combine the strong support of the parent company in capital, technology and management to build MARTOP, an overseas E-commerce platform, into the largest consumer electronics vertical E-commerce platform in Southeast Asia.

On March 18, 2023, the inaugural meeting of "Future Biomedical Engineering Branch (未來生物醫學工程分會)" of China Future Research Society (中國未來研究會) was successfully held in China Science and Technology Hall. Zhu Zinan, Chairman of the Board of Joy Spreader Group, accepted the honorary certificate issued by Quzheng Love Foundation (屈正愛心基金會) on behalf of Joy Spreader Group. Mr. Zhu Zinan is a member of Quzheng Love Foundation established by Professor Qu Zheng. He has been enthusiastic about public welfare undertakings for many years, actively supporting the charity work of the Foundation focusing on medical assistance, and donating medical assistance funds for children with congenital heart disease and autistic children. In view of Mr. Zhu Zinan's outstanding contributions to the public welfare undertakings of Quzheng Love Foundation, the Foundation elected him as the chairman of the new session of Board of Supervisors. This activity is an affirmation by all sectors of society of the contribution of Joy Spreader Group to the public welfare field over the years.

In April 2023, Unique Research (非凡產研) announced the market capitalization list of listed companies in business digitization in 2023, and Joy Spreader Group was ranked in the top 30 of the list with a total market capitalization of HK\$4.488 billion, signifying that the Group has received professional recognition from the industry.

In July 2023, Joy Spreader Group and MARTOP won two awards, namely Digital Innovation Leading Award (數位化創新引領獎) and Digital Pioneer Product Award (數位化先鋒產品獎) of the 12th Finance Summit (第十二屆財經峰會) of CFS2023. These awards mark that Joy Spreader Group has achieved phased achievements in the field of digital innovation.

In January 2024, Joy Spreader Group received two awards at the 13th Philanthropy Festival (第十三屆公益節), including the "2023 Public Welfare Practice Award (2023 年度公益踐行獎)" to the Group and the "2023 Responsible Business Leadership Award (2023 年度責任商業領袖獎)" to Mr. Zhu Zinan, the Chairman of the Board of the Group. The awards are an affirmation by all sectors of society of Joy Spreader Group's contribution to the public welfare field over the years. In the future, Joy Spreader Group will persistently carry forward the spirit of public welfare, take practical actions to fulfill its corporate social responsibility, and export more public welfare energy to the society.

In January 2024, Joy Spreader Group participated in the strategic signing ceremony between Poly Digi-Entertainment, a joint venture subsidiary established under the mixed-ownership reform of subsidiaries of Poly Culture Group, a central state-owned company in cultural industry, and Head Collect Digital. This cooperation marks that both parties will step into a brand-new realm of digital art collection hand in hand and jointly open a new chapter combining trend culture and digital technology. Poly Digi-Entertainment will rely on the central state-owned enterprise's own blockchain "Poly Digi-Entertainment Chain (保利文娱科技變)" to provide low-level technical support and innovative solutions for Head Collect Digital. Head Collect Digital will give full play to its leading position in the digital culture market, explore more possibilities for digital technology-enabled culture and art industry together with Poly Digi-Entertainment, jointly create a new digital content ecology combining humanities and science and technology, and contribute to the construction of digital China with cultural power.

#### **Annual Social Recognition**

March 2023

Awarding time	Awards	
December 2023	<b>ESG awards</b> The Group won the "ESG Financial Innovation Award (ESG 金融創新獎)" from CLS.CN (財聯社)	"排水金山炭" 金融垃圾炭臭礼 WASHINGTON REPORT R
December 2023	Corporate governance Qin Jiaxin, an Executive Director, was awarded the "TOP 300 Most Popular Secretary of the Board (TOP300 最受歡迎董秘)" by Tonghuashun (同花順)	文字社 5 在代表 com
	Social field	

Zhu Zinan, Chairman of the Board, was awarded the Honorary Certificate of Public Welfare by Quzheng Love

Foundation



Awarding time	Awards	
April 2023	The Group was awarded as one of the Top 30 Listed Companies by Market Capitalization in Business Digitization 2023	19 (19 ma) (20 23 m m m m m m m m m m m m m m m m m m
July 2023	The Group won Digital Innovation Leading Award (數位化創新引領獎) and Digital Pioneer Product Award (數位化先鋒產品獎) of the 12th Finance Summit (第十二屆財經峰會) of CFS2023	CCS 第十二層対極線会 第十二層対極線会 第七二層対極線会 第2023/前線線表表 第2023/前線線表表 第2023/前線線表表 第2023/前線線表表 第2023/前線線表表 第2023/前線線表表 第2023/前線線表表 第2023/前線表表表 第2023/前線表表表 第2023/前線表表表 第2023/前線表表表 第2023/前線表表表 第2023/前線表表表 第2023/前線表表表表 第2023/前線表表表表表表表表表表表表表表表表表表表表表表表表表表表表表表表表表表表表
December 2023	The Group won the "Best TMT Company" Award at the 8th Zhitong Financial Capital Market Annual Meeting (第八屆智通財經資本市場年會)	CONTRACTOR OF THE PROPERTY OF
January 2024	The Group won the "2023 Public Welfare Practice Award (2023 年度公益踐行獎)" at the 13th Philanthropy Festival (第 十三屆公益節)	PRESC FE ES C

#### **ESG Management System**

Emphasis on ESG work is not only an inevitable trend of development under the new pattern, but also an inevitable way for the Company's high-quality development. We have integrated the concept of social responsibility into our corporate culture, strategic objectives and daily operation and management to create sustainable and comprehensive value for our shareholders, employees, society and other stakeholders.

In 2023, the Company continued to do a good job in ESG management from various aspects such as upgrading the governance structure, strengthening the management of stakeholders and determining material issues to enhance the Company's ESG governance standard. The Group has established an ESG management system to clarify the responsibilities and functions of ESG management at all levels and to assist the Board in understanding the Group's ESG risk management strategies and measures in a timely manner.

The Board has comprehensively supervised the ESG management matters of the Group. The ESG task force of the Group has formulated ESG management plans and objectives and carried on ESG performance appraisal. Each department of the Group has implemented ESG policies and strategies and collected ESG data and other information. Directors participated in ESG report training programs to assist the Board in further learning and developing the Group's ESG risk management strategy, and continuously integrated ESG management strategies into the Company's daily operations. These measures helped to ensure that our management and practices in the ESG area have been consistent with the Company's strategic objectives and provided a solid foundation for the Company's sustainable development.

Level	Role	Responsibility
L1	the Board	<ul> <li>comprehensively supervise the Group's ESG management matters</li> <li>review and approve ESG policies</li> <li>review and approve ESG report</li> </ul>
L2	the ESG task force of the Group	<ul> <li>identify the Group's major ESG risks</li> <li>develop work plan for ESG management</li> <li>develop ESG goals</li> <li>carry on ESG performance appraisal</li> </ul>
L3	the departments of the Group	<ul> <li>implement ESG tasks in accordance with the ESG work plan</li> <li>collect the Group's ESG data, policies and other relevant information</li> <li>report to management on issues identified in ESG work</li> </ul>

#### Stakeholder Communication

Good stakeholder communication reduces operational risk and builds a responsible corporate image. In 2023, the Company continued to optimize its stakeholder communication, strengthened stakeholder engagement through consultation and communication, and integrated stakeholder expectations into the Company's operations.

In accordance with the Stock Exchange's guidelines such as "How to Prepare an Environmental, Social and Governance Report? The Environmental, Social and Governance Reporting Guide", the Group has categorized the Company's stakeholders into six groups: government and regulators, shareholders and investors, employees, customers, suppliers and partners, communities and the public, and actively responded to the requirements of each stakeholder on the Joy Spreader Group. The Group has established close ties with its stakeholders through various communication mechanisms to ensure timely understanding of issues of concern to different stakeholders.

The channels of communication with shareholders include annual general meetings and other general meetings. The Group's official website also provides business news information, information on operations, financial information, corporate governance practices, corporate policies and other information for public access. Apart from shareholders, other stakeholders of the Company such as customers, suppliers, employees can also communicate through various channels. Customers can contact the Company through customer service hotlines, online customer service, social media, etc. Meantime, the Company also conducts customer satisfaction surveys on a regular basis to understand customer needs. Suppliers maintain contact with the Company through supplier meetings, supplier evaluations, contract negotiations and other methods. Employee communication channels include employee training, employee meetings, employee satisfaction surveys, etc.

Through effective communication with stakeholders, the Group integrates their expectations into the strategic decision-making process of the Company, enhancing the transparency and sustainability of the Company and laying a solid foundation for the long-term development of the enterprise.

Stakeholders	Issues of concern	Communication and feedback
Staff	<ul> <li>staff recruitment and employment</li> <li>staff rights and interests</li> <li>career development</li> <li>health and safety</li> <li>staff care</li> <li>corporate governance</li> </ul>	<ul> <li>internal email</li> <li>open and fair recruitment</li> <li>staff training</li> <li>staff meeting</li> <li>staff activities</li> </ul>
Customers	<ul> <li>product safety and protection</li> <li>customer services</li> <li>business ethics and integrity</li> <li>information safety and privacy protection</li> </ul>	<ul><li>the Company's official website</li><li>annual report</li><li>customer services hotline and email</li></ul>
Shareholders and investors	<ul> <li>risk control</li> <li>corporate governance</li> <li>information safety and privacy protection</li> <li>technological innovation</li> <li>rights and interests of shareholders and investor</li> </ul>	<ul> <li>shareholders' meeting</li> <li>the Company's official website</li> <li>annual report</li> </ul>
Supplier	<ul> <li>responsible procurement</li> <li>business ethics and integrity</li> <li>compliance operation</li> <li>supply chain management</li> <li>win-win cooperation</li> <li>protection of intellectual property rights</li> </ul>	<ul><li>suppliers' audit</li><li>daily meetings and phone calls</li></ul>
Governments	<ul> <li>compliance operation</li> <li>corporate governance</li> <li>promotion of employment and economic development</li> <li>information safety and privacy protection</li> <li>risk management and control</li> </ul>	<ul> <li>risk management and control system</li> <li>apply for approval</li> <li>supervise and inspect</li> </ul>
Communities and the public	<ul> <li>promotion of employment and economic development</li> <li>public welfare and charity</li> <li>climate change and environmental protection</li> </ul>	<ul> <li>charity and public welfare activities</li> <li>social recruitment</li> <li>volunteer activities</li> </ul>

#### **Analysis of Material Issues**

In identifying material issues of the year, the Company conducts material issues analysis from two dimensions of "impact on stakeholders" and "impact on sustainable development of Joy Spreader Group" in accordance with the "materiality" principle of the Stock Exchange. Through multi-reference issue library, on the basis of conforming to the development strategy of Joy Spreader Group, the Company follows international advanced ESG concept framework and standards, including the United Nations Sustainable Development Goals, the ESG Guide of the Stock Exchange, the Sustainability Accounting Standards Board (SASB), MSCI, etc.

After four steps of external analysis, internal assessment, issue identification, issue confirmation and verification, the Company identified the material issues for 2023:

High ←		product safety and protection customer services rights and interests of shareholders and investors	corporate governance risk management and control compliance operation information safety and privacy protection
impact on stakeholders	public welfare and charity	staff career development climate change and environmental protection occupational health and safety staff care win-win cooperation	staff recruitment and employment staff rights and interests protection of intellectual property rights business ethics and integrity
ers Middle		technological innovation supply chain management	responsible procurement
	Middle ← impact on su	ıstainable development of Joy S	preader Group → High

#### **CORPORATE GOVERNANCE**

### **Improvement of Governance System**

Guided by fulfilling its corporate mission and responsibilities, the Group continues to strengthen its governance system and governance capacity building, and exercises self-discipline with strict business ethics. The Group continuously optimizes the Articles of Association to ensure that the power organs, decision-making organs, supervisory organs and executive organs perform their respective duties, operate effectively and balance each other, and establish a sound corporate governance structure of "three meetings and one management (三會一層)". This system helps to improve the efficiency of corporate management decision-making and ensures a governance mechanism with clear labor divisions and commensurate rights and responsibilities to meet the requirements of market development.

The Group held 1 annual general meeting and 1 extraordinary general meeting in 2023, at which a quorum was present, and the circular was despatched to the shareholders of the Company in advance in accordance with the Listing Rules and published on the websites of The Stock Exchange of Hong Kong Limited and the Company respectively. The resolutions were voted in accordance with the Articles of Association and according to the scrutineers' report, the resolutions were unanimously passed and published on the websites of the Stock Exchange and the Company respectively. The Board consists of 3 executive Directors, 1 non-executive Director and 3 independent non-executive Directors, totaling 7 Directors. In 2023, the Company held 9 Board meetings and 8 meetings of professional committees under the Board, deliberating on more than 34 resolutions. The Company has adopted systems such as convening and presiding over shareholders' meetings, shareholder proposals, and cumulative voting in accordance with the Company's Articles of Association in order to protect the rights and interests of small and medium-sized shareholders.

### **Directorship Diversity Policy**

The Company continues to focus on diversity and inclusiveness in the composition of the Board, giving due consideration to the diversity of the Board's members. Such consideration of diversity helps the Board to form a more comprehensive and multi-faceted decision-making and supervisory mechanism, which enhances the Company's innovation and responsiveness.

The Company has established a nomination policy for Directors and Directors proposed for election are verified and confirmed by the company secretary before submission to shareholders at general meetings. The Company's directorship diversity policy has been disclosed pursuant to the requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Nomination and appointment of Board members are based on merit-oriented principle, daily business needs and the benefits of diversity on the Board. Directors have a balanced mix of knowledge and skills in management, strategy and business development, sales and marketing, legal compliance and corporate finance, etc. The Nomination Committee of the Group will review and assess the composition of the Board and make recommendations to the Board on the appointment of Board members. The selection of candidates will be based on a series of diversified categories, with reference to the company's business model and specific needs, including but not limited to gender, race, language, cultural background, educational background, industry experience and professional experience. Currently, one of our Directors is female, demonstrating that we have realized gender diversity in our Board. We will continue to strive for improving the gender diversity at our Board level given the majority of our Directors is male.

#### **Protection of Intellectual Property Rights**

The Company attaches great importance to the protection of intellectual property rights, actively abides by laws and regulations related to intellectual property rights, formulates the Management System of Intellectual Property Rights (《智慧財產權管 理制度》), and organizes training and learning for employees in relevant positions to ensure that all employees understand the importance of protection of intellectual property rights. As of 2023, the Company and its subsidiaries have not found any illegal use of the Group's trademarks and font size, nor have they found any management problems, indicating that the Company has effectively managed and implemented the protection of intellectual property rights.

The Company has adopted comprehensive measures for the protection of intellectual property rights. For intellectual properties that may have a significant impact on the business, such as trademarks, patents, copyrights, etc., the Company employs professional agents to apply for them in the first instance to maximize the protection of the Company's interests. In the process of cooperation with other units or individuals, the Company has also formulated detailed regulations and signed relevant legal documents to specify the ownership, scope of use, duration, and distribution of subsequent research and development results of intellectual properties to ensure that the Company's intellectual property rights are fully protected and reasonably utilized. In order to prevent the risk of intellectual property rights, the Company continuously improves the prevention mechanism and strengthens the cultivation of risk awareness. For suspected infringements, the Company actively assists the relevant authorities in conducting investigations and responses to ensure the legitimacy and rights of intellectual property rights.

#### **Compliance and Internal Controls**

In terms of compliance and internal control of corporate governance, the Group has established a comprehensive internal control system covering two key areas, namely suppliers and products. In terms of the internal control system of suppliers, the Group adopts comprehensive investigation and assessment measures to evaluate the goodwill, service records and qualifications of potential suppliers to ensure their reputation and legal compliance in the industry. Meanwhile, if a supplier is found to have violated any laws, regulations or contractual provisions, the Group will immediately terminate its cooperation with the supplier in order to safeguard the reputation and interests of the enterprise.

In terms of the internal control system of products, the Group strictly tracks and manages the quality of products sold or delivered to avoid losses to customers. The digital marketing department of the Group reviews product materials before product launch and ensures that they comply with national laws and regulations, and the advertising platform further reviews product quality to ensure product compliance and safety. Up to now, the Group has not experienced any product recall incidents due to safety and health reasons, nor has it received any complaints related to products or services, indicating the effectiveness and reliability of product quality control.

In terms of compliance culture construction, the Group conducted two compliance warning trainings in 2023, aiming to strengthen employees' compliance awareness and business ability to reduce potential risks. In addition, the Company held two compliance and internal control warning education seminars in the first quarter and the third quarter, covering all departments of the Company, to further strengthen the compliance culture, ensure employees comply with the Company's rules and regulations, and create a good compliance atmosphere.

#### **Professional Ethics and Anti-Corruption**

In terms of professional ethics and anti-corruption in corporate governance, the Group strictly complies with relevant laws and regulations, including the Criminal Law of the People's Republic of China (《中華人民共和國刑法》), the Company Law of the People's Republic of China (《中華人民共和國公司法》) and Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), to strictly eliminate any bribery, extortion, fraud and money laundering incidents.

To prevent any bribery, extortion, fraud and money laundering, the Group required all staff to enter into Letter of Commitment on Non-benefit Transfer by All Employees (《全體員工無利益輸送承諾函》). The Letter clearly stipulates that staff shall not provide loans or guarantees for units who have business contact with them under the Company's name without its permissions; they shall not privately obtain loans from or with the assistance of business units (other than normal loans from financial institutions). In addition, staff shall not directly or indirectly hold shares in any form (other than public market stock investment), hold an office, take a part-time job or obtain other benefits in any business units. Staff shall not accept any articles of value such as rebates, cash, benefits in kind, securities and coupons, directly or indirectly provided by the business units, or engage in travel, high-grade business dinner and other activities provided by the business units which may affect impartial performance of duties. In case of violation of the above provisions by employees or others, the Company has the right to make relevant punishments on them according to laws and regulations and internal management system, and reserves the right to pursue legal responsibility.

In order to further strengthen the internal control and ensure the stable, healthy and sustainable development of the Company, the Group has established and implemented the Provisional Anti-Fraud Rules, which strictly regulate the professional conduct of the Group's senior and middle management and other employees under the guidance of the Group's Anti-fraud Whistle-blowing Acceptance Department (the office of Secretary of the Board). The Company shall pursue the responsibility of the personnel responsible for the fraud in accordance with the national laws and regulations and the relevant regulations of the Company. Relevant reports may be forwarded through the Company's established phone, reporting box, email, letter, and other channels for whistle-blowing. Once a report is received, the Company will established a case and set up an investigation team for investigation and processing. The Company shall pursue the responsibility of the personnel responsible for the fraud in accordance with the laws. If the relevant personnel have violated the laws, the Company will refer them to the judicial authorities for handling in accordance with the laws.

At the same time, the Company has continued to implement anti-corruption training to enhance the professional ethics and anti-corruption awareness of Directors and other employees, so as to ensure the Company's honest operation and good image. During the Reporting Period, the Group provided one anti-money laundering training to the Group's Directors, as well as related compliance training to the Directors and other employees, including one anti-fraud training, two legal training, two legal affairs training, four compliance supervision and one compliance promotion.

#### **ENVIRONMENTAL IMPACT**

Against the backdrop of the current global trend of environmental protection and sustainable development, the Group recognises that environmental protection is an important component of corporate social responsibility and a major trend in the development of the industry. As a technology company engaged in the operation of mobile new media intelligent effect marketing business and overseas e-commerce business, the Group conducted business mainly in the office during the Reporting Period. Due to this nature of business, the emissions, greenhouse gases, wastes and consumption of natural resources from the Group's operating activities did not have a significant impact on the environment.

