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NETJOY HOLDINGS LIMITED

云想科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2131)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Netjoy Holdings Limited (the “**Company**” or “**Netjoy**”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries and consolidated affiliated entities (together, the “**Group**” or “**we**”) for the six months ended June 30, 2024 (the “**Reporting Period**”) together with the comparative figures for the six months ended June 30, 2023 as follows:

FINANCIAL RESULTS HIGHLIGHTS

	Six months ended June 30, 2024 (unaudited)	2023 (unaudited)	Year-on-year Change
	<i>(RMB in millions, except percentage)</i>		
Revenue	1,558.95	1,620.75	(3.81)%
Gross profit	129.89	121.76	6.68%
Profit before income tax	29.17	36.75	(20.64)%
Profit for the period	23.85	31.46	(24.20)%
Adjusted net profit	42.94	40.68	5.56%

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS HIGHLIGHTS FOR THE FIRST HALF OF 2024

In the first half of 2024, under the complicated and changeable global market economy situation, China's economy as a whole made steady progress and continued to improve. The country strategically cultivates and develops "new quality productivity" represented by Artificial Intelligence ("AI") Large Language Models, accelerates the vigorous development of digital economy, further promotes the deep integration of technological innovation and application in science and technology, and empowers social progress and industrial digital upgrading. At the same time, the digital marketing industry actively adapts to the dynamic changes in the market environment and technological development, and is developing in a more personalized, diversified and intelligent direction. In this environment, we adhere to the three long-term development strategies of "Platformization", "Diversification" and "Internationalization", and continue to use innovative technologies and creative content to build core competitiveness, laying a solid foundation for sustainable development.

In the first half of 2024, the Group's gross billing was about RMB3.663 billion, and the total revenue reached RMB1.559 billion, which was slightly lower than that of the same period in 2023, mainly due to the strategic adjustment of the Group, aiming at stabilizing profitability by optimizing customer structure and improving high-quality operating income. In terms of gross profit, the Group increased by 6.68% from RMB122 million in the first half of 2023 to RMB130 million in the first half of 2024, of which, the gross profit of e-commerce service solutions increased by 107.33% year-on-year. The gross profit margin of the Group reached 8.33%, representing an increase of 0.82 percentage points year-on-year; Our adjusted net profit was RMB43 million, an increase of 5.56% over the same period of last year. As of June 30, 2024, the Group's cash and bank balance was about RMB465 million, and its financial position was healthy, providing guarantee for future growth and development.

During the Reporting Period, we continued to cultivate intelligent marketing solutions, and focused on promoting the development of omni-channel e-commerce service solutions while our main business developed steadily. Based on the strong linkage effect of the two business segments and the iterative upgrade of the group's innovative technology Generative Artificial Intelligence ("AIGC") application, the number of key account ("KA") advertisers we served has increased to 954. By the end of the Reporting Period, we have provided services to 32,224 advertisers in 291 vertically subdivided industries, covering industries such as internet services, online games, financial services, culture&media, and e-commerce. At the same time, we have expanded our overseas resource network and made progress in innovative business in overseas markets.

As an important force to promote the commercial value of customers and partners, our value co-creation model based on technology empowerment has been widely recognized inside and outside the industry by virtue of our