The Group strives to minimise the consumption of environmental resources and seeks to keep its impact on the environment to a minimum in order to create greater value in a sustainable manner. The Group keeps close attention to and fully complies with the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution Caused by Solid Wastes (《中華人民共 和國固體廢物污染環境防治法》), the Atmospheric Pollution Prevention and Control Law of the People's Republic of China (《 中華人民共和國大氣污染防治法》) and other laws and regulations relating to environmental protection. During the Reporting Period, the Group didn't have any violations of laws and regulations relating to environmental protection. The Group will make continuous efforts to improve its environmental protection management measures and contribute more to environmental protection and the promotion of sustainable development.

#### **Environmental Performance**

	Resource Consumption and Greenhouse Gas Emissions of Joy Spreader Group in Recent Three Years						
	20	021	2	022	2023		
	Total volume	Intensity	Total volume	Intensity	Total volume	Intensity	
Use of resources							
Electricity	136,900 kWh	1,800 kWh/person	254,800 kWh	2,100 kWh/person	405,486.7 kWh	2,633 kWh/person	
Water	1,177 tons	15.1 tons/person	1,168 tons	9.7 tons/person	2,103.72 tons	•	
		'		·		35.7 cubic	
Natural gas	_	_	-	-	3,250 cubic metres	metres/person	
Petrol consumption	_	_	-	-	8,518 litres	93.6 litres/person	
Diesel consumption	-	-	-	-	100 litres	1.1 litres/person	
Paper	-	-	-	-	0.5 tons	0.0056 tons/person	
Non-hazardous electronic waste	-	-	-	-	15 pieces	0.17 piece/person	
Hazardous waste	-	-	-	-	3.0 tons	0.033 tons/person	
Office waste	-	-	-	-	1.52 tons	0.017 tons/person	
Greenhouse gas emissions							
Total greenhouse gas emissions	133.4 tons	1.71 tons/person	257.9 tons	2.15 tons/person	336.2 tons	3.69 tons/person	
<ul> <li>Direct greenhouse gases emissions</li> </ul>	0.9 tons	0.01 tons/person	11.3 tons	0.09 tons/person	25.9 tons	0.28 tons/person	
-Indirect greenhouse gases emissions	132.5 tons	1.70 tons/person	246.7 tons	2.06 tons/person	310.3 tons	3.4 tons/person	

#### Notes:

- 1. Sources of air pollutant emissions include the use of stationary sources and mobile sources. Emissions caused by stationary sources are calculated according to the First National Pollutant Survey – Manual of Emission Coefficient for Urban Domestic Sources (第一次全國污染物普查城鎮生活源 產排污系數手冊); and emissions caused by mobile sources are calculated according to the Technical Guidance for Compiling Emission Inventories of Air Pollutants from Road Vehicles (Trial) (《道路機動車大氣污染物排放清單編製技術指南(試行)》).
- Information of greenhouse gas emissions is presented in terms of carbon dioxide equivalent and accounted for in accordance with the Guidelines for Accounting and Reporting of Greenhouse Gas Emissions by Enterprises (Revised 2021) (《企業溫室氣體排放核算方法與報告指南發電設施 (2021 年修訂版)》) issued by the Ministry of Ecology and Environment of the PRC and the 2006 IPCC Guidelines for National Greenhouse Gas Inventories issued by the Intergovernmental Panel on Climate Change (IPCC).
- Direct greenhouse gas emissions are mainly from the consumption of natural gas, diesel for facilities and vehicle fuel. 3.
- Indirect greenhouse gas emissions are mainly from the consumption of purchased electricity.

- 5. Non-hazardous electronic wastes involved in the Company's operation mainly consist of discarded electronic information products such as microcomputer hosts, displays, notebook computers, printers and servers.
- 6. Hazardous wastes involved in the Company's operation are mainly waste batteries, waste fluorescent lamps, etc., which are all disposed of by qualified professional companies.
- 7. Office wastes involved in the Company's operation are mainly waste office supplies such as pens, paper clips and staples.
- 8. Information disclosed includes information of the headquarters and branches of the Company for the year 2023.
- 9. In 2023, the Company's office area was relocated during the Reporting Period, and the water and electricity used in the renovation project was the reason for the significant increase in the use of resources.

#### **Green Operations**

Joy Spreader Group adheres to green operations in all respects as a response to the United Nations' global call for "net-zero emissions" and the country's policy of "carbon peak and carbon neutrality". The Group adopts leading energy-saving technologies to significantly reduce energy consumption and optimises information processing efficiency, thus providing a practicable model for the green transformation of the whole industry. Meanwhile, in response to climate change, the Group endeavours to reduce greenhouse gas emissions and take measures to minimise the environmental impact of our operations. Through initiatives such as waste management and resource recycling, promoting green office concepts, reducing the use of paper documents, procuring environmentally friendly materials and encouraging employees to adopt low-carbon travelling methods, the Group effectively minimises the negative impact of our operations on the environment and makes a practical contribution to environmental protection. These measures have not only reduced the Company's environmental impact, but also set an example of low-carbon development for the industry, demonstrating the strong commitment of Joy Spreader Group as a responsible modern enterprise to sustainable development and environmental protection.

#### Climate change response

Greenhouse gas emissions from the Group's operations are mainly attributable to the operation of the Group's own vehicles and office electricity consumption. During the Reporting Period, energy consumption from renovation was the main reason for the increase in energy consumption for the year 2023 due to the relocation of the Company's office area during the Reporting Period.

Being well aware of the long-term impacts of climate change policies, the Group actively responds to the calls to reduce greenhouse gas emissions and mitigate global warming, and is committed to complying with the Paris Agreement. As a technology company specialising in the operation of mobile new media intelligent effect marketing business and overseas standalone e-commerce website business, the Group's business activities are primarily conducted in the office. Given the nature of our business, the Group recognises the urgency of the current climate crisis and is committed to reducing corporate greenhouse gas emissions and mitigating global warming, starting with the smallest measures, including encouraging the recycling and reuse of office supplies, striving to reduce energy consumption in the office, promoting green travelling, advocating virtual meetings and using green office decoration materials. In view of the fact that indirect greenhouse gas emissions are mainly caused by electricity consumption in the office, the Group requires employees to switch off all power, lighting and air-conditioning systems after work every night, reminds them to use energy reasonably, and allows them to work from home in order to reduce greenhouse gas emissions. With these measures, the Group aims to make our operations more sustainable and contribute to the mitigation of climate change.

#### Waste management

Joy Spreader Group adopts systematic measures on waste management to minimise the impact of waste on the environment. For hazardous wastes generated during the Reporting Period, including waste batteries and waste fluorescent lamps, the Group has implemented specialised collection, storage, transportation and disposal procedures in strict accordance with the requirements of the relevant national laws and regulations to ensure safe handling and recycling and minimise the risks to the environment and human health.

Major non-hazardous wastes generated in the course of the Company's operations include domestic waste, kitchen waste, non-hazardous electronic waste and waste office supplies from daily office activities. Therefore, the Group has implemented a specified waste management policy whereby waste generated in the course of operations is collected and transferred to a professional waste treatment organisation and then to a waste transfer station for disposal in accordance with national treatment standards and the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護 法》). Besides, the Group has clarified the responsibilities of each department to ensure that waste disposal complies with national environmental protection standards.

The Group promotes the efficient utilisation of resources and reduction of environmental burdens by setting specific targets such as reducing greenhouse gas emissions and waste generation. By encouraging energy-saving and emission reduction behaviours and optimising office processes, such as double-sided printing and remote working, the Group aims to achieve our specific emission and waste reduction targets. Such measures demonstrate the strong commitment of Joy Spreader Group to sustainability and environmental protection, and represent a positive step towards achieving environmentally friendly business operations.

#### Green office

Joy Spreader Group is committed to promoting green office and deepening the application of energy saving and emission reduction concepts in corporate culture and daily operations. The Group insists on the use of environmentally friendly materials, optimises the energy efficiency of office facilities, and promotes the circulation of electronic documents to reduce the use of paper documents. With regard to the reasonable use of water and electricity, the Group controls energy consumption in an effectively manner through technological transformation and management innovation. A green working group has been established within the Company to oversee and promote the implementation of green office measures, and ensure that every employee to practise energy saving and emission reduction. In addition, the Group is continuously improving the digital management of our office areas in a bid to create a decent and pleasant green office environment through improved energysaving methods and innovative design of buildings, while promoting employees' awareness of ecological protection to support the long-term stable and sustainable development of the Group.

#### Green advocacy

While actively responding to environmental initiatives, the Group continues to leverage its advantage as a content platform to help publicise knowledge on energy saving, emission reduction and ecological protection, aiming to extend green concepts and calls for action to the public. In addition, in conjunction with important environmental anniversaries, such as World Earth Day, World Biodiversity Day and World Oceans Day, the Group sent a series of internal emails on the related topics to explore issues related to the popularisation of environmental protection, thus providing a platform for employees to learn and exchange ideas. By popularising green knowledge among employees, the Group cultivates their awareness of environmental protection and encourages them to pay more attention to environmentally friendly lifestyles and work styles, which creates a sound atmosphere for the promotion of sustainable development.

#### **SOCIAL IMPACT**

Joy Spreader Group has always placed a high priority on enhancing the well-being of society as part of our social responsibility. Internally, we endeavour to motivate our employees to achieve individual development and value, and externally, we actively employ the Company's technology and products to serve our customers.

We believe that employees are the most valuable asset of the Company. Based on this belief, we recruit people through multiple channels and respect and protect the legal rights of each employee. We strive to create an equal, safe and caring working environment and provide comprehensive talent development programmes to grow with employees. In terms of supply chain management, Joy Spreader Group continuously strengthens supply chain management, improves the ESG awareness of suppliers, and keeps monitoring suppliers that do not meet the Company's requirements for rectification in order to form a good practice of sustainable supply chain development. In terms of customer responsibility, the Group ensures the quality of our own products and services, and protects the privacy and security of customer data. In terms of public welfare and charity, committed to corporate social responsibility, the Group actively participates in community building and development to do our part for social development.

#### **Employee Development**

We firmly believe that employees are key creators and sharers of corporate culture, values and interests. Therefore, we make active efforts to protect the rights of our employees, promote the improvement of their personal abilities, and care for each and every employee. We work hard to create an equal and fair working environment and development platform, and jointly develops Joy Spreader as a warm and harmonious home for our employees.

#### Protection of employee rights

The Group attaches great importance to the protection of employee benefits and rights in strict complies with the relevant laws and regulations, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) and the Implementing Rules of the Labour Insurance Regulations (《勞動保險條例實施細則》). The Group has established a scientific, reasonable and confidential remuneration system in accordance with the principles of fairness, competitiveness, incentive, economy and legality, taking into account internal and external labour market conditions, regional and industry differences, value of employee positions, employee career development and other factors. A competitive mechanism of remuneration incentives and employee benefits has been in place to stimulate the motivation and creativity of employees to adapt to the needs of the Company's development.

For equal employment, the Group strictly implements laws and regulations to ensure that every employee is treated fairly. The Group applies the concepts of equality and non-discrimination throughout the entire life cycle of employees, including recruitment, induction, training, promotion and termination of employment, regardless of gender, religion, race, nationality, marital status and other factors. In particular, the Group strictly complies with the requirements under laws by providing legal maternity leave and breastfeeding leave to female employees during pregnancy, childbirth and breastfeeding to protect their rights.

For employee benefits, the Group provides employees with employee accident insurance and medical insurance supplementary to social security, strictly protects employees' entitlement to various types of holidays, and also provides transport reimbursement for overtime work, regular medical check-ups, team building activities and other benefits and protections, in a bid to improve the sense of belonging and happiness of employees towards the Group.

Further, the Group strictly complies with the minimum working age and minimum wage requirements as stipulated by law, and purchases five national statutory social insurances for employees to protect their legal rights. The Group has clearly stipulated the payment of social insurance during the probationary period and the payment of social security fund and housing provident fund during remuneration adjustment and payment as another effort to protect the basic rights of employees in terms of labour protection, labour remuneration, working conditions, working hour management, rest and leave, social insurances and protection against occupational hazards, and to promote the establishment and maintenance of a harmonious labour relationship.

#### **Employment**

The Group adheres to the principle of strict compliance with relevant laws and regulations, including the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Labour Contract Law of the People's Republic of China (《中華 人民共和國勞動合同法》), the Law of the People's Republic of China on the Promotion of Employment (《中華人民共和國就 業促進法》), as well as local labour laws and regulations in various places, in the recruitment and employment of employees to ensure that the recruitment process is conducted on a legal basis. The Group has formulated the administrative measures for talent recruitment, pursuant to which, the human resources department of the Group is responsible for the organisation and implementation of recruitment matters. It provides a systematic assurance for recruitment and employment, specifies the principles of recruitment process, continuously improves recruitment procedures, and strengthens the disciplinary and supervisory requirements. The Group requires a public recruitment to be carried out on the premise of "fairness, impartiality and openness" to ensure that every candidate has an equal opportunity to compete. All recruitment of the Group should be merit-based to provide opportunities for high-calibre talents to unleash their full potential. Through various channels, including professional head-hunters, online recruitment platforms and internal recommendation by employees, the Group seeks to attract talents to continuously inject fresh blood into the Group and promote the innovation and development of the Group.

In the process of introducing and recruiting talents, the Group firmly opposes any form of discrimination in employment, and provides equal and fair employment opportunities to candidates regardless of their gender, nationality, age, race, ethnicity, religious belief, disability, sexual orientation or family status. During the past Reporting Period, the Group didn't notice any form of discrimination. The Group will continue to strive to build a diverse, equal and anti-discriminatory working environment to stimulate the creativity and teamwork spirit of employees, and work together to promote the sustainable development of the Group. In 2023, the Company didn't have any confirmed violations of laws and regulations and related litigations in respect of employment and labour standards.

As at the end of the Reporting Period, the Group had 91 full-time employees, comprising 47 males and 44 females; and recorded employee turnover rate of 33%. A breakdown of the Group's employees by gender, age group, employee category and geographical region is set out in the table below:

				Employee Com of Joy Spreader	
Indicators		Unit	2023	2022	2021
Total employees (formal employee	es)	person	91	120	78
By gender	Male	person	47	59	44
	Female	person	44	61	34
By geographical region	Beijing	person	72	110	75
	Other regions	person	19	10	3
By employment type	Full-time	person	91	120	78
	Part-time	person	0	0	0
By age group	>50	person	3	1	0
	41-50	person	9	9	5
	30-40	person	38	54	39
	<30	person	41	56	34

#### Note:

Some information for 2022 and 2021 differs from that disclosed in previous years' reports primarily due to a change in statistical calibre. Some of the employee performance information for 2021 and 2022 has now been revised.

				oyee Employment Pe Spreader Group 20.	
Indicators		Unit	2023	2022	2021
Employee turnover rate		%	32%	25%	15%
By gender	Male	%	22%	20%	7%
	Female	%	40%	29%	23%
By age group	>50	%	0%	0%	0%
	41-50	%	27%	24%	18%
	30-40	%	31%	22%	10%
	<30	%	50%	23%	13%
By geographical region	Beijing	%	25%	25%	15%
	Other regions	%	12%	0	0 0 HDO
By employment type	Full-time	%	32%	25%	15%
	Part-time	%	0	0	SW \ 60°

#### Note:

Some information for 2022 and 2021 differs from that disclosed in previous years' reports primarily due to a change in statistical calibre. Some of the employee performance information for 2021 and 2022 has now been revised.

#### Labour protection

The Group firmly adheres to the principle of labour protection and strictly complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Regulations on Prohibition of Child Labour (《禁止使用童工規定》) and other relevant laws and regulations, and prohibits the employment of child labour, as well as the occurrence of forced labour. During the recruitment process, the Group strictly implements the relevant local laws and regulations, requiring employees to complete an interview registration form for registration and verifying their identity card information before they join the Group to ensure that they meet the local requirement in respect of minimum working age. During the induction process, the Group again verifies the identity card information of the applicants to confirm that their actual age is in compliance with the legal age for employment. Besides, the Group has formulated and implemented an overtime management system and employees are not allowed to work overtime involuntarily. All employees sign labour contracts with the Company on a voluntary basis and the Company firmly opposes any forced labour.

During the Reporting Period, the Group didn't employ any child labour or forced labour, nor did it violate any relevant laws and regulations. In terms of labour protection, the Company didn't notice any violations and has made continuous efforts to protect the legal rights of employees and enhance the safety of the working environment.

#### Development and training

The Group highly values the personal development and training of employees and acknowledges its critical role in the growth of the Company's business. Therefore, the Group focuses on the optimisation of training systems to provide intellectual support for the implementation of the Company's strategies and business development, as well as providing employees with broad development space. The Group continues to improve a tier training system with a focus on the reserve of talent abilities and the management of talent echelon.

The Group has established a professional talent pool for key business lines and functions, and launched targeted training and development programmes. Detailed talent training programmes have been developed to improve the professional competence and support the career development and personal development of employees. For new employees, the Group provides professional induction training and tailor-made training programmes depending on the needs of employees in different departments for regular and professional trainings to enhance employee competence.

During the Reporting Period, the Group organised various types of training activities, primarily including:

- General systems: new employees' induction training, attendance management training
- Working skills: payment reimbursement process training, seal application process training
- Professional knowledge: financial training, compliance training

These trainings include new employees' induction training, attendance management training, payment reimbursement process training, seal application process training, financial training, compliance training, etc. In addition, the Group also encourages employees to participate in other internal and external trainings, including financial software training and ESG training. Meanwhile, the Group also organises trainings on company results announcements and e-learning examinations for employees on a regular basis, aiming to continuously improve employees' work skills and efficiency, while fostering teamwork and coordination so as to achieve continuous improvement of employees' expertise and skills. In addition to the improvement of employees' professional competencies, the Group's training programmes also focus on the cultivation of employees' overall qualities and occupational ethics, with a view to providing all-round support and protection for employees' career development and personal growth.

In the future, the Group will continue to increase investment in employee development and training, further optimise training systems and expand the forms and contents of training in order to meet the growing learning needs and career development requirements of employees. Through continuous training and development programmes, the Group seeks to motivate employees to make continuous progress, grow with the Company and make greater contributions to the sustainable development and long-term success of the Company.

During the Reporting Period, the percentage of trained employees and average training hours by gender and employee category of the Group are shown in the table below:

				oloyee Training Pe Spreader Group 2	
Indicators		Unit	2023	2022	2021
Number of trained employees		person	91	120	78
Employee training coverage		%	100%	100%	100%
By gender	Male	%	100%	100%	100%
	Female	%	100%	100%	100%
By employee category	General employees	%	100%	100%	100%
	Middle Management	%	100%	100%	100%
	Senior Management	%	100%	100%	100%
Average employee training hou	urs	hour	48	30	30
By gender	Male	hour	48	28	30
	Female	hour	48	32	30
By employee category	General employees	hour	60	32	30
	Middle Management	hour	60	30 🗴	30
	Senior Management	hour	48	25	30

#### Note:

<sup>1.</sup> Some information for 2022 and 2021 differs from that disclosed in previous years' reports primarily due to a change in statistical calibre. Some of the employee performance information for 2021 and 2022 has now been revised.

#### Health and safety

The Group always puts employee health and safety at the first place and strictly complies with the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Occupational Disease Prevention and Control Law of the People's Republic of China (《中華人民共和國職業病防治法》), the Work-related Injury Insurance Ordinance (《工傷保險條例》) and other national laws and regulations to ensure employees' right to safety and health at work. To this end, the Group continues to optimise the health and safety management systems to ensure the smooth implementation of corporate strategies and the steady development of business, while providing a working environment with diversified development opportunities to employees.

The Group has adopted a number of measures to protect employee health. In order to manage employee health condition and prevent the occurrence of occupational diseases, the Group organises pre-employment medical check-ups and annual on-the-job medical check-ups for employees to ensure their physical conditions are in line with the requirements of their respective jobs, and establishes an occupational health surveillance file for employees to monitor their occupational health and safety during work. In addition, the Group regularly inspects office equipment and fire-fighting equipment to ensure a safe and comfortable working environment for employees. Additionally, the Group encourages employees to report any potential safety hazards identified in the workplace and raises employees' awareness to participate in and monitor safety and security, with a view to preventing and minimising the occurrence of accidents.

To further protect the health and safety of employees, the Company has enriched medical check-up programmes, strengthened specialised in-depth screening, and organised various insurance and medical check-up seminars, as well as seminars on different topics, including Q&A, report interpretation and specialist consultations. We will continue our efforts to ensure the safe and stable operation of the Company and minimise injuries and deaths and property losses caused by various emergencies. During the Reporting Period, the Group didn't have any work-related injuries or deaths.

#### Communication and care

The Company understands that employee communication and care is crucial to creating a harmonious working atmosphere and improving employee satisfaction. Therefore, the Group listens carefully to the opinions of employees, establishes open, trustful and transparent communication channels, and actively promotes the concept of personalised and efficient management. The Group takes practical actions to solve the practical problems of employees and incorporates the "Joy Spreader Warmth" into the smallest details.

The Company respects and fully protects employees' rights to information, participation, election and supervision in respect of business management, and enhances employee satisfaction to support employees to develop and grow together with the enterprise. The Group has established a comprehensive grievance mechanism for employees with a defined formal and confidential grievance reporting process, including reporting by mail, to ensure that the legal rights of employees are effectively protected.

The Group not only cares about the needs of employees in difficulty and employees who are pregnant or lactating, but also cares for the lives of retired employees. In 2023, the Group provided employees in difficulty and pregnant or lactating employees with corresponding leave arrangements and allow them to work from home, enabling them to better balance their work and family life. In the meantime, the Group also completed the retirement procedures for retired employees to support and care for their post-retirement life.

To diversify the spare-time life of our employees, the Group endeavours to create a vibrant workplace with a balanced work-life environment by launching a variety of activities for all employees, expressing our care for employees in daily work, and making every effort to safeguard the living needs of our employees and create a safe and comfortable working environment for them.

#### **Responsible Procurement**

#### Supply chain management

In the area of supplier management, the Group is committed to building a sustainable business ecosystem and creating a trustworthy cooperative environment with business partners. As of 2023, the Group has continued to improve procurement systems, with a focus on access audit and performance assessment in respect of supplier management, and has newly established a two-way communication channel, aiming to develop a harmonious and stable supply chain with our partners. While building win-win relationships with suppliers, the Group pays close attention to environmental and social risks of the supply chain and has established a comprehensive supply chain management mechanism.

The Group has adopted stringent institutional measures for the management of suppliers and established a dedicated procurement team to select at least three suppliers to provide quotations and conducts comparisons to ensure fair competition among suppliers, and ultimately determined the one with best quality.

Besides, the Group values the two-way communication with suppliers. By organising annual supplier exchange meetings, giving feedback on performance evaluation optimisation and launching surveys on supplier cooperation experience, the Group actively conveys the concept of cooperation and specific requirements, while collecting suppliers' opinions on improvement, so as to promote the sustainable development of the supply chain. Up to now, the Group has cooperated with an aggregate of 70 suppliers and is committed to establishing stable, transparent and mutually beneficial cooperative relationships.

Table of Supplier Performance of Joy Spreader Group 2023						
Indicators	Unit	2023	2022	2021		
Total suppliers	supplier	70	62	54		
South China	supplier	0	0	0		
North China	supplier	70	62	54		

#### Responsible procurement

The Group clearly recognises the importance of suppliers in providing outstanding products and ensuring a good reputation. Therefore, in selecting suppliers, the Group conducts comprehensive investigation and evaluation, including assessing suppliers' goodwill in the industry, history of customer services and qualifications, to understand their pipeline agency capabilities, whether they are involved in any unethical behaviour, bribery, corruption or other prohibited business practices and whether they violate the relevant local and national laws and regulations. If a supplier is found to be in breach of the relevant laws or contractual requirements, the Group will immediately terminate any future cooperation with it.

In selecting suppliers, the Group gives priority to suppliers that provide environmentally friendly products and services in order to drive suppliers to work together to build a green supply chain. Furthermore, during cooperation, the Group encourages and suggests suppliers to use environmentally friendly products.

The above measures are designed to ensure that the cooperation between the Group and suppliers complies with ethical, legal and environmental standards, and promote sustainable development and responsible procurement.

#### **Product Responsibility**

In terms of product responsibility, the Group continues to strengthen quality control and management over products and services, keeps optimising product quality systems and improves quality control in various processes to ensure the safety of product quality through quality assurance and product recall plan, thus providing safe, secure and worry-free products with good quality to customers.

The Group continues to provide quality mobile new media intelligent performance-based marketing service as well as overseas standalone e-commerce website operation service, and is always committed to improving customer satisfaction. The Group strictly abides with the laws and regulations in respect of product safety, advertisement and customer privacy, including the Cyber Security Law of the People's Republic of China (《中華人民共和國網絡安全法》), the Advertising Law of the People's Republic of China (《中華人民共和國廣告法》), the Cyber Security Law of the People's Republic of China (《中華人民共和國 網絡安全法》), the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》), the Patent Law of the People's Republic of China (《中華人民共和國專利法》) and the Trademark Law of the People's Republic of China (《中華人 民共和國商標法》), to protect product quality and customer rights.

The Group continues to pay attention to customer needs and endeavours to enhance the guality of customer services. During the Reporting Period, the Group didn't receive any complaints regarding products or services. In addition, in terms of quality assurance and product recall, the Group focuses on the strict control over product quality to ensure that products comply with national laws and regulations. For products that do not meet the requirements, the Group will make revisions in a timely manner and resubmit them until they pass the audit.

The Company has a set of standardised and well-established placement service procedures in place to secure the unimpeded operation of each step. The procedures include analysis of customer requirements, optimisation of advertising programs and placement of advertisements, each with defined tasks and responsibilities, as well as corresponding operational norms and standards

The specific requirements for each step of service are set out below:

- 1. Customer need analysis: Immediately after a customer places an order, the Group's operation team will conduct an in-depth analysis of the customer's need. The purpose of this step is to ensure that the customer's product or service meets the placement criteria and requirements of the Group. Product characteristics, target market, expected result and other factors will be evaluated carefully to ensure the effectiveness of the placement strategy.
- 2. Advertising program development: Once it is confirmed that the customer needs meet the requirements for placement, the Group's advertising system will generate a customised advertising program for the customer's product or service, which will be optimised based on product characteristics, target audience, competitor analysis and other dimensions to ensure the advertisement placed can achieve the best effect.
- 3. Placement test: Following the generation of an advertising program, the Group's operation team will conduct a trial placement to test the actual effect of the advertisement. The key to this step is to evaluate the conversion rate, user feedback and click-through rate of the advertisement to ensure it can achieve the expected effect during the actual placement.

4. Formal placement: If the trial placement of the advertisement meets expectations, the Group will submit it to the supervisor for approval. Upon approval, the advertisement can be placed officially. During the formal placement, we will monitor the effect of the advertisement in real time and make adjustments and optimisations according to the actual situation to maximise the advertising effect.

The Group tracks and manages the quality of products sold or delivered to avoid losses to customers. The Group has established a strict recall management mechanism and contingency plan mechanism to cope with potential problems. In the event of a recall, the causes will be investigated and corrective measures will be formulated to prevent the recurrence of such incidents. During the Reporting Period, there were no product recalls due to health and safety issues.

In respect of risk warnings on products and services, the Group mainly places products on two platforms, namely Guang Dian Tong (廣點通) and Qian Chuan (千川), both of which have strict product control mechanisms to prevent the placement of dubious products. Through the above measures, the Group endeavours to improve the quality of our products and services continuously to meet the needs and safeguard the rights and safety of consumers.

#### **Privacy and Information Security**

In respect of privacy and information security, the Group is committed to strengthening information security and privacy protection by optimising digital governance initiatives, improving management systems, building a responsible security protection platform and consolidating digital trust systems to provide users with safer and better digital services.

In 2023, the Group focused on the improvement of the guidelines related to the impact assessment of personal information protection, data security management standards and security vulnerability management processes to further fulfil the Company's responsibilities in respect of underage personal information protection, security vulnerability information reporting and user notification. With our own black box system, the Group strengthens data encryption technology and access control mechanisms to ensure the absolute security of customer data during transmission and storage.

As a key component of the Group's information security management, the black box system is developed using advanced technology and algorithms. With strong autonomy and intelligence, the system is mainly used to protect users' personal information and ensure their privacy security. Specifically, by intelligently identifying and analysing advertising materials, the black box system is able to automatically detect and filter potential privacy risks and protect users' personal information from being leaked or abused. The system can also provide personalised advertising recommendations based on user preferences and behaviours, thus enhancing user experience and satisfaction. In addition, the black box system is equipped with data encryption and access control functions capable of encrypting sensitive data to prevent illegal access or tampering during data transmission and storage. At the same time, the system also implements a strict access control mechanism and only authorised persons can access the relevant data, which effectively prevents the risk of abuse of permission by internal personnel.

Through real-time monitoring and analysis of advertising data, the Group gains an in-depth understanding of the business objectives and market positioning of customers, provides them with tailor-made advertising strategies and solutions, maintains close communication and cooperation with customers, and responds to their needs and feedback in a timely manner, thereby enhancing advertising effect and customer satisfaction.

In order to improve information security awareness and improve information security protection skills, the Group organises a variety of employee trainings, as well as industry exchanges and school-enterprise cooperation projects to deepen the awareness of information security precautions. In response to different information security themes, mandatory trainings and trainings tailored for different positions and businesses have been introduced to employees to disseminate information security knowledge in daily work and enhance the information security awareness of all employees. The Group also conducts archive management in respect of customer information, which is not available for inspection without the approval of department heads and the general manager, to ensure that the privacy of customers is fully protected.

Through the above measures, the Group not only improves our own service standards, but also creates greater business value for customers while ensuring comprehensive protection of user privacy and information security.

#### **Customer Communication**

Customer communication and complaint handling are the key areas of concern for the Group. To ensure customer satisfaction and experience, the Group has adopted a series of measures.

Firstly, the Group has set up a dedicated email account for receiving customer feedback and complaints so that customers can raise their concerns and complaints to the Company at any time.

Besides, in 2023, in order to better meet customer needs and provide immediate and professional services, the Group has set up a dedicated WeChat account for communicating with customers and addressing problems. With both WeChat and email channels, customers can contact the Company at any time, and, irrespective of raising concerns, providing feedback or seeking assistance, the Company is able to respond in a timely manner and provide professional answers.

The establishment of these communication channels makes the communication between customers and the Company more convenient and efficient, which not only helps increase customer satisfaction, but also strengthens the connection and interaction between the Company and customers, thus laying a solid foundation for building a good customer relationship. Up to now, the Company has not received any complaints from customers, showing customers' recognition and acknowledgement of the Company's products and services.

#### **Customer Responsibility**

The Group is not only committed to providing quality services, but also fulfils its social responsibility by providing special services and services for special groups.

The Group provides a series of intelligent special services to customers through the black box system of the Company. Based on advanced technology and algorithms, the system can identify and analyse advertising materials, understand advertising content by using the natural language processing technology and even generate personalised advertising programs based on the user interest models. With the black box system, the Group has provided more than 3,000 personalised solutions to customers, greatly enhancing the accuracy and efficiency of services. Such intelligent service not only strengthens the Company's competitive edge, but also provides customers with a better experience.

### **Digital Transformation**

The Company actively promotes digital transformation, and has been committed to realising digital office since its inception, while continuously strengthening its technological capabilities and industrial digitalisation capabilities. By adopting advanced digital platforms, the Group has realised comprehensive digital management in respect of customer management and business processes and greatly enhanced work efficiency. With the use of the advertising management platform, the business department has realised the electronic management of customer contracts and data, which streamlines the management process and improves data security and reliability.

Based on cutting-edge technologies such as cloud computing, artificial intelligence, big data and the Internet of Things, as well as its in-depth accumulation in the supply chain field, the Company continues to promote technological innovations and applications, including intelligent logistics, intelligent supply chain, intelligent customer service and other scenarios. These technologies not only improve the shopping experience of consumers, but also optimise the cost and efficiency of brands and business partners.

#### **Public Welfare and Charity**

Committed to corporate social responsibility, the Group plays an active role in community construction and development, and promotes the mutual development of the community and the Group through diversified community welfare activities in collaboration with the community to build a harmonious society.

The Group has always been active in contributing to the needy in the community, for instance, encouraging employees to participate in community welfare activities to help those in need and devote their skills and time to give back to the community where they work. In March 2023, the Group was awarded a certificate of honor from the Beijing Quzheng Charity Foundation in respect of its outstanding contributions to charity activities.

In addition, the Group also supports social and environmental projects through donations to environmental foundations. In July 2023, Joy Spreader Group made a donation of HK\$20,000 to Ocean Vines Limited, which will be used to invest in blue carbon offset and local marine conservation projects. Included in these projects is the use of technology to clean up the oceans to minimise the impact of yachts on the environment and promote the overall health of Hong Kong's oceans. This may help absorb thousands of tons of carbon dioxide and is expected to contribute to the protection and restoration of Hong Kong's critical ocean habitats.



Certificate of Donation of Ocean Vines Limited 2023



Certificate of honor from Beijing Quzheng Charity Foundation in 2023

### Appendix 1 SEHK GUIDE INDEX

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Subje	ct Areas, Aspects, General Disclosures and KPIs	Chapter	Pages
<b>D</b> 2	Harlik and Cafee.		
B2.	Health and Safety	"I look book Cof-t."	1.0
	al Disclosure	"Health and Safety"	18
(a)	the policies; and		
(b)	compliance with relevant laws and regulations that have a significant impact on the		
	issuer relating to providing a safe working environment and protecting employees		
D2 1	from occupational hazards.	"IIIH C-f-+."	1.0
B2.1	Number and rate of work-related fatalities in each of the past three years	"Health and Safety"	18
ר בם	(including reporting year).	"I lealth and Cafatu"	1.0
B2.2	Lost days due to work injury.	"Health and Safety"	18
B2.3	Description of occupational health and safety measures adopted, and how they are	Health and Safety	18
<b>D</b> 2	implemented and monitored.		
B3.	Development and Training	<b>"</b> D	4.7
	al Disclosure	"Development	17
	es on improving employees' knowledge and skills for discharging duties at work.	and Training"	
	ption of training activities.	<b>"</b> D	4.7
B3.1	The percentage of employees trained by gender and employee category (such as	"Development	17
D2 2	senior management and middle management).	and Training"	17
B3.2	The average training hours completed per employee by gender and employee .	"Development	17
	category.	and Training"	
B4.	Labour Standards		
Gener	al Disclosure	"Labour Protection"	17
Inform	nation on:		
(a)	the policies; and		
(b)	compliance with relevant laws and regulations that have a significant impact on the		
	issuer relating to preventing child and forced labour.		
B4.1	Description of measures to review employment practices to avoid child and forced	"Labour Protection"	17
	labour.		
B4.2	Description of steps taken to eliminate such practices when discovered.	"Labour Protection"	17
B4.2	Description of steps taken to eliminate such practices when discovered.	"Labour Protection"	17

Subjec	t Areas, Aspects, General Disclosures and KPIs	Chapter	Pages
B5.	Supply Chain Management		
Genera	al Disclosure	"Responsible	17
Policies	on managing environmental and social risks of the supply chain.	Procurement"	
B5.1	Number of suppliers by geographical region.	"Responsible Procurement"	17
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	"Responsible Procurement"	17
B5.3	Description of practices relating to identifying environmental and social risks at each stage of the supply chain, and how they are implemented and monitored.	"Responsible Procurement"	17
B5.4	Description of practices relating to promoting the use of environmentally friendly products and services in the selection of suppliers and how they are implemented and monitored.	"Responsible Procurement"	19
B6.	Product Responsibility		
Genera	al Disclosure	"Product	19
Inform	ation on:	Responsibility"	
(a)	the policies; and		
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	"Product Responsibility"	19
B6.2	Number of products and service related complaints received and how they are dealt with.	"Product Responsibility"	19
B6.3	Description of practices relating to observing and protecting intellectual property rights.	"Product Responsibility"	19
B6.4	Description of quality assurance process and recall procedures.	"Product Responsibility"	19
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	"Product Responsibility"	19

Subje	ct Areas, Aspects, General Disclosures and KPIs	Chapter	Pages
B7.	Anti-corruption		
Genera	al Disclosure	"Professional	10
Inform	ation on:	Ethics and Anti-	
(a)	the policies; and	Corruption"	
(b)	compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.		
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	"Professional Ethics and Anti- Corruption"	10
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	"Professional Ethics and Anti- Corruption"	10
B7.3	Description of anti-corruption training provided to Directors and employees.	"Professional Ethics and Anti- Corruption"	10
B8.	Community Investment		
Genera	al Disclosure	"Public Welfare and	22
Policie	s on community engagement to understand the needs of the communities where	Charity"	
the iss	uer operates and to ensure its activities take into consideration the communities'		
interes	sts.		
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	"Public Welfare and Charity"	22
B8.2	Resources contributed (e.g. money or time) to the focus area.	"Public Welfare and Charity"	22

## **Deloitte**

德勤

TO THE SHAREHOLDERS OF JOY SPREADER GROUP INC.

(Incorporated in the Cayman Islands with limited liability)

#### **OPINION**

We have audited the consolidated financial statements of Joy Spreader Group Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 130 to 218, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

#### **BASIS FOR OPINION**

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

#### **KEY AUDIT MATTERS**

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

#### **Key audit matter**

#### How our audit addressed the key audit matter

#### Revenue recognition from sales of E-commerce goods

We identified occurrence of revenue recognition from contracts with customers in respect of sales of E-commerce goods as a key audit matter because:

- goods included: the Group derived its revenue from sales • of E-commerce goods amounting to
- HK\$4,587,896,000 for the year ended 31 December 2023, which is significant to the consolidated statement of profit or loss and other • comprehensive income for the year ended 31 December 2023, and represented 90% of the total revenue:
- (ii) revenue from sales of E-commerce goods increased significantly compared with the year ended 31 • December 2022;
- (iii) it involves critical judgement when the Group • considers acting as principal or agent in the transactions of sales of E-commerce goods; and
- (iv) it is a key performance indicator of the Group and therefore there is a high inherent risk of • misstatement.

Details of revenue from sales of E-commerce goods are set out in note 6 to the consolidated financial statements.

Evaluating the key internal controls relevant to revenue recognition from contracts with customers in respect of sales of E-commerce goods;

Our procedures in relation to revenue recognition from

contracts with customers in respect of sales of E-commerce

- Examining, on a sample basis, the key terms set out in the Group's contracts with its customers governing the performance obligations, the associated revenue recognition and the principal versus agent consideration;
- Obtaining confirmations for the revenue generated from the Group's major customers;
- Inspecting, on a sample basis, the recorded revenue transactions by examining the underlying supporting evidences such as delivery notes and other supporting documents; and
- Obtaining confirmation for the purchase of goods from the major supplier.

#### **OTHER INFORMATION**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

# RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Yam Siu Man.

**Deloitte Touche Tohmatsu** 

Certified Public Accountants Hong Kong 28 March 2024

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	NOTES	2023	2022
		HK\$'000	HK\$'000
Revenue	6	5,083,992	3,724,806
Cost of revenue		(4,624,419)	(3,287,842)
Gross profit		459,573	436,964
Other income	8	12,341	37,099
Other expenses	9	-	(16,895)
Other gains and losses	10	9,033	30,054
Impairment losses under expected credit loss model,			
net of reversal	11	(123,775)	(50,956)
Distribution and selling expenses		(936,705)	(523,288)
Administrative expenses		(143,109)	(190,764)
Research and development expenses		(70,014)	(52,771)
Share of results of associates		1,857	445
Finance costs	12	(2,303)	(1,776)
Loss before tax	13	(793,102)	(331,888)
Income tax expense	15	(141)	(7,232)
Loss for the year		(793,243)	(339,120)
(Loss) profit for the year attributable to:			
Owners of the Company		(784,166)	(339,450)
Non-controlling interests		(9,077)	330
		(793,243)	(339,120)



## **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND** OTHER COMPREHENSIVE INCOME (CONTINUED)

		Year ended 31 December		
	NOTE	2023	2022	
		HK\$'000	HK\$'000	
Other comprehensive (expense) income				
Items that will not be reclassified to profit or loss:				
Exchange differences on translation from functional currency to				
presentation currency		(28,098)	(210,714)	
Fair value loss on equity instruments at fair value through other				
comprehensive income		(14,685)	(11,671)	
Income tax relating to item that will not be reclassified to profit or		4 700	4.754	
loss		1,703	1,751	
		(41,080)	(220,634)	
		(41,000)	(220,034)	
Item that may be reclassified subsequently to profit or loss:				
Exchange differences arising on translation of foreign operations		(10,169)	(10,461)	
Other comprehensive expense for the year, net of income tax		(51,249)	(231,095)	
Total comprehensive expense for the year		(844,492)	(570,215)	
Total comprehensive (expense) income for the year attributable to:  Owners of the Company		(835,656)	(570,545)	
Non-controlling interests		(8,836)	330	
		(844,492)	(570,215)	
Basic loss per share (HK cents)	16	(33.10)	(15.03)	
Diluted loss per share (HK cents)	16	(33.10)	(15.03)	

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

		As at 31 E	)ocomber —
	NOTES	As at 31 L 2023	pecember 2022
	NOTES	HK\$'000	HK\$'000
		11114	11114 000
NON-CURRENT ASSETS			
Property, plant and equipment	18	58,226	65,987
Right-of-use assets	19	36,875	41,916
Intangible assets		2,222	3,833
Interests in associates	20	36,538	35,198
Rental deposits	25	5,192	5,487
Financial assets at fair value through profit or loss	28	7,414	5,597
Equity instruments at fair value through other			
comprehensive income	22	12,993	27,970
Finance lease receivables	24	1,396	-
Prepayments	27	-	237,100
		160,856	423,088
CURRENT ASSETS			
Inventories	23	108,681	40,254
Trade and other receivables and deposits	25	723,832	1,263,017
Loan receivables	26	4,524	26,308
Finance lease receivables	24	1,649	20,300
Prepayments	27	499,320	469,649
Financial assets at fair value through profit or loss	28	1,991	3,077
Restricted bank balances	29	41,951	-
Bank deposits	29	-	38,984
Cash and cash equivalents	29	325,973	533,944
Cash and cash equivalents	23		
		1,707,921	2,375,233
		1,707,321	
CURRENT LIABILITIES			
Trade and other payables	30	204 567	294,332
Contract liabilities	30	204,567	1,207
Lease liabilities	31	14,665	13,298
Income tax payable	51	1,004	903
income tax payable		1,004	
		222 225	200.740
		220,236	309,740
NET CURRENT ASSETS		1,487,685	2,065,493
TOTAL ASSETS LESS CURRENT LIABILITIES		1,648,541	2,488,581

### **CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)**

At 31 December 2023

	As at 31 De	cember
NOTE	<b>2023</b>	2022
	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES		
Lease liabilities 31	26,694	29,779
Obligation arising from a forward contract with		
non-controlling interests 32	45,632	42,676
Deferred tax liabilities 21	128	1,845
	72,454	74,300
NET ASSETS	1,576,087	2,414,281
	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	27 , 2 3 .
CAPITAL AND RESERVES		
	24	24
Share capital 33 Reserves 34		
neserves 34	1,599,318	2,413,927
Equity attributable to owners of the Company	1,599,342	2,413,951
Non-controlling interests	(23,255)	330
TOTAL EQUITY	1,576,087	2,414,281

The consolidated financial statements on pages 130 to 218 were approved and authorised for issue by the board of directors on 28 March 2024 and are signed on its behalf by:

> Zhu Zinan Director

Qin Jiaxin Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	ı	1									
				Chara	Attributable to owners of the Company	owners of the (	Company				
	Share	Treasury	Share	Share- based payments	rair value through other comprehensive	Statutory	Translation	Retained		Non- controlling	
	capital HK\$'000	stocks HK\$'000	premium HK\$'000	reserve HK\$'000	income reserve HK\$'000	reserve HK\$'000	reserve HK\$′000	earnings HK\$′000	Subtotal HK\$'000	interests HK\$'000	Total HK\$'000
At 1 January 2022	22	(150,002)	1,745,119	I	21,213	163,764	142,617	395,496	2,318,229	ı	2,318,229
(Loss) profit for the year	1	1	ı	1	I	1	ı	(339,450)	(339,450)	330	(339,120)
Changes in fair value of equity instruments	1	ı	ı	ı	(9,920)	I	ı	I	(0,920)	ı	(6,920)
exchange differences on translation from functional currency to presentation currency	1	ı	I	I	I	ı	(210,714)	ı	(210,714)	I	(210,714)
Exchange differences arising on translation of foreign operations	1	1	1	1	1	1	(10,461)	1	(10,461)	1	(10,461)
Other comprehensive expense for the year	1	1	1	1	(9,920)	1	(221,175)	1	(231,095)	1	(231,095)
(Loss) profit and total comprehensive (expense) income for the year	1	1	1	1	(9,920)	1	(221,175)	(339,450)	(570,545)	330	(570,215)
Issue of shares (note 33)	2	I	602,878	I	ı	I	I	l	602,880	I	602,880
Transaction costs attributable to issue of shares			6						6		9
(note 33) Cancellation of shares	1 1	11.950	(21,833)	1 1	1 1	1 1	1 1	1 1	(21,833)	1 1	(21,833)
Purchase of shares under share award scheme (note			-						()		()
عارة) Reduction of share issuance costs in connection	I	(/,280)	I	I	I	I	I	I	(/,280)	I	(/,280)
with the listing of the shares	I	1	21,841	1	I	ı	I	I	21,841	I	21,841
Recognition of equity-settled share-based payment				C C					C C C		C C C
expenses (note 35(a)) Vacting of shares of the Company (note 35(a))	1 1	- 138 377	- (68 130)	(70,059	1 1	1 1	1 1	1 1	659'0/	1 1	659,0/
Capital contribution from non-controlling interests	ı		(0.1		ı	I	I	ı	ı	40,294	40,294
Obligation arising from a forward contract with											
non-controlling interests (note 32)	1	ı	ı	ı	1	ı	1	1	ı	(40,294)	(40,294)
Appropriation of statutory reserve				1		13,963		(13,963)			
At 31 December 2022	24	(6,955)	2,267,925	412	11,293	177,771	(78,558)	42,083	2,413,951	330	2,414,281

## **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)**

					Attributable to owners of the Company	owners of the	. Company				
	Share	Treasury	Share	Share- based payments reserve	Fair value through other comprehensive income reserve	Statutory reserve	Translation	Retained earnings Translation (accumulated reserve losses)	Subtotal	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$,000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023	24	(6.955)	2,267,925	412	11,293	127.771	(78.558)	42,083	2,413,951	330	2.414.281
Loss for the year	, '	1	'	! '	1	1		(784, 166)	(784,166)	(7/0/6)	(793,243)
Changes in fair value of equity instruments	1	1	-1	1	(12,982)	1	1	· 1	(12,982)	1	(12,982)
Exchange differences on translation from functional currency to presentation currency	ı	ı	1	ı	ı	ı	(28,098)	ı	(28,098)	ı	(28,098)
Exchange differences arising on translation of foreign operations	1	1	1	1		1	(10,410)	1	(10,410)	241	(10,169)
Other comprehensive (expense) income for the year	1	1	1	1	(12,982)	1	(38,508)	1	(51,490)	241	(51,249)
Loss and total comprehensive expense for the year	1	1	1	I	(12,982)	1	(38,508)	(784,166)	(835,656)	(8,836)	(844,492)
Recognition of equity-settled share-based payment expenses (note 35)	1		1	3,338	I	1	1	ı	3,338	2,960	6,298
Vesting of shares of the Company (note 35(a))	1	6,955	(3,205)	(3,750)	I	1	ı	1	1 6	1 00	ı
vesting of snares of a subsidiary (note 35(b)) Appropriation of statutory reserve	1 1	1 1	60//1	1 1		5,379	1 1	- (5.379)	60//1	(607'/1)	
At 31 December 2023	24	1	2,282,429		(1,689)	183,106	(117,066)	(747,462)	1,599,342	(23,255)	1,576,087

# **CONSOLIDATED STATEMENT OF CASH FLOWS**

	Year ended 3	31 December
	2023	2022
	HK\$'000	HK\$'000
OPERATING ACTIVITIES		
Loss before taxation	(793,102)	(331,888)
Adjustments for:		
Interest income	(8,958)	(12,744)
Income from films and television dramas	-	(17,734)
Share of results of associates	(1,857)	(445)
Depreciation of property, plant and equipment	23,676	15,567
Depreciation of right-of-use assets	15,692	12,749
Amortisation of intangible assets	1,567	1,935
Amortisation of investments in films and television dramas	_	16,895
Impairment losses, net of reversal		
– financial assets and under expected credit loss model	123,775	50,956
– intangible assets	-	2,330
– investments in films and television dramas	-	5,826
Finance costs	2,303	1,776
Share-based payment expense	6,298	70,659
(Gain) loss on disposal of property, plant and equipment	(1,492)	2
Gain on disposal of right-of-use assets	(46)	_
(Gain) loss on fair value changes of financial assets at fair value		
through profit or loss	(904)	1,925
Loss on fair value changes of obligation arising from a forward		
contract with non-controlling interests	3,592	2,375
Foreign exchange gains, net	(23,134)	(56,592)
Operating cash flows before movements in working capital	(652,590)	(236,408)
Decrease (increase) in trade and other receivables and deposits	160,557	(121,902)
Decrease (increase) in prepayments	46,069	(391,165)
Increase in inventories	(68,967)	(40,254)
Increase in restricted bank balances	(42,259)	_
Increase in trade and other payables	320,667	262,306
(Decrease) increase in contract liabilities	(1,207)	1,207
Cash used in operations	(237,730)	(526,216)
Income tax paid	(27)	(77)
Ka Maria Caranta Caran		
Net cash used in operating activities	(237,757)	(526,293)
Net cash ased in operating activities	(231,131)	(320,233)

## **CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)**

	Year ended	31 December
	2023	2022
	HK\$'000	HK\$'000
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(18,900)	(35,099)
Purchase of financial assets at fair value through profit or loss	-	(5,847)
Purchase of equity instruments at fair value through other comprehensive income	-	(3,691)
Increase in loan receivables	(3,668)	(45,116)
Repayment of loan receivables	12,072	26,474
Acquisition of a subsidiary	(122)	_
Interest received	8,958	12,744
Investments in associates	-	(1,230)
Proceeds from disposal of property, plant and equipment	3,583	393
Receipts of finance lease receivables	402	_
Withdrawal of bank deposits with original maturity of more than three months	38,709	_
Placement of bank deposits with original maturity of more than three months		(40,574)
Net cash from (used in) investing activities	41,034	(91,946)
FINANCING ACTIVITIES		
Capital contribution from non-controlling interests	-	40,294
Purchase of shares under share award scheme	-	(7,280)
Repayment of lease liabilities	(15,754)	(17,117)
Interests paid	(2,303)	(1,776)
Proceeds from issue of shares	-	593,005
Payment of shares issue costs	-	(19,958)
Net cash (used in) from financing activities	(18,057)	587,168
Net decrease in cash and cash equivalents	(214,780)	(31,071)
Cash and cash equivalents at beginning of the year	533,944	619,036
Effect of foreign exchange rate changes	6,809	(54,021)
		( ) ( ) ( ) ( ) ( ) ( ) ( ) ( ) ( ) ( )
Cash and cash equivalents at end of the year	225 072	533,944
Cash and Cash equivalents at end of the year	325,973	333,944

For the year ended 31 December 2023

#### 1. **GENERAL INFORMATION**

Joy Spreader Group Inc. (the "Company") was incorporated and registered in the Cayman Islands on 19 February 2019 as an exempted company with limited liability under the Companies Act of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 23 September 2020. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The principal activities of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") are provision of digital marketing business and the relevant services and sales of E-commerce goods.

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

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

#### 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

For the year ended 31 December 2023

# 2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

For the year ended 31 December 2023

#### **APPLICATION OF NEW AND AMENDMENTS TO IFRS**s 3.

#### New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 Insurance Contracts

and December 2021 Amendments

to IFRS 17)

Amendment 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

Amendments to IAS 1 and IFRS Disclosure of Accounting Policies

Practice Statement 2

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

#### Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 Sale or Contribution of Assets between an Investor and its Associate or

and IAS 28 Joint Venture<sup>1</sup>

Amendments to IFRS 16 Lease Liability in a Sale and Leaseback<sup>2</sup>

Amendments to IAS 1 Classification of Liabilities as Current or Non-current<sup>2</sup>

Non-current Liabilities with Covenants<sup>2</sup> Amendments to IAS 1

Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements<sup>2</sup>

Amendments to IAS 21 Lack of Exchangeability<sup>3</sup>

- Effective for annual periods beginning on or after a date to be determined.
- Effective for annual periods beginning on or after 1 January 2024.
- Effective for annual periods beginning on or after 1 January 2025.

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

For the year ended 31 December 2023

### 4. MATERIAL ACCOUNTING POLICY INFORMATION

#### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets/liabilities of the relevant subsidiaries upon liquidation.

For the year ended 31 December 2023

#### 4. **MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**

#### Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

#### Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the associate's accounting policies to those of the Group. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Changes in net assets of the associate other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

#### Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in note 6.

For the year ended 31 December 2023

### 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### Leases

#### Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 *Leases* at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

#### The Group as a lessee

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

#### Short-term leases

The Group applies the short-term lease recognition exemption to leases of buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

#### Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

For the year ended 31 December 2023

#### 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Leases (Continued)

# The Group as a lessee (Continued)

#### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

#### Lease modifications

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, less any lease incentives receivable, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

#### The Group as a lessor

## Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

For the year ended 31 December 2023

# 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Leases (Continued)

The Group as a lessor (Continued)

#### Sublease

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

# Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated using exchange rates prevailing at the end of the reporting period. Income and expenses items are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the year, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency (i.e. HK\$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in translation reserve are not reclassified to profit or loss subsequently.

For the year ended 31 December 2023

#### 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Share-based payments

# Equity-settled share-based payment transactions

# Shares granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (sharebased payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

When shares of the Company granted are vested, the amount previously recognised in share-based payments reserve will be transferred to treasury stocks and the difference between the amount previously recognised in sharebased payments reserve and the cost for repurchasing the shares will be transferred from treasury stocks to share premium.

#### **Taxation**

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before taxation because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be recognised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

For the year ended 31 December 2023

# 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

## Property, plant and equipment

Property, plant and equipment including furniture, fixtures and equipment, vehicles and leasehold improvement are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

For the year ended 31 December 2023

#### 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

# Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

# Impairment of property, plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

For the year ended 31 December 2023

# 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Impairment of property, plant and equipment, right-of-use assets and intangible assets (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a prorata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

## Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

- (a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and
- (b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

For the year ended 31 December 2023

#### 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

#### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and other necessary costs which the Group must incur to make the sale.

#### Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 Revenue from Contracts with Customers. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

For the year ended 31 December 2023

# 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Financial instruments (Continued)

#### Financial assets

## Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

#### (i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

# (ii) Equity instruments designated as at fair value through other comprehensive income ("FVTOCI")

Investments in equity instruments designated as at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

For the year ended 31 December 2023

#### 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Financial instruments (Continued)

Financial assets (Continued)

## Classification and subsequent measurement of financial assets (Continued)

#### (iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss.

#### Impairment of financial assets and other item subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables and deposits, loan receivables, restricted bank balances, bank deposits and cash and cash equivalents), and other item (finance lease receivables) which are subject to impairment assessment under IFRS 9 Financial Instruments. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognised lifetime ECL for trade receivables and finance lease receivables. The ECL on trade receivables are assessed collectively using a provision matrix with appropriate groupings except that significant balances or credit-impaired are assessed individually. The ECL on finance lease receivables are assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

For the year ended 31 December 2023

# 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Financial instruments (Continued)

Financial assets (Continued)

# Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (Continued)

### (i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological
  environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt
  obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

For the year ended 31 December 2023

#### 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (Continued)

#### (ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower; (a)
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties. (e)

#### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

For the year ended 31 December 2023

# 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other item subject to impairment assessment under IFRS 9 (Continued)

# (v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward-looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management of the Group to ensure the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and other receivables and deposits and loan receivables where the corresponding adjustment is recognised through a loss allowance account.

For the year ended 31 December 2023

#### 4. **MATERIAL ACCOUNTING POLICY INFORMATION (Continued)**

# Financial instruments (Continued)

# Financial assets (Continued)

# Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instruments which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, and will continue to be held in the FVTOCI reserve.

## Financial liabilities and equity

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

## **Equity instruments**

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

#### Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

For the year ended 31 December 2023

# 4. MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

# Financial instruments (Continued)

# Financial liabilities and equity (Continued)

#### Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

# Obligation arising from a forward contract on shares of a subsidiary entered with non-controlling shareholders

The gross financial liability arising from the forward contract is recognised when contractual obligation to repurchase the shares in a subsidiary from non-controlling interests is established. The liability for the share redemption amount is initially recognised and measured at present value of the estimated repurchase price with the corresponding debit to the non-controlling interests. In subsequent periods, the changes in the carrying amount of obligation under the forward contract with non-controlling interests are recognised in profit or loss.

#### Financial liabilities at amortised cost

Financial liabilities including trade and other payables are subsequently measured at amortised cost, using the effective interest method.

## Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

For the year ended 31 December 2023

#### CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION 5. UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

# Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

## Consolidation of the Consolidated Affiliated Entities

The Group obtained control of the Consolidated Affiliated Entities by entering into a series of Contractual Arrangements. Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities. The Directors, based on the advice of its legal counsel, consider that the Contractual Arrangements are in compliance with the relevant PRC Laws and are legally enforceable. Therefore, the Group has control over the Consolidated Affiliated Entities as a result of the Contractual Arrangements and accordingly, the Group has consolidated the Consolidated Affiliated Entities.

# Principal versus agent consideration

The Group engages in sales of E-commerce goods. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer including considering the indicators to the assessment of control as the Group is primarily responsible for fulfilling the promise to provide the goods, has inventory risk and discretion in establishing the price for the specified good. When the Group satisfies the performance obligation, the Group recognises revenue in the gross amount of consideration to which the Group expects to be entitled as specified in the contracts.

During the year ended 31 December 2023, the Group recognised revenue relating to sales of E-commerce goods of HK\$4,587,896,000 (2022: HK\$3,104,605,000).

For the year ended 31 December 2023

# 5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

# Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## Provision of ECL for trade receivables

Trade receivables with significant balances or credit-impaired are assessed for ECL individually by reference to aging, past default experience and current past due exposure of the debtor, and an analysis of the debtor's current financial position.

In addition, the Group uses practical expedient in estimating ECL on trade receivables which are not assessed individually by using a provision matrix. The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and reasonable and supportable forward-looking information that is available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 37(b) and 25.

## Fair value measurement of equity instruments at FVTOCI

As at 31 December 2023, certain of the Group's unlisted equity securities amounting to HK\$12,993,000 (2022: HK\$24,612,000) were measured at FVTOCI categorised within Level 3 of the fair value hierarchy with fair value being determined based on significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could result in material adjustments to the fair value of these instruments. See note 37(c) for further disclosures.

For the year ended 31 December 2023

#### 6. **REVENUE**

#### Disaggregation of revenue from contracts with customers (i)

	Year ended 31 December		
	2023	2022	
	HK\$'000	HK\$'000	
Types of goods or services			
Provision of performance-based we-media marketing services			
Interactive entertainment and digital products marketing	186,565	311,056	
E-commerce products marketing	306,660	307,078	
	493,225	618,134	
Sales of E-commerce goods	4,587,896	3,104,605	
Others	2,871	2,067	
Others	2,071		
	E 082 002	2 724 906	
	5,083,992	3,724,806	
Timing of revenue recognition			
A point in time	5,083,992	3,724,806	

#### (ii) Performance obligations for contracts with customers and revenue recognition policies

# Sales of E-commerce goods

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

For the year ended 31 December 2023

# 6. REVENUE (Continued)

# (ii) Performance obligations for contracts with customers and revenue recognition policies (Continued)

# Provision of performance-based we-media marketing services

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

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

When the Group acts as an agent, it recognises revenue earned and costs incurred related to the transaction on a net basis, in exchange for arranging for the specified service to be provided by the other party. Normally, the payment terms for the contract is 90 days after the volume of the specified service is agreed with the customers monthly.

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

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

For the year ended 31 December 2023

#### 7. **SEGMENT INFORMATION**

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

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

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

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

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

# Segment revenue and results

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

## For the year ended 31 December 2023

	Provision of performance- based we-media marketing services HK\$'000	Sales of E-commerce goods HKS'000	Others HK\$'000	Consolidated HK\$'000
Segment revenue from external customers	493,225	4,587,896	2,871	5,083,992
Segment profit (loss)	180	(746,312)	(30,985)	(777,117)
Share of results of associates Unallocated corporate expenses				1,857 (17,983)
Loss for the year				(793,243)

For the year ended 31 December 2023

#### 7. **SEGMENT INFORMATION (Continued)**

Segment revenue and results (Continued)

For the year ended 31 December 2022

	Provision of performance- based we-media marketing services HK\$'000	Sales of E-commerce goods HK\$'000	Others HK\$'000	Consolidated HK\$'000
Segment revenue from external customers	618,134	3,104,605	2,067	3,724,806
Segment profit (loss)	74,563	(376,857)	(27,974)	(330,268)
Share of results of associates Unallocated corporate expenses				(9,29 <u>7)</u>
Loss for the year				(339,120)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 4. Segment profit/(loss) represents the profit/(loss) earned/incurred from each segment without allocation of share of results of associates, and certain corporate expenses including central administration costs, directors' emoluments, foreign exchange gains and loss on fair value changes of financial assets at FVTPL. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Subsequent to the end of the reporting period, the management of the Group has been revisiting its strategy over the sales of E-commerce goods business, and has temporarily suspended the operation of the sales of E-commerce goods business. As such, no revenue is generated from sales of E-commerce goods for the period from 1 January 2024 to the date of approval for issuance of the consolidated financial statements.

The management of the Group does not intend to discontinue the operation of the sales of E-commerce goods business. Instead, under the new strategy of the sales of E-commerce goods business, the management of the Group is going to adopt an asset-light business model to operate the sales of E-commerce goods business by providing accurate traffic marketing services for overseas E-commerce customers via overseas short video platforms. The management of the Group believes that such business model will help to improve the operating cash flows of the Group. The management of the Group plans to resume the sales of E-commerce goods under the new business model and sell out the inventories kept at 31 December 2023.

For the year ended 31 December 2023

#### **SEGMENT INFORMATION (Continued)** 7.

# Segment assets and liabilities

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

# Other segment information

For the year ended 31 December 2023

	Provision of performance– based we-media marketing services HK\$'000	Sales of E-commerce goods HKS'000	Others HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit (loss):				
Depreciation and amortisation Impairment losses recognised in profit or loss in respect of:	24,951	7,720	8,264	40,935
<ul><li>trade and other receivables and deposits</li><li>loan receivables</li></ul>	98,154 3,713	5,917	6,543 9,448	110,614 13,161
Amounts regularly provided to the CODM:				
Addition to non-current assets*	37,758	4,334	3,217	45,309

For the year ended 31 December 2023

#### **SEGMENT INFORMATION (Continued)** 7.

Other segment information (Continued)

For the year ended 31 December 2022

	Provision of performance— based we-media marketing services HK\$'000	Sales of E-commerce goods HK\$'000	Others HK\$'000	Consolidated HK\$'000
Amounts included in the measure of segment profit (loss):				
Depreciation and amortisation Impairment losses recognised (reversed) in profit or loss in respect of:	25,693	311	4,247	30,251
– intangible assets	2,330	_	_	2,330
– investments in films and television dramas	_	_	5,826	5,826
- trade and other receivables and deposits	35,732	(63)	6,548	42,217
– loan receivables	8,739			8,739
Amounts regularly provided to the CODM:				
Addition to non-current assets*	29,590	11,144	43,685	84,419

Non-current assets excluded financial assets.

For the year ended 31 December 2023

#### **SEGMENT INFORMATION (Continued)** 7.

# Geographical information

The Group's operations are located in the Mainland China and Hong Kong. Information about the Group's revenue from external customers is presented based on the location of the operations.

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Mainland China	496,096	620,201
Hong Kong	4,587,896	3,104,605
	5,083,992	3,724,806

The Group's non-current assets (excluding financial assets) are all located in Mainland China.

# Information about major customers

Revenue from customers for the corresponding year contributing for 10% or more of the total revenue of the Group are as follows:

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Customer A	1,023,528	N/A¹
Customer B	N/A¹	878,224
Customer C <sup>2</sup>	N/A <sup>1</sup>	529,241

The corresponding revenue did not contribute over 10% of the total revenue of the Group.

The above revenue represents revenue from sales of E-commerce goods.

Customer C represents two customers under the control of the same shareholder.

For the year ended 31 December 2023

#### 8. **OTHER INCOME**

	Year ended :	Year ended 31 December	
	2023	2022	
	HK\$'000	HK\$'000	
Interest income on bank deposits	8,271	9,754	
Interest income on loan receivables	664	2,990	
Interest income on finance lease receivables	23	-	
Income from investments in films and television dramas	-	17,734	
Government grants (note)	2,747	6,621	
Rental income	636		
	12,341	37,099	

According to announcement of Ministry of Finance, State Taxation Administration and General Administration of Customs on Deepening the Relevant Policies of Value-added Tax Reform (Announcement No. 39 of 2019), the Group was qualified to have an additional 10% deduction of the input value-added tax since 1 April 2019. According to the announcement of Ministry of Finance and State Taxation Administration on clarifying the policies of value-added tax deduction (Announcement No. 1 of 2023), the additional deduction rate decreased from 10% to 5% from 1 January 2023 to 31 December 2023.

#### 9. **OTHER EXPENSES**

	Year ended 3	Year ended 31 December	
	2023	2022	
	HK\$'000	HK\$'000	
Amortisation of investments in films and television dramas	<u> </u>	16,895	

For the year ended 31 December 2023

# 10. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Impairment loss recognised in respect of:		
– intangible assets	-	2,330
– investments in film and television dramas	-	5,826
(Gain) loss on disposal of property, plant and equipment	(1,492)	2
Gain on disposal of right-of-use assets	(46)	-
Foreign exchange gains, net	(10,523)	(43,036)
(Gain) loss on fair value changes of financial assets at FVTPL	(904)	1,925
Loss on fair value changes of obligation arising from a forward		
contract with non-controlling interests	3,592	2,375
Others	340	524
	(9,033)	(30,054)

# 11. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF **REVERSAL**

	Year ended 31 December		
	2023	2022	
	HK\$'000	HK\$'000	
Net impairment losses recognised in respect of:			
trade receivables	97,176	31,836	
other receivables	13,438	10,381	
loan receivables	13,161	8,739	
	123,775	50,956	

Details of impairment assessment are set out in note 37(b).

# 12. FINANCE COSTS

	Year ended 31 December	
	<b>2023</b> 2	
	HK\$'000	HK\$'000
Interest expense on lease liabilities	2,303	1,776

For the year ended 31 December 2023

# 13. LOSS BEFORE TAX

Loss before taxation has been arrived at after charging:

	Year ended 31 December		
	2023	2022	
	HK\$'000	HK\$'000	
Depreciation of property, plant and equipment	23,676	15,567	
Depreciation of right-of-use assets	15,692	12,749	
Amortisation of intangible assets (included in			
administrative expenses)	1,567	1,935	
Total depreciation and amortisation	40,935	30,251	
'			
Staff costs (including directors' remuneration as set out in note 14):			
Salaries and other benefits-in-kind	36,119	38,401	
Contributions to retirement benefits scheme	3,409	3,544	
Discretionary bonus	2,594	5,537	
Equity-settled share-based expense	6,298	70,659	
1. 9			
Total staff costs	48,420	118,141	
Total stall costs	40,420	110,141	
A collisional management and	F.004	4.440	
Auditors' remuneration	5,004	4,440	
Cost of inventories recognised as an expense	4,305,580	2,916,856	

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# 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

#### Directors' and Chief Executive's Emoluments a.

Details of the emoluments paid or payable to the directors and chief executive officer of the Company during the year are as follows:

	Fees HK\$'000		Contributions to retirement benefits scheme HK\$'000	Discretionary bonus (note (a)) HK\$'000	Equity-settled share-based expense HK\$'000	Total HK\$'000
Year ended 31 December 2023						
Executive directors						
Zhu Zinan (Chief Executive Officer)	_	1,113	61	258	2,960	4,392
Cheng Lin	_	694	60	157	_	911
Qin Jiaxin	-	810	44	225	_	1,079
Subtotal		2,617	165	640	2,960	6,382
Non-executive directors						
Hu Qingping (i, note (b))	_	_	_	_	_	_
Hu Jiawei (note (b))	_	_	_	_	_	_
Subtotal						
Independent non-executive directors						
Xu Chong (ii)	27	-	-	-	-	27
Huang Boyang (iii)	84	-	-	-	-	84
Tang Wei	111	-	-	-	-	111
Fang Hongwei	111					111
Subtotal	333					333
Total						6,715

For the year ended 31 December 2023

# 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

# Directors' and Chief Executive's Emoluments (Continued)

	Fees HK <b>\$</b> '000	Salaries and other benefits- in-kind HK\$'000	Contributions to retirement benefits scheme HK\$'000	Discretionary bonus (note (a)) HK\$'000	Equity-settled share-based expense HK\$'000	Total HK\$'000
V						
Year ended 31 December 2022 Executive directors						
Zhu Zinan (Chief Executive Officer)		400	64	545		1,009
Cheng Lin	_	705	63	198	_	966
Qin Jiaxin		703	30	189	6,160	7,171
Sheng Shiwei (iv)	_	868	12	3,095	- 0,100	3,975
Shelig Shiwer (iv)						
Subtotal		2,765	169	4,027	6,160	13,121
Non-executive directors						
Hu Qingping (note (b))	_	_	_	_	_	_
Hu Jiawei (note (b))						
Subtotal						
Independent non-executive directors						
Xu Chong	117	-	-	-	-	117
Tang Wei	117	-	-	-	-	117
Fang Hongwei	117					117
Subtotal	351					351
Total						13,472

For the year ended 31 December 2023

# 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

#### Directors' and Chief Executive's Emoluments (Continued) a.

- Hu Qingping resigned as a non-executive director of the Company on 7 July 2023.
- (ii) Xu Chong resigned as an independent non-executive director of the Company on 31 March 2023.
- (iii) Huang Boyang was appointed as an independent non-executive director on 31 March 2023.
- Sheng Shiwei resigned as an executive director of the Company on 30 November 2022. (iv)

The executive directors' and chief executive's emoluments shown above were mainly for their services in connection with the management affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

#### Notes:

- (a) The discretionary bonus is determined based on the performance of the directors and the Group.
- Certain non-executive directors agreed to waive their remuneration during the years ended 31 December 2023 and 2022. (b)

For the year ended 31 December 2023

# 14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

#### b. **Employees' Emoluments**

The five highest paid employees of the Group during the year included three (2022: two) directors, details of whose remuneration are set out above. Details of the remuneration for the year of the remaining two (2022: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended 31 December		
	2023	2022	
	HK\$'000	HK\$'000	
Salaries and other benefits-in-kind	2,628	3,066	
Contributions to retirement benefits scheme	133	178	
Discretionary bonus (note)	949	753	
Equity-settled share-based expense	3,338	64,499	
	7,048	68,496	

The number of the highest paid employees who are not the directors whose remuneration fell within the following bands is as follows:

	Number of	employees
	2023	2022
Nil to HK\$1,000,000	1	-
HK\$6,000,000 to HK\$6,500,000	1	-
HK\$7,000,001 to HK\$7,500,000	-	1
HK\$29,500,001 to HK\$30,000,000	-	1
HK\$31,500,001 to HK\$32,000,000	<u> </u>	1
	2	3

The discretionary bonus is determined based on the performance of the employees and the Group. Note:

During the year, except for certain non-executive directors mentioned above, none of the directors and chief executive officer of the Company had waived any emoluments and no emoluments had been paid by the Group to any of the directors or chief executive officer or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

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# 15. INCOME TAX EXPENSE

	Year ended 31 December		
	<b>2023</b> 20		
	HK\$'000	HK\$'000	
Current enterprise income tax	141	77	
Deferred tax (note 21)		7,155	
	141	7,232	

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

	Year ended 31 December		
	2023	2022	
	HK\$'000	HK\$'000	
Loss before taxation	(793,102)	(331,888)	
Tax at the applicable tax rate of 25% (2022: 25%)	(198,276)	(82,972)	
Tax effect of share of results of associates	(464)	(111)	
Tax effect of expenses not deductible for tax purpose	11,425	20,364	
Tax effect of income not taxable for tax purpose	(5,522)	(11,281)	
Tax effect of tax exemptions granted	(33,355)	(53,522)	
Tax effect of additional deduction of research and			
development expenses	(1,169)	(1,278)	
Tax effect of tax losses not recognised	197,067	114,099	
Tax effect of deductible temporary differences not recognised	30,435	14,778	
Tax effect of reversal of tax losses and deductible			
temporary differences previously recognised		7,155	
Tax expense	141	7,232	

For the year ended 31 December 2023

# 15. INCOME TAX EXPENSE (Continued)

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

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

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

Beijing Joyspreader, one of the Group's subsidiaries, was qualified as a High-New Technology Enterprise ("HNTE") and was subject to a preferential income tax rate of 15% for three years starting from 1 January 2021.

Beijing Wuyou Technology Co., Ltd, one of the Group's subsidiaries, was qualified as a HNTE and was subject to a preferential income tax rate of 15% for three years starting from 1 January 2022.

According to "關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知" (Caishui [2011] 112) and "關 於新疆困難地區及喀什、霍爾果斯兩個特殊經濟開發區新辦企業所得稅優惠政策的通知"(Caishui [2021] 27) issued by the State Administration of Taxation and the Ministry of Finance of the PRC, two of the Group's subsidiaries, Horgos Yaoxi Internet Technology Co., Ltd and Horgos Wuyou Internet Technology Co., Ltd, which were established in 2017 and located in Horgos city in the PRC, were exempted from income tax for five years starting from 1 January 2017. According to the latest preferential policy, these two subsidiaries were exempted from the 40% proportion of the income tax attributable to the local government for five years starting from 1 January 2022, and were subject to an income tax rate of 25% for the 60% proportion of the income tax attributable to the central government.

Horgos Zhipu Shulian Internet Technology Co., Ltd and Horgos Joyspreader Interactive Technology Co., Ltd, which were established in 2020 and located in Horgos city in the PRC, were exempted from income tax for five years starting from 1 January 2020. Horgos Lexiang Huayue Culture Technology Co., Ltd, which was established in 2021, located in Horgos city in the PRC and commenced business in 2022, was exempted from income tax for five years starting from 1 January 2022.

For the year ended 31 December 2023

# 16. LOSS PER SHARE

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

Loss figures are calculated as follows:

	Year ended 31 December		
	<b>2023</b> 2022		
	HK\$'000	HK\$'000	
Loss for the year attributable to owners of the Company	784,166	339,450	

# Number of shares:

	Year ended 31 December		
	2023		
	'000	′000	
Weighted average number of ordinary shares for the purpose of			
basic loss per share	2,369,427	2,258,375	

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share for the years ended 31 December 2023 and 2022 has been arrived at after deducting shares held by share award scheme under the trust as set out in note 35(a).

The computation of diluted loss per share does not consider the effect of non-vested shares under the share award scheme of the Company or the share award scheme of a subsidiary as set out in note 35 as they would result in a decrease in loss per share.

## 17. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the years ended 31 December 2023 and 2022.

For the year ended 31 December 2023

# 18. PROPERTY, PLANT AND EQUIPMENT

	Furniture, fixtures and		Leasehold	
	equipment	Vohiclos	mprovement	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	1113 000	11K3 000		11K\$ 000
COST				
At 1 January 2022	3,816	51,387	6,872	62,075
Additions	8,821	12,428	13,850	35,099
Disposals	(311)	(418)	_	(729)
Exchange realignment	(657)	(4,825)	(1,124)	(6,606)
At 31 December 2022	11,669	58,572	19,598	89,839
Additions	2,790	10,947	5,163	18,900
Disposals	(303)	(3,779)	, _	(4,082)
Exchange realignment	(185)	(890)	(316)	(1,391)
At 31 December 2023	13,971	64,850	24,445	103,266
DEPRECIATION				
At 1 January 2022	1,568	6,253	2,249	10,070
Provided for the year	1,366	11,255	2,946	15,567
Eliminated on disposals	(275)	(59)	-	(334)
Exchange realignment	(176)	(969)	(306)	(1,451)
At 31 December 2022	2,483	16,480	4,889	23,852
Provided for the year	2,660	12,062	8,954	23,676
Eliminated on disposals	(118)	(1,873)	_	(1,991)
Exchange realignment	(54)	(310)	(133)	(497)
At 31 December 2023	4,971	26,359	13,710	45,040
CARRYING VALUES				
At 31 December 2023	9,000	38,491	10,735	58,226
			7.	
At 31 December 2022	9,186	42,092	14,709	65,987

For the year ended 31 December 2023

# 18. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment are depreciated on a straight-line basis, taking into account their residual values, at the following rates per annum:

31.67% Furniture, fixtures and equipment 9.50%-19.00% Vehicles Leasehold improvement Over the shorter of the expected life of leasehold improvement and the lease term

# 19. RIGHT-OF-USE ASSETS

For both years, the Group leases certain buildings for its operations. The average lease term varies from 1 to 5 years.

The Group does not have the option to purchase the buildings at the end of the lease term.

	Buildings
	HK\$'000
CARRYING VALUES	
At 1 January 2022	11,325
Addition	47,645
Lease modification	(2,058)
Depreciation charge	(12,749)
Exchange realignment	(2,247)
At 31 December 2022	41,916
Addition	26,409
Sublease (note 24)	(3,021)
Depreciation charge	(15,692)
Early termination	(12,110)
Exchange realignment	(627)
At 31 December 2023	36,875

The Group regularly entered into short-term leases for buildings. During the current year, expenses relating to shortterm leases of buildings amounting to HK\$1,152,000 (2022: HK\$535,000) were recognised. As at 31 December 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the shortterm lease expense disclosed above.

During the current year, the total cash outflow for leases was HK\$19,209,000 (2022: HK\$19,428,000).

For the year ended 31 December 2023

# 19. RIGHT-OF-USE ASSETS (Continued)

## Restrictions or covenants on leases

Lease liabilities of HK\$41,359,000 are recognised with related right-of-use assets of HK\$36,875,000 as at 31 December 2023 (2022: lease liabilities of HK\$43,077,000 are recognised with related right-of-use assets of HK\$41,916,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purpose.

#### Rent concessions

During the year ended 31 December 2022, lessors of the relevant buildings provided rent concessions to the Group through rent reductions ranging from 58% to 66% over a six months period. These rent concessions were not within the scope of Covid-19-related rent concessions. The Group concluded the changes in lease payments constitute lease modifications. The reduction of the Group's lease liabilities of HK\$2,058,000 and a corresponding adjustment of the same amount to the right-of-use assets were recognised. There is no further rent concession during the year ended 31 December 2023.

For the year ended 31 December 2023

# 20. INTERESTS IN ASSOCIATES

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Cost of investments in associates	37,443	37,443
Share of post-acquisition profits and other comprehensive income	2,373	516
Exchange realignment	(3,278)	(2,761)
	36,538	35,198

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

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

#### Notes:

- The English translation of the name is for reference only. The official name of this entity is in Chinese. (i)
- The Group is able to exercise significant influence over Pingheng Fund because it has the power to appoint one out of the five (ii) committee members of Pingheng Fund's investment decision committee which direct the relevant activities of Pingheng Fund according to the partnership agreement.
- (iii) The Group is able to exercise significant influence over Poly Joy Spreader because it has the power to appoint one out of five directors of Poly Joy Spreader under the articles of association of Poly Joy Spreader.

For the year ended 31 December 2023

# 20. INTERESTS IN ASSOCIATES (Continued)

# Summarised financial information of the material associate

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

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

# Pingheng Fund

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Current assets	53,709	54,498
Non-current assets	62,185	57,094

	Year ended 3	Year ended 31 December	
	2023	2022	
	HK'000	HK'000	
Revenue			
Profit for the year	5,940	567	

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

	As at 31 D	ecember
	2023	2022
	HK\$'000	HK\$'000
Net assets of Pingheng Fund	115,894	111,592
Proportion of the Group's ownership interest in Pingheng Fund	30.30%	30.30%
Carrying amount of the Group's interest in Pingheng Fund	35,119	33,816

For the year ended 31 December 2023

# 20. INTERESTS IN ASSOCIATES (Continued)

Summarised financial information of the material associate (Continued)

Information of an associate that is not individually material

	Year ended :	Year ended 31 December	
	2023	2022	
	HK'000	HK'000	
The Group's share of profit	58	273	
Carrying amount of the Group's interest in the associate	1,419	1,382	

# 21. DEFERRED TAX

The following is the analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	<b>2023</b> 202	
	HK\$'000	HK\$'000
Deferred tax liabilities	(128)	(1,845)

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# 21. DEFERRED TAX (Continued)

The deferred tax recognised by the Group and the movements thereon during the current and prior years are as follows:

	Fair value gain on equity instruments at FVTOCI HK\$'000	Impairment loss on receivables HK\$'000	Tax losses HK\$'000	<b>Total</b> HK\$'000
At 1 January 2022	(3,853)	72	7,619	3,838
Charge to profit or loss	-	(69)	(7,086)	(7,155)
Credit to other comprehensive income	1,751	-	-	1,751
Exchange realignment	257	(3)	(533)	(279)
At 31 December 2022	(1,845)	-	_	(1,845)
Credit to other comprehensive income	1,703	-	_	1,703
Exchange realignment	14			14
At 31 December 2023	(128)			(128)

At the end of the reporting period, the Group has unused tax losses of HK\$1,303,190,000 (2022: HK\$517,402,000) available for offset against future profits. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK\$184,320,000 (2022: HK\$117,263,000) with expiry dates as disclosed in the following table. Other tax losses may be carried forward indefinitely.

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
2025	9,965	42,263
2026	16,198	11,828
2027	64,340	63,172
2028	66,807	
2030	19,398	18/17-2
2032	4,882	
2033	2,730	
	184,320	117,263

For the year ended 31 December 2023

# 21. DEFERRED TAX (Continued)

At the end of the reporting period, the Group has deductible temporary differences of HK\$200,548,000 (2022: HK\$78,809,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK\$741,294,000 (2022: HK\$738,527,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. The corresponding unrecognised deferred tax liabilities as at 31 December 2023 were HK\$74,129,000 (2022: HK\$73,853,000).

# 22. EOUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE **INCOME**

	As at 31 December	
	2023	
	HK\$'000	HK\$'000
Unlisted:		
– Equity investments	12,993	27,970

Equity instruments at FVTOCI represented the Group's 19.916% equity interests in 北京影漪視界科技有限公司 ("Yingyi Technology") and 10% equity interests in 海南全民聚星文化傳媒有限公司 ("Hainan Juxing"), both of which are unlisted companies established in the PRC.

The Directors have elected to designate these investments in equity instruments as at FVTOCI as they believe that the investments are not held for trading and not expected to be sold in the foreseeable future. Details of the fair value measurement are disclosed in note 37(c).

#### 23. INVENTORIES

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
//////////		
E-commerce goods	108,681	40,254

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# 24. FINANCE LEASE RECEIVABLES

During the year ended 31 December 2023, the Group entered into a sublease agreement as an intermediate lessor for buildings, which was classified as a finance lease. The term of the finance lease entered into was 25 months. The interest rate inherent in the lease is fixed at the contract date over the lease term.

	Undiscounted minimum lease payments as at 31 December 2023 HK\$'000
Finance lease receivables comprise:	
Within one year	1,696
In the second year	1,474
Gross investment in the lease	3,170
Less: unearned finance income	(127)
Exchange realignment	2
Present value of minimum lease payments	3,045
Analysed as:	
Current	1,649
Non-current	1,396
	3,045

As at 31 December 2023, interest rate implicit in the above finance lease is 5% per annum.

Details of impairment assessment are set out in note 37(b).

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# 25. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Trade receivables	368,272	323,693
Less: Allowance for credit losses	(145,280)	(49,527)
	222,992	274,166
Deposits for expanding overseas E-commerce markets (note)	440,000	954,000
Receivables on behalf of third parties as an agent	49,991	_
Receivables of income from investments in films and television dramas	16,795	17,039
Deposits paid to suppliers	2,339	2,351
Rental and other deposits	6,268	6,127
Other receivables	16,842	27,871
Less: Allowance for credit losses	(26,203)	(13,050)
	506,032	994,338
Total trade and other receivables and deposits	729,024	1,268,504
		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,
Analysis as		
Non-current	5,192	5,487
Current	723,832	1,263,017
Current	723,032	1,203,017
	720.024	1 260 504
	729,024	1,268,504

In May and July 2022, the Group entered into several agreements with the largest overseas traffic supplier for expanding overseas E-commerce markets amounting to HK\$980,000,000. These deposits consist of separate deposits for certain countries in Southeast Asia and other continents. During the term of 12 months of these agreements, the Group has the right to claim for a full refund if the Group decides not to operate business in the respective countries or continents. These agreements expired in May 2023 were renewed to extend 12 months with the maturity date ending in May 2024.

During the current year, the Group and the traffic supplier of the Group entered into a debt settlement agreement, pursuant to which the payables to the traffic supplier of HK\$250,000,000 was offset against the Group's refundable deposits for expanding overseas E-commerce markets of the same amount. The above transactions are accounted for as a non-cash transaction.

During the year ended 31 December 2023, the Group decided not to operate business in certain countries, and deposits amounting to HK\$514,000,000 (2022: HK\$26,000,000), including the refundable deposits amounting to HK\$250,000,000 (2022: nil) as stated above, was refunded to the Group or offset by trade payables.

As at 1 January 2022, gross carrying amounts of trade receivables from contracts with customers amounted to HK\$455.810.000.

For the year ended 31 December 2023

# 25. TRADE AND OTHER RECEIVABLES AND DEPOSITS (Continued)

The Group usually allows a credit period of 30 to 180 days (2022: 15 to 120 days) to its customers with no collateral. Aging of trade receivables net of allowance for credit losses, is prepared based on invoice dates, which approximated the respective revenue recognition dates, are as follows:

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Within 3 months	108,023	141,117
3-6 months	52,600	42,255
7-12 months	62,369	46,016
1-2 years	-	44,778
	222,992	274,166

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amounts of HK\$67,656,000 (2022: HK\$133,049,000) which are past due as at that date. Out of the past due balance, HK\$52,464,000 (2022: HK\$30,045,000) has been past due 90 days or more and is not considered as in default because the amount is due from a number of independent reputable customers by considering the background of the debtors and historical payment arrangement. The Group does not hold any collateral or other credit enhancement over these balances.

Details of impairment assessment of trade and other receivables and deposits are set out in note 37(b).

# 26. LOAN RECEIVABLES

	As at 31 E	As at 31 December	
	2023	2022	
	HK\$'000	HK\$'000	
Fixed-rate loan receivables, matured within one year	25,865	34,704	
Less: Allowance for credit losses	(21,341)	(8,396)	
	4,524	26,308	

As at 31 December 2023, include in the Group's loan receivables balance are two debtors with gross carrying amount of HK\$21,341,000 (2022: one debtor with gross carrying amount of HK\$16,792,000), the Group has recognised HK\$21,341,000 (2022: HK\$8,396,000) credit losses.

Details of impairment assessment are set out in note 37(b).

For the year ended 31 December 2023

# 26. LOAN RECEIVABLES (Continued)

The range of effective interest rates (which are equal to contractual interest rates) on the Group's loan receivables is as follows:

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Fixed-rate loan receivables	6%-14%	6%-14%

# 27. PREPAYMENTS

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Prepayments for purchases of traffic (note a)	492,911	684,893
Prepayments for consulting services	5,064	18,428
Other prepayments	1,345	3,428
	499,320	706,749
Analysis as		
Non-current	_	237,100
Current	499,320	469,649
	499,320	706,749

For the year ended 31 December 2023

# 27. PREPAYMENTS (Continued)

The following table shows the movements in prepayments for purchases of traffic:

	Prepayments for purchases of traffic HK\$'000
At 1 January 2022  Newly prepaid  Utilised  Transfer to deposits  Exchange realignment	1,182,368 819,121 (487,310) (750,000) (79,286)
At 31 December 2022	684,893
Newly prepaid Utilised Settlement (note b) Exchange realignment	355,710 (386,430) (150,000) (11,262)
At 31 December 2023	492,911

#### Notes:

The Group purchased domestic and overseas traffic mainly from three independent suppliers which were founded by the same controlling shareholder and under common control according to the public information available, and the three independent suppliers together constitute the largest traffic supplier of the Group.

The Group's total advance payments to its largest traffic supplier composed of the deposits for expanding overseas E-commerce markets (see note 25) and prepayments for purchases of traffic. As at 31 December 2023, the Group's total advance payments to its largest supplier as a percentage of total assets was 50% (2022: 59%). Details of the percentage for the year are as follows:

	As at 31 Dece 2023 HK\$'000	mber 2022 HK\$'000
Advance to the largest supplier:  Deposits for expanding overseas E-commerce markets (note 25)  Prepayments for purchases of traffic	440,000 492,911	954,000 684,893
	932,911	1,638,893
Total assets	1,868,777	2,798,321
Advance to the largest supplier as a percentage of total assets	50%	59%

For the year ended 31 December 2023

# 27. PREPAYMENTS (Continued)

Notes: (Continued)

During the current year, the Group and the traffic supplier of the Group entered into a debt settlement agreement, pursuant to which the payables to the traffic supplier of HK\$150,000,000 was offset against the Group's prepayments to the traffic supplier of the same amount. The above transactions are accounted for as a non-cash transaction.

Subsequent to the end of the reporting period, prepayments for purchases of traffic amounting to HK\$41,904,000 in aggregate were utilised up to 29 February 2024.

# 28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Non-current assets		
Financial assets at FVTPL:		
– Private fund (note a)	7,414	5,597
Current assets		
Listed securities held for trading:		
– Listed equity securities (note b)	1,991	3,077

#### Notes:

- Amount represented the Group's investment in a private fund focusing on angel investments for long-term purpose.
- Amount represented the Group's investment in a private fund, through which the Group invested in JD Logistics, Inc., a company b. listed on the Stock Exchange.

Details of the fair value measurement are disclosed in note 37(c).

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# 29. CASH AND CASH EQUIVALENTS/BANK DEPOSITS/RESTRICTED BANK BALANCES

	As at 31 December	
	<b>2023</b> 2	
	HK\$'000	HK\$'000
Cash and cash equivalents	325,973	533,944
Bank deposits	-	38,984
Restricted bank balances	41,951	-
	367,924	572,928

Cash and cash equivalents, bank deposits and restricted bank balances are denominated in the following currencies:

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
- RMB	144,530	191,060
- HK\$	73,194	42,024
– US Dollar ("US\$")	147,951	336,894
– Other currencies	2,249	2,950
	367,924	572,928

Cash and cash equivalents included demand deposits and short-term deposits with original maturity of three months or less for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates ranging from 0.05% to 5.53% (2022: 0.01% to 4.05%) per annum.

Bank deposits represented term deposits with original maturity of more than three months. As at 31 December 2022, the balances carried interest rate of 4.5% per annum.

As at 31 December 2023, restricted bank balances represented the bank balances that are not available to use by the Group, the balances carried interest rate of 0.375% per annum.

Details of impairment assessment of cash and cash equivalents, bank deposits and restricted bank balances are set out in note 37(b).

For the year ended 31 December 2023

# 30. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Trade payables	173,026	251,231
Employee compensation payable	11,345	11,927
Other tax payable	1,703	2,013
Accrued listing expense/shares issue costs	4,414	4,478
Payables for intangible assets	1,986	2,015
Other payables and accruals	12,093	22,668
	204,567	294,332

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

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Within 3 months	122,587	249,023
3-6 months	48,263	-
Over 1 year	2,176	2,208
	173,026	251,231

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

# 31. LEASE LIABILITIES

	As at 31 December		
	2023	2022	
	HK\$'000	HK\$'000	
Non-current Non-current	26,694	29,779	
Current	14,665	13,298	
	41,359	43,077	

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# 31. LEASE LIABILITIES (Continued)

### Maturity analysis

	As at 31 I	December
	2023	2022
	HK\$'000	HK\$'000
Within 1 year	15,110	13,919
Within a period of more than 1 year but not exceeding 2 years	15,407	12,580
Within a period of more than 2 years but not exceeding 5 years	14,221	20,872
	44,738	47,371
Less: future finance charges	(3,379)	(4,294)
	41,359	43,077

The weighted average incremental borrowing rate applied to lease liabilities was 5% as at 31 December 2023 (2022: 5%).

#### 32. OBLIGATION ARISING FROM A FORWARD CONTRACT WITH NON-**CONTROLLING INTERESTS**

In May 2022, a subsidiary of the Group, Joy Spreader (Nanjing) Interactive Technology Co., Ltd ("Joy Spreader Nanjing") and Pingheng Fund, an associate of the Group, entered into a series of agreements (the "Agreements"), pursuant to which, Joy Spreader Nanjing and Pingheng Fund established Yangzhou Joy Spreader Huayue Culture Technology Ltd ("Yangzhou Huayue") in May 2022. Joy Spreader Nanjing holds 70% equity interests and Pingheng Fund holds 30% equity interests in Yangzhou Huayue. During the year ended 31 December 2022, RMB84,000,000 (equivalent to HK\$94,037,000) (2023: nil) and RMB36,000,000 (equivalent to HK\$40,294,000) (2023: nil) were injected to Yangzhou Huayue as capital injection by Joy Spreader Nanjing and Pingheng Fund, respectively.

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

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# 32. OBLIGATION ARISING FROM A FORWARD CONTRACT WITH NON-**CONTROLLING INTERESTS (Continued)**

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

As at 31 December 2023, fair value of the obligation arising from the forward contract with non-controlling interests was HK\$45,632,000 (2022: HK\$42,676,000).

# 33. SHARE CAPITAL

	Number of shares		Share capital		
	2023	2022	2023	2022	
	′000	′000	нк\$	HK\$	
Ordinary shares of HK\$0.00001 each					
Authorised					
At beginning and end of the year	5,000,000	5,000,000	50,000	50,000	
Issued and fully paid					
At beginning of the year	2,371,927	2,185,268	23,720	21,853	
Issue of shares (note)	_	192,000	_	1,920	
Cancellation of shares	-	(5,341)	_	(53)	
At end of the year	2,371,927	2,371,927	23,720	23,720	

	As at 31 December		
	<b>2023</b> 202.		
	HK\$'000	HK\$'000	
Presented as	24	24	

Upon the completion of all conditions as stated in a placing and subscription agreement entered into by the Company, ZZN, the Company's ultimate holding company, and a placing agent dated 6 June 2022, (1) a total of 192,000,000 shares of the Company held by ZZN were placed at HK\$3.14 per share to not less than six placees on 6 June 2022; and (2) a total of 192,000,000 new shares of the Company were subscribed by ZZN at HK\$3.14 per share on 16 June 2022. Net proceeds of approximately HK\$593,005,000, after deducting the underwriting fee of HK\$9,875,000, were received by the Company. Total issuance cost, including the underwriting fee, amounting to HK\$21,833,000 was deducted from share premium.

For the year ended 31 December 2023

# 34. RESERVES

The principal reserves of the Group consist of the following:

#### Share premium

Share premium mainly represents the difference between the total amount of the par value of shares issued and the proceeds from issuance of shares and the difference between the amount previously recognised in share-based payments reserve and the cost for repurchasing the shares when shares under share award scheme are vested.

# Share-based payments reserve

Share-based payments reserve arises from granting of shares of the Company to its management and staff under the Company's share award scheme.

#### **FVTOCI** reserve

Gains and losses arising from changes in fair value of investments in equity instruments designated at FVTOCI are recognised in the FVTOCI reserve. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

#### Statutory reserve

Pursuant to the relevant PRC rules and regulations, the Company's subsidiaries established in the PRC are required to transfer no less than 10% of its profits after taxation, after offsetting any prior years' loss as determined under the relevant accounting policies and financial regulations applicable to entities established in the PRC, to the statutory reserve until the reserve balance reaches 50% of the registered capital of the respective subsidiaries. The transfer to this reserve must be made before the distribution of a dividend to shareholders of these PRC subsidiaries (including Consolidated Affiliated Entities). Statutory reserve is non-distributable other than in liquidation and can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital of the relevant subsidiaries.

# Translation reserve

Exchange differences relating to the translation of the Group's foreign operations are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in translation reserve are reclassified to profit or loss upon the disposal of the foreign operations.

Exchange differences relating to the retranslation of the Group's net assets in RMB to the Group's presentation currency of HK\$ are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in translation reserve are not reclassified to profit or loss subsequently.

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# 35. SHARE BASED PAYMENT TRANSACTIONS

#### Equity-settled share award scheme of the Company (a)

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

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

During the year ended 31 December 2022, the Trustee purchased 2,752,000 shares (2023: nil) of the Company with a consideration of HK\$7,280,000 (2023: nil). The cost of the shares purchased was recognised in equity as treasury stocks.

During the year ended 31 December 2022, 4 participants were selected as the Selected Participants, and 52,240,000 shares were granted with an exercise price of zero. 49,740,000 shares were vested immediately at the date of grant and the remaining 2,500,000 shares shall be vested on 31 December 2023. As at 31 December 2022, 2,500,000 shares (2023: nil) of the Company were held by the Trustee.

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# 35. SHARE BASED PAYMENT TRANSACTIONS (Continued)

#### Equity-settled share award scheme of the Company (Continued) (a)

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

	Outstanding at 1 January 2023	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2023
Shares granted to: Employee	2,500,000		(2,500,000)		
	Outstanding at	Granted during	Vested during	Forfeited during	Outstanding at
	1 January 2022	the year	the year	the year	31 December 2022
Shares granted to:					
Director	-	4,400,000	(4,400,000)	-	-
Employees		47,840,000	(45,340,000)		2,500,000
Total		52,240,000	(49,740,000)		2,500,000

During the year ended 31 December 2023, the Group recognised share-based payment expenses of HK\$3,338,000 (2022: HK\$70,659,000) in respect of these awarded shares. The weighted average fair value of the awarded shares is HK\$1.42 at the date of grant. The fair values for these awarded shares granted were calculated using the fair value of the Company's ordinary shares on the date of grant.

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# 35. SHARE BASED PAYMENT TRANSACTIONS (Continued)

### Equity-settled share award scheme of a subsidiary

On 1 September 2023, Joy Spreader International (HK) Limited ("Joy Spreader International"), a then wholly owned subsidiary of the Company, adopted a share award scheme (the "Joy Spreader International Share Award Scheme") to recognise the contribution and provide incentives to eligible directors and employees of the Company and its subsidiaries.

During the year ended 31 December 2023, 1,000 shares of Joy Spreader International held by the Company have been granted to Mr. Zhu Zinan, representing 10% of the issued shares of Joy Spreader International, which is also the upper limit of the total shares available for grant under Joy Spreader International Share Award Scheme. The exercise price is zero and the granted shares are vested in four tranches with the vesting dates on 1 September 2023, 1 March 2024, 1 September 2024 and 1 March 2025.

The following table discloses details of the awarded shares held by the grantee and movements in such holdings under the Joy Spreader International Share Award Scheme:

	Outstanding at 1 January 2023	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at 31 December 2023
Shares granted to:					
Mr. Zhu Zinan		1,000	(200)		800

The awarded shares were priced using the value of shares of Joy Spreader International, which was determined using Binomial model on the date of grant. The fair value of the awarded shares is HK\$5.92 at the date of grant. The key inputs into the model are as follows:

Risk free rate	3.26%
Expected volatility	57.05%
Weighted average expected life	0.8 year

During the year ended 31 December 2023, share-based payment expenses of HK\$2,960,000 (2022: nil) was recognised in the Group's consolidated statement of profit or loss in respect of the Joy Spreader International Share Award Scheme.

# 36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern with maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

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# 36. CAPITAL RISK MANAGEMENT (Continued)

The capital structure of the Group consists of net debt, which include lease liabilities and obligation arising from a forward contract with non-controlling interests as disclosed in notes 31 and 32, net of restricted bank balances, bank deposits, cash and cash equivalents, and equity attributable to the owners of the Company, comprising share capital, retained earnings/accumulated losses and reserves as disclosed in notes 33 and 34.

The management of the Group reviews the capital structure on a regular basis. As part of this review, the management of the Group considers the cost of capital and the risks associated with the capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through raising of new capital, issue of new debt or the redemption of the existing debt.

# 37. FINANCIAL INSTRUMENTS

## a. Categories of financial instruments

	As at 31 [	December
	2023	2022
	HK\$'000	HK\$'000
Financial assets		
Financial assets at amortised cost	1,101,472	1,867,740
Financial assets at FVTPL	9,405	8,674
Equity instruments at FVTOCI	12,993	27,970
Financial liabilities		
Financial liabilities at amortised cost	191,519	280,392
Obligation arising from a forward contract with		
non-controlling interests	45,632	42,676

# b. Financial risk management objectives and policies

The Group's major financial instruments consisted of trade and other receivables and deposits, loan receivables, finance lease receivables, restricted bank balances, bank deposits, cash and cash equivalents, financial assets at FVTPL, equity instruments at FVTOCI, trade and other payables, obligation arising from a forward contract with non-controlling interests and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk, and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

For the year ended 31 December 2023

# 37. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management objectives and policies (Continued) b.

#### Market risk

#### (i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate lease liabilities, obligation arising from a forward contract with non-controlling interests, loan receivables, finance lease receivables and term deposits. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances due to the fluctuation of the prevailing market interest rate.

The Group currently does not have interest rate hedging policy. However, the management of the Group will consider hedging significant interest rate exposure should the need arise.

No sensitivity analysis is presented as the management of the Group considers that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

#### (ii) Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities (including intra-group balances) at the end of the reporting periods are as follows:

	As at 31 D	ecember
	2023	2022
	HK\$'000	HK\$'000
US\$ denominated monetary assets	543,923	467,716
HK\$ denominated monetary assets	922,860	1,193,635
HK\$ denominated monetary liabilities	(120)	(149)
RMB denominated monetary liabilities	(183,025)	(46,635)

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

For the year ended 31 December 2023

# 37. FINANCIAL INSTRUMENTS (Continued)

# b. Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

## (ii) Currency risk (Continued)

### Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to exchange rates of US\$ and HK\$ against RMB. For a 5%, 10%, 15% weakening of US\$ and HK\$ against RMB, the effect on the Group's loss for the year are as follows:

	Year ended : 2023 HK\$'000	<b>31 December</b> 2022 HK\$'000
	Increase in los	s for the year
US\$ against RMB		
Weakening		
<b>- 5%</b>	(18,675)	(21,842)
- 10%	(37,350)	(43,684)
– 15%	(56,025)	(65,526)
HK\$ against RMB		
Weakening		
<b>- 5%</b>	(44,342)	(57,277)
- 10%	(88,684)	(114,554)
– 15%	(133,026)	(171,831)

For a 5%, 10%, 15% strengthening of US\$ and HK\$ against RMB, there would be an equal and opposite impact on loss for the year.

### (iii) Other price risk

The Group is exposed to other price risk through its investments measured at FVTPL and FVTOCI. The Group invested in certain private fund and listed equity security which had been measured at FVTPL. In addition, the Group invested in certain unquoted equity securities for investees operating in short-form video making or film production industry sectors for long term strategic purpose which had been designated as FVTOCI. The Group monitors the price risk and will consider hedging the risk exposure should the need arise.

For the year ended 31 December 2023

# 37. FINANCIAL INSTRUMENTS (Continued)

#### b. Financial risk management objectives and policies (Continued)

#### Market risk (Continued)

#### (iii) Other price risk (Continued)

### Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to price risk of financial assets at FVTPL at the reporting date. Sensitivity analyses for unquoted equity securities with fair value measurement categorised within Level 3 were disclosed in note 37(c).

If the prices of the respective instruments had been 5% (2022: 5%) higher/lower, the post-tax loss for the year ended 31 December 2023 would decrease/increase by HK\$378,000 (2022: HK\$437,000) as a result of the changes in fair value of financial assets at FVTPL.

# Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group is due to failure to discharge an obligation by the counterparties for the carrying amounts of the financial assets at amortised cost.

The Group mainly conducts transactions with customers with good quality and long-term relationship, when accepting new customers, the Group considers the reputation of the customer before contract is signed. In order to minimise the credit risk, the management of the Group continuously monitors the credit quality and financial conditions of the debtors to ensure that follow-up action is taken to recover overdue debts.

To manage risk arising from receivable balances, the Group has policies in place to ensure that credit terms are made to counterparties with an appropriate credit history and the management of the Group performs ongoing credit evaluations of its counterparties. The credit period granted to the customers and the credit quality of these customers is assessed, which takes into account their financial position, past experience and other factors.

The Group has concentration of credit risk as 21% of the total trade receivables was due from the Group's largest customer as at 31 December 2023 (2022: 15%), and 57% of the total trade receivables was due from the Group's five largest customers as at 31 December 2023 (2022: 48%). In addition, 86% of total other receivables and deposits was due from the Group's largest debtor as at 31 December 2023 (2022: 96%).

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# 37. FINANCIAL INSTRUMENTS (Continued)

# b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

## Trade receivables arising from contracts with customers

The Group always recognises lifetime ECL for trade receivables arising from contracts with customers. The ECL on these assets are individually assessed for debtors with significant balances or credit-impaired and collectively using a provision matrix with appropriate groupings for the remaining balance. As part of the Group's credit risk management, the Group uses the debtors' aging to assess the impairment for its customers because these debtors consist of a large number of customers which share common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates are estimated on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping and assessment are regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

#### Finance lease receivables

The Group always recognises lifetime ECL for finance lease receivables. The management makes periodic individual assessment on the recoverability of finance lease receivables based on quantitative and qualitative information that is reasonable and supportable.

#### Loan receivables and other receivables and deposits

Before granting the loan receivables, the management of the Group has obtained an understanding to the credit background of the debtors and undertaken an internal credit approval process. The management of the Group has taken into account the economic outlook of the industries in which the debtors operate and reviewed the recoverability of each loan receivable at the end of the reporting period based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable.

For other receivables and deposits, the management makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportable and taking into account the economic outlook of the industries in which the debtors operate.

For other receivables and deposits and loan receivables, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised based on significant increases in the likelihood or risk of a default occurring since initial recognition. For the purpose of internal risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

For the year ended 31 December 2023

# 37. FINANCIAL INSTRUMENTS (Continued)

# Financial risk management objectives and policies (Continued)

# Credit risk and impairment assessment (Continued)

# Restricted bank balances/bank deposits/cash and cash equivalents

The Group mainly transacts with banks with high credit ratings. The credit risk for restricted bank balances, bank deposits and cash and cash equivalents is considered as not material as such amount is placed in reputable banks. The Group assessed 12m ECL on these balances by reference to probability of default and loss given default and concluded that the ECL are insignificant and thus no impairment loss was recognised.

The tables below detail the credit risk exposures of the Group's financial assets and finance lease receivables, which are subject to ECL assessment:

Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount HK\$000
25	N/A	(note a)	Lifetime ECL (not credit-impaired and assessed individually) Lifetime ECL (provision matrix) Lifetime ECL (credit-impaired and assessed individually)	3.9% 5.7% 74.8%	83,667 102,529 182,076
26	N/A	(note b)	12m ECL Lifetime ECL (credit-impaired)	- 100.0%	368,272 4,524 21,341
25	N/A	(note b)	12m ECL Lifetime ECL (not credit-impaired) Lifetime ECI (credit-impaired)	1.2% 4.9% 97.5%	25,865 503,011 9,203 20,021
29	AAA	-	12m ECL	-	532,235
29	AAA	-	12m ECL	-	325,816
	25 26 25	Notes credit rating  25 N/A  26 N/A  25 N/A  29 AAA  29 AAA	Notes credit rating credit rating  25 N/A (note a)  26 N/A (note b)  27 N/A (note b)  28 AAA - 29 AAA -	Notes credit rating credit rating 12m or lifetime ECL  25 N/A (note a) Lifetime ECL (not credit-impaired and assessed individually) Lifetime ECL (provision matrix) Lifetime ECL (credit-impaired and assessed individually)  26 N/A (note b) 12m ECL Lifetime ECL (credit-impaired)  27 N/A (note b) 12m ECL Lifetime ECL (credit-impaired) Lifetime ECL (credit-impaired) Lifetime ECL (credit-impaired)	Notes credit rating credit rating 12m or lifetime ECL loss rate  25 N/A (note a) Lifetime ECL (not credit-impaired and assessed individually) Lifetime ECL (provision matrix) 5.7% Lifetime ECL (credit-impaired and assessed individually)  26 N/A (note b) 12m ECL Lifetime ECL (credit-impaired) 100.0%  27 N/A (note b) 12m ECL Lifetime ECL (credit-impaired) 4.9% Lifetime ECL (credit-impaired) 97.5%  28 AAA - 12m ECL -

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# 37. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

31 December 2022	Notes	External credit rating	Internal credit rating	12m or lifetime ECL	Average loss rate	Gross carrying amount HK\$000
Financial assets at amortised cost Trade receivables – goods and services	25	N/A	(note a)	Lifetime ECL (not credit-impaired and assessed individually) Lifetime ECL (provision matrix) Lifetime ECL (credit-impaired and assessed individually)	1.0% 0.8% 43.9%	92,443 122,874 108,376
Loan receivables	26	N/A	(note b)	12m ECL	- 50.0%	323,693 17,912
				Lifetime ECL (credit-impaired)	5U.U%	34,704
Other receivables and deposits	25	N/A	(note b)	12m ECL  Lifetime ECL (not credit-impaired)  Lifetime ECL (credit-impaired)	- 12.8% 70.4%	988,205 797 18,386
Bank deposits	29	AAA	-	12m ECL	-	1,007,388
Bank balances	29	AAA	-	12m ECL	× =	533,850

#### Notes:

For trade receivables and finance lease receivables, the Group has applied the simplified approach in IFRS 9 to measure the a. loss allowance at lifetime ECL. Except for trade receivables with significant balances or credit-impaired and finance lease receivables, the Group determines the ECL on these items using a provision matrix grouped by the debtors' aging.

For loan receivables and other receivables and deposits, the Group has applied the 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL.

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# 37. FINANCIAL INSTRUMENTS (Continued)

#### Financial risk management objectives and policies (Continued) b.

# Credit risk and impairment assessment (Continued)

The following table provides information about the exposure to credit risk for trade receivables which are assessed based on provision matrix within lifetime ECL (not credit-impaired).

	At 31 December 2023				
	Average loss rate	Gross carrying amount HK\$000	Impairment loss allowance HK\$'000		
Trade receivables					
Within 3 months 3-6 months	1.83% 7.43%	54,453 28,882	996 2,146		
7-12 months	14.17%	19,194	2,719		
		102,529	5,861		

	At 31 December 2022			
	Average loss rate	Gross carrying amount HK\$000	Impairment loss allowance HK\$'000	
		111000	1100	
Trade receivables				
Within 3 months	0.09%	85,742	76	
3-6 months	0.80%	22,840	182	
7-12 months	4.95%	14,292	707	
		122,874	965	

In addition, ECL on debtors with significant outstanding balances or credit-impaired with gross carrying amount of HK\$265,743,000 as at 31 December 2023 (2022: HK\$200,819,000) were assessed individually with impairment allowance of HK\$139,419,000 was recognised for those debtors as at 31 December 2023 (2022: HK\$48,562,000).

For the year ended 31 December 2023

# 37. FINANCIAL INSTRUMENTS (Continued)

#### b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movements in lifetime ECL that have been recognised for trade receivables.

	Lifetime ECL (not credit- impaired) HK\$000	Lifetime ECL (credit- impaired) HK\$'000	<b>Total</b> HK\$'000
		HK\$ UUU	- HK\$ 000
At 1 January 2022	4,397	16,295	20,692
Transfer to credit-impaired	(398)	398	-
Impairment losses reversed	(3,028)	_	(3,028)
Impairment losses recognised	1,216	33,648	34,864
Exchange realignment	(286)	(2,715)	(3,001)
At 31 December 2022	1,901	47,626	49,527
Transfer to credit-impaired	(510)	510	_
Impairment losses reversed	(1,391)	(1,012)	(2,403)
Impairment losses recognised	9,169	90,410	99,579
Exchange realignment	(70)	(1,353)	(1,423)
At 31 December 2023	9,099	136,181	145,280

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# 37. FINANCIAL INSTRUMENTS (Continued)

#### b. Financial risk management objectives and policies (Continued)

# Credit risk and impairment assessment (Continued)

The following table shows the reconciliation of loss allowance that has been recognised for other receivables and deposits.

		Lifetime ECL (not credit-	Lifetime ECL (credit-	
	12m ECL	impaired)	impaired)	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	-	235	3,117	3,352
Impairment losses reversed	_	(135)	-	(135)
Impairment losses recognised	-	-	10,516	10,516
Exchange realignment		(15)	(668)	(683)
At 31 December 2022	-	85	12,965	13,050
Impairment losses reversed	_	_	(317)	(317)
Impairment losses recognised	6,274	372	7,109	13,755
Exchange realignment	(47)	(3)	(235)	(285)
At 31 December 2023	6,227	454	19,522	26,203

The following table shows the reconciliation of loss allowance that has been recognised for loan receivables.

	Lifetime ECL (credit-impaired) HK\$'000
At 1 January 2022	-
Impairment losses recognised	8,739
Exchange realignment	(343)
At 31 December 2022	8,396
Impairment losses recognised	13,161
Exchange realignment	(216)
At 31 December 2023	21,341

For the year ended 31 December 2023

# 37. FINANCIAL INSTRUMENTS (Continued)

# b. Financial risk management objectives and policies (Continued)

# Liquidity risk

In the management of liquidity risk, the management of the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following tables detail the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities and lease liabilities based on the earliest date on which the Group can be required to pay. The tables include both interest and principal cash flows.

	Weighted average interest rate	Less than 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2023  Non-derivative financial liabilities  Trade and other payables  Obligation arising from a forward contract with non-controlling		191,519	-	-	191,519	191,519
interests	9.00%	191,519		50,451	241,970	<u>45,632</u> <u>237,151</u>
Lease liabilities	5.00%	15,110	15,407	14,221	44,738	41,359
	W. 1 1 1				<b>-</b>	
	Weighted average interest rate	Less than 1 year HK\$'000	More than 1 year but less than 2 years HK\$'000	More than 2 years but less than 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
At 31 December 2022	average	1 year	year but less than 2 years	years but less than 5 years	undiscounted cash flows	carrying amount
<b>Non-derivative financial liabilities</b> Trade and other payables	average	1 year	year but less than 2 years	years but less than 5 years	undiscounted cash flows	carrying amount
Non-derivative financial liabilities	average	1 year HK\$'000	year but less than 2 years	years but less than 5 years	undiscounted cash flows HK\$'000	carrying amount HK\$'000
Non-derivative financial liabilities Trade and other payables Obligation arising from a forward	average interest rate	1 year HK\$'000	year but less than 2 years	years but less than 5 years HK\$'000	undiscounted cash flows HK\$'000	carrying amount HK\$'000

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# 37. FINANCIAL INSTRUMENTS (Continued)

#### Fair value measurements of financial instruments c.

# Financial instruments carried at fair value

The Group measures its following financial instruments at fair value at the end of the reporting period on a recurring basis:

	Fair value as at 31 December 2023 HK\$000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inputs as at 31 December 2023	Relationship of unobservable inputs to fair value
Financial assets						
Unlisted equity securities - Yingyi Technology	12,993	Level 3	Income approach - the discounted cash flow method was used to capture the present expected future economic benefits, to be derived from the ownership	Long-term revenue growth rate	2.2%	The higher the long term revenue growth rate, the higher the fair value, vice versa (note a)
			of this investee, based on an appropriate discount rate	Discount rate	16.0%	The higher the discount rate, the lower the fair value, vice versa (note b)
Unlisted equity securities - Hainan Juxing	-	Level 3	Reference to the net assets value of the investee	Net assets value of the investee	N/A	N/A
Investment in private fund - for angel investments	7,414	Level 3	Reference to the net assets value of underlying investments held by the investee	Net assets value of underlying investments	N/A	N/A
Investment in private fund - for JD Logistics	1,991	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Financial liabilities						
Obligation arising from a forward contract with non-controlling interests	45,632	Level 2	Reference to the higher of the sum of the investment principal and interests at a fixed rate of 9% per annum and the unaudited net asset value of Yangzhou Huayue	N/A	N/A	N/A

For the year ended 31 December 2023

# 37. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued) c.

Financial instruments carried at fair value (Continued)

	Fair value as at 31 December 2022 HK\$000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Inputs as at 31 December 2022	Relationship of unobservable inputs to fair value
Financial assets Unlisted equity securities – Yingyi Technology	24,612	Level 3	Income approach – the discounted cash flow method was used to capture the present value of the expected future economic benefits, to	Long-term revenue growth rate	2.5%	The higher the long term revenue growth rate, the higher the fair value, vice versa (note a)
			be derived from the ownership of this investee, based on an appropriate discount rate	Discount rate	18.0%	The higher the discount rate, the lower the fair value, vice versa (note b)
Unlisted equity securities – Hainan Juxing	3,358	Level 2	Market approach	Recent transaction price	N/A	N/A
Investment in private fund – for angel investments	5,597	Level 2	Market approach	Recent transaction price	N/A	N/A
Investment in private fund – for JD Logistics	3,077	Level 1	Quoted bid prices in an active market	N/A	N/A	N/A
Financial liabilities Obligation arising from a forward contract with non-controlling interests	42,676	Level 2	Reference to the higher of the sum of the investment principal and interests at a fixed rate of 9% per annum and the unaudited net asset value of Yangzhou Huayue	N/A	N/A	N/A

#### Notes:

- A 1% increase/decrease in the long-term growth rate holding all other variables constant would increase/decrease the carrying amount of unlisted equity securities by HK\$754,000 as at 31 December 2023 (2022: HK\$1,017,000).
- A 1% increase/decrease in the discount rate holding all other variables constant would decrease/increase the carrying amount of unlisted equity securities by HK\$965,000 as at 31 December 2023 (2022: HK\$1,666,000).

For the year ended 31 December 2023

# 37. FINANCIAL INSTRUMENTS (Continued)

#### Fair value measurements of financial instruments (Continued) c.

### Financial instruments carried at fair value (Continued)

The fair value of the unlisted equity securities of Yingyi Technology as at 31 December 2023 and 2022 has been arrived based on a valuation carried out by an independent valuer.

The fair value of the investments in Hainan Juxing and the private fund as at 31 December 2022 was measured using market approach by reference to recent transaction price. During the year ended 31 December 2023, the Company could not get available recent transaction price information as there were no equity financing transactions for such investments. As a result, the fair value hierarchy of these investments was transferred from level 2 to level 3 during the year ended 31 December 2023.

There were no transfers between Level 1 and level 2 during the years ended 31 December 2023 and 2022.

#### Reconciliation of level 3 measurements

The following table represents the reconciliation of level 3 measurements throughout the year.

	Unlisted equity securities HK\$000	Investment in private fund HK\$'000	Total HK\$'000
At 1 January 2022	39,143	-	39,143
Net loss in other comprehensive income	(11,671)	-	(11,671)
Exchange realignment	(2,860)		(2,860)
At 31 December 2022	24,612	_	24,612
Transfer from level 2 to level 3	3,358	5,597	8,955
Net loss in other comprehensive income	(14,685)	-	(14,685)
Total gain in profit or loss	-	1,910	1,910
Exchange realignment	(292)	(93)	(385)
At 31 December 2023	12,993	7,414	20,407

# Fair values of financial instruments carried at other than fair value

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in these consolidated financial statements approximate their fair values.

For the year ended 31 December 2023

# 38. RETIREMENT BENEFIT SCHEME

The employees of the Group are members of a state-managed retirement benefits scheme (the "Retirement Benefits Scheme") operated by the PRC Government. The Group is required to contribute a 16% of the total monthly basic salaries of its current employees to the Retirement Benefits Scheme to fund the benefits. The only obligation of the Group with respect to the Retirement Benefits Scheme is to make the specified contributions.

During the years ended 31 December 2023 and 2022, there is no forfeited contribution available for the Group to reduce its existing level of contributions. There were also no forfeited contributions available at 31 December 2023 and 2022 under such scheme which may be used by the Group to reduce the contribution payable in future years.

The total cost charged to the consolidated statement of profit or loss and other comprehensive income of HK\$3,409,000 (2022: HK\$3,544,000) represented contributions paid and/or payable to the scheme by the Group for the year ended 31 December 2023.

# 39. MAJOR NON-CASH TRANSACTIONS

During the current year, the Group entered into new lease agreements for buildings and recognised right-of-use assets of HK\$26,409,000 (2022: HK\$47,645,000) and lease liabilities of HK\$26,409,000 (2022: HK\$47,645,000), respectively.

During the current year, the Group and the traffic supplier of the Group entered into a debt settlement agreement, pursuant to which the payables to the traffic supplier of HK\$150,000,000 was offset against the Group's prepayments to the traffic supplier of the same amount.

During the current year, the Group and the traffic supplier of the Group entered into a debt settlement agreement, pursuant to which the payables to the traffic supplier of HK\$250,000,000 was offset against the Group's refundable deposits for expanding overseas E-commerce markets of the same amount.

# **40. RELATED PARTY TRANSACTIONS**

Compensation of key management personnel

	Year ended 31 December		
	2023		
	HK\$'000	HK\$'000	
Fees	333	351	
Salaries and other benefits-in-kind	4,621	5,322	
Contributions to retirement benefits scheme	227	240	
Discretionary bonus	1,397	4,839	
Equity-settled share-based expense	6,298	6,160	
		715	
	12,876	16,912	

For the year ended 31 December 2023

# 41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities HK\$'000	Accrued share issue costs* HK\$'000	Obligation arising from a forward contract with non- controlling interests HK\$'000	<b>Total</b> HK\$'000
At 1 January 2022	17,179	31,501	_	48,680
New lease entered	47,645	_	_	47,645
Lease modification	(2,058)	_	_	(2,058)
New share issue costs	_	11,958	_	11,958
Reduction of share issue costs payable	_	(21,841)	_	(21,841)
Financing cash flows	(18,893)	(19,958)	40,294	1,443
Finance costs	1,776	_	_	1,776
Loss on fair value changes of obligation arising from a forward contract with non-controlling interests		_	2,375	2,375
Exchange realignment	(2,572)	(541)	2,373	
Exchange realignment	(2,372)	(341)		(3,106)
At 31 December 2022	43,077	1,119	42,676	86,872
New lease entered	26,409	-	_	26,409
Early termination	(11,766)	-	_	(11,766)
Financing cash flows	(18,057)	-	-	(18,057)
Finance costs	2,303	-	-	2,303
Loss on fair value changes of obligation arising from a forward contract with non-controlling interests	_	_	3,592	3,592
Exchange realignment	(607)	(16)	(636)	(1,259)
Exercise realignment	(007)	(10)	(030)	(1,233)
At 31 December 2023	41,359	1,103	45,632	88,094

The accrued share issue costs are included in "accrued listing expense/shares issue costs" as set out in note 30.

For the year ended 31 December 2023

# 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

At the end of the reporting period, the Company has direct and indirect interests in the following subsidiaries, particulars of which are set out below:

		Place and date of establishment/incorporation and	lssued share capital/paid up	and voting by the Gr		
Name of subsidiaries	Legal form	operation	registered capital	2023 %	2022 %	Principal activities
Directly held:						
Joy Spreader Interactive Technology (HK) Limited	Limited liability company	Hong Kong 28 March 2019	HK\$1	100	100	Investment holding
Indirectly held:						
樂享互動集團有限公司 Joy Spreader WFOE	Wholly-foreign owned enterprise	PRC 22 May 2019	RMB319,212,200	100	100	Investment holding
Joy Spreader International	Limited liability company	Hong Kong 25 October 2019	HK\$10,000	98	100	Trading business
霍爾果斯樂享互動網絡科技有限公司 Horgos Joyspreader Interactive Technology Co., Ltd (i)	Limited liability company	PRC 24 March 2020	RMB230,000,000	100	100	Digital marketing business and the relevant services
樂享互動(南京)投資有限公司 Joy Spreader (Nanjing) Investment Co., Ltd (i)	Wholly-foreign owned enterprise	PRC 17 November 2020	US\$39,189,000	100	100	Investment holding
樂享互動(南京)網絡科技有限公司 Joy Spreader (Nanjing) Interactive Technology Co., Ltd (i)	Limited liability company	PRC 23 November 2020	RMB227,608,245	100	100	Digital marketing business and the relevant services

For the year ended 31 December 2023

# 42. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

		Place and date of establishment/incorporation and	lssued share capital/paid up	Proportion of interest and voting power held by the Group At 31 December		
Name of subsidiaries	Legal form	operation	registered capital	2023	2022	Principal activities
				%	%	
Consolidated Affiliated Entities: 北京樂享互動網絡科技股份集團有限 公司 Beijing Joyspreader (i)	Joint stock limited liability company	PRC 9 October 2008	RMB16,312,632	100	100	Digital marketing business and the relevant services and investment holding
霍爾果斯耀西網絡科技有限公司 Horgos Yaoxi Internet Technology Co., Ltd (i)	Limited liability company	PRC 19 March 2017	RMB10,000,000	100	100	Digital marketing business and the relevant services
霍爾果斯智普數聯網絡科技有限公司 Horgos Zhipu Shulian Internet Technology Co., Ltd (i)	Limited liability company	PRC 7 January 2020	RMB10,000,000	100	100	Digital marketing business and the relevant services

<sup>(</sup>i) The English translation of the names is for reference only. The official names of these entities are in Chinese.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

For the year ended 31 December 2023

# 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	As at 31 December		
	2023		
	HK\$'000	HK\$'000	
NON-CURRENT ASSET			
Interests in subsidiaries	1,238,587	1,183,671	
	1,238,587	1,183,671	
CURRENT ASSETS			
Financial assets at FVTPL	1,991	3,077	
Bank deposits	_	38,984	
Bank balances and cash	178,982	340,116	
Other receivables	8,240	14,994	
Amount due from a subsidiary	312,411	188,795	
	501,624	585,966	
CURRENT LIABILITIES			
Other payables	292	335	
Amount due to a subsidiary	31,373	22,839	
Liabilities for cash-settled share-based payments	1,776		
	33,441	23,174	
NET CURRENT ASSETS	468,183	562,792	
TOTAL ASSETS LESS CURRENT LIABILITIES	1,706,770	1,746,463	
		.,	
CAPITAL AND RESERVES			
Share capital	24	24	
Reserves	1,706,746	1,746,439	
		1,7,13,433	
TOTAL FOLLITY	1 706 770	1 746 462	
TOTAL EQUITY	1,706,770	1,746,463	

For the year ended 31 December 2023

# 43. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Movements in the Company's reserves

	Treasury stocks HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Accumulated losses HK\$'000	Share-based payments reserve HK\$'000	<b>Total</b> HK\$'000
As at 1 January 2022	(150,002)	1,455,378	93,557	(144,985)		1,253,948
Loss and total comprehensive expense for						
the year	<u>-</u>		(132,393)	(41,381)		(173,774)
Issue of shares	-	602,878	-	-	-	602,878
Transaction costs attributable to issue of shares	_	(21,833)				(21,833)
Cancellation of shares	11,950	(11,950)	_	_	-	(21,055)
Purchase of shares under Share Award Scheme (note 35)	(7,280)	_	_	_	_	(7,280)
Reduction of share issuance costs in						
connection with the listing of the shares Recognition of share-based payment	-	21,841	-	-	-	21,841
expense (note 35(a))	_	_	_	_	70,659	70,659
Vesting of shares of the Company						
(note 35(a))	138,377	(68,130)			(70,247)	
At 31 December 2022	(6,955)	1,978,184	(38,836)	(186,366)	412	1,746,439
Loss and total comprehensive expense for						
the year			(23,071)	(19,960)		(43,031)
Recognition of share-based payment						
expense (note 35(a))	-	-	-	-	3,338	3,338
Vesting of shares of the Company (note 35(a))	6,955	(3,205)			(3,750)	
At 31 December 2023	_	1,974,979	(61,907)	(206,326)	_	1,706,746

# 44. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the management of the Group has been revisiting its strategy over the sales of E-commerce goods business, and has temporarily suspended the operation of the sales of E-commerce goods business, details are set out in note 7.

"1P Traffic" first-party traffic

"AIGC" artificial intelligence generated content

"AGM" the annual general meeting of the Company to be held on June 28, 2024

"app" mobile application

"Articles of Association" the current memorandum and articles of association of the Company, being the

second amended and restated memorandum and articles of association

"Audit Committee" the audit committee of the Board

"Beijing Daoyoudao" Daoyoudao Technology Group Co., Ltd. (道有道科技集團股份有限公司, formerly

known as 道有道(北京)科技股份有限公司), a company listed on the NEEQ with

stock code 832896, established under the laws of the PRC on June 12, 2007

"Beijing Joyspreader" Beijing Joy Spreader Interactive Network Technology Group Co., Ltd (北京樂享互動

網絡科技股份集團有限公司), a company established under the laws of the PRC with limited liability on October 9, 2008, and by virtue of the Contractual Arrangements,

accounted for as our subsidiary

"Beijing Zinan and Friends" Beijing Zinan and his Friends Cultural Centre (Limited Partnership) (北京子南和他

的小夥伴們文化中心(有限合夥)), a limited partnership set up under the laws of the PRC on July 6, 2016 which is directly owned as to 90% by Mr. Zhu and 10% by

Mr. Zhang Zhidi (張之的)

"Board" the board of Directors

"CAGR" compound annual growth rate

"Corporate Governance Code" the Corporate Governance Code as set out in Appendix C1 to the Listing Rules

"Chairman" the chairman of the Board

"China" or "the PRC" the People's Republic of China, excluding, for the purpose of this annual report,

Hong Kong, Macau Special Administrative Region and Taiwan

"Companies Act," the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the

Cayman Islands as amended, supplemented or otherwise modified from time to

time

"Consolidated Affiliated Entities" the entities we control through the Contractual Arrangements, namely Beijing

Joyspreader and its subsidiaries

"Contractual Arrangements" the series of contractual arrangements entered into by, among others, WFOE,

Beijing Joyspreader and the Registered Shareholders

"Director(s)" the director(s) of the Company

"ESG" environmental, social and governance

"Frost & Sullivan" Frost & Sullivan International Limited

the PRC Foreign Investment Law (《中華人民共和國外商投資法》) "Foreign Investment Law"

"FVTPL" fair value through profit or loss

"FVTOCI" fair value through other comprehensive income

"GDP" gross domestic product

"GMV" gross merchandise volume

Group", "we" or "us"

"Group", "the Group", "Joy Spreader our Company, its subsidiaries and the consolidated affiliated entities at the relevant time or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the subsidiaries of our Company or the businesses operated by its present subsidiaries (as the case

may be)

Joy Spreader International (HK) Limited (樂享國際有限公司), formerly known as Joy "Joy Spreader International"

> Spreader Interactive Group (HK) Limited (香港樂享互動集團有限公司), a company incorporated in Hong Kong on October 25, 2019 as a limited liability company and

a wholly-owned subsidiary of us

"Hong Kong" or "HK" the Hong Kong Special Administrative Region of the PRC

"Hong Kong dollars" or "HK\$" Hong Kong dollars, the lawful currency of Hong Kong

"interactive entertainment product(s)" interactive entertainment product(s), primarily comprising games and internet

literature, etc.

"Joy Spreader", "Company",

or "We"

Joy Spreader Group Inc. (樂享集團有限公司) (formerly known as Joy Spreader Interactive Technology. Ltd (乐享互动有限公司)), a company incorporated in the Cayman Islands on February 19, 2019 as an exempted company with limited liability

"Listing" the listing of the Shares on the Main Board on September 23, 2020

"Listing Date" September 23, 2020, being the date on which the Shares were listed on the Main

Board

"Listing Rules" the Rules Governing the Listing of Securities on the Stock Exchange, as amended or

supplemented from time to time

"Main Board" the Main Board of the Stock Exchange

"MCN" multi-channel network, a product form of multi-channel network, is a new

operation mode of internet celebrity economy

"Model Code" the Model Code for Securities Transactions by Directors of Listed Issuers contained

in Appendix C3 to the Listing Rules

"Nanjing Pingheng Capital" Nanjing Balance Capital Management Centre (General Partnership) (南京平衡資本

管理中心(普通合夥)), a general partnership set up under the laws of the PRC on

March 6, 2013

"Nantong Pinghengchuangye" Nantong Pinghengchuangye Venture Capital Investment Centre (Limited Partnership)

(南通平衡創業投資基金中心(有限合夥)), a limited partnership set up under the laws

of the PRC on June 11, 2015

"Nomination Committee" the nomination committee of the Board

"Mr. Zhu" Mr. Zhu Zinan (朱子南), our Chairman, executive Director, chief executive officer

and one of our Controlling Shareholders

"Over-allotment Option" has the meaning ascribed thereto in the Prospectus

"Prospectus" the prospectus issued by the Company dated September 10, 2020

"PGC" professional generated content

"R&D" research and development

"Registered Shareholder(s)" being Mr. Zhu Zinan, Shenzhen Nanhai Chengzhangtongying, Nantong

Pinghengchuangye, Beijing Zinan and Friends, Jiaxing Baozheng Investment Partnership (Limited Partnership) (嘉興寶正投資合夥企業(有限合夥)), Beijing Daoyoudao, Nanjing Pingheng Capital, Mr. Zhang Zhidi, Mr. Chen Liang, Shanghai Jinjia, Mr. Guo Zhiwei, Ms. Zhang Yue, Ms. Zhang Wenyan, Ms. Xue Xiaoli, Ms. Zhu Xifen, Mr. Xiong Chi and Ms. Huang Huijuan, who are shareholders of Beijing

Joyspreader

"Remuneration Committee" the remuneration committee of the Board

"Renminbi" or "RMB" Renminbi Yuan, the lawful currency of China

"Reporting Period" the twelve months period from January 1, 2023 to December 31, 2023

"SFO" the Securities and Futures Ordinance

"Shareholder(s)" holder(s) of Shares

"Share(s)" ordinary shares in the share capital of our Company with the nominal value of

HK\$0.00001 each

"Shanghai Jinjia" Shanghai Jinjia Asset Management Co., Ltd. (上海今嘉資產管理有限公司), a

company established under the laws of the PRC with limited liability on February 6,

2016

"Shenzhen Nanhai

Chengzhangtongying"

Shenzhen Nanhai Growth Win-win Private Equity Investment Fund (Limited Partnership) (深圳南海成長同贏股權投資基金(有限合夥)), a limited partnership set

up under the laws of the PRC on July 20, 2017

"Shenzhen Nanhai Growth" Shenzhen Nanhai Growth Win-win Limited, a limited liability company incorporated

in the BVI on March 26, 2019

"Share Award Scheme" the share award scheme adopted by the Board on June 21, 2021

"State Council" State Council of the PRC (中華人民共和國國務院)

"Stock Exchange" The Stock Exchange of Hong Kong Limited

"UGC" user generated content

"WFOE" Joy Spreader Interactive Group Limited (樂享互動集團有限公司), formerly known as

> Beijing Joy Spreader Interactive Technology Co., Ltd (北京樂享互動科技有限公司), a limited liability company established in the PRC on May 22, 2019 and a wholly-

owned subsidiary of us

Shenzhen Yingyi Vision Technology Co., Ltd. (深圳影漪視界科技有限公司), a non-"Yingyi Technology"

listed company established under the laws of the PRC with limited liability on

September 14, 2020

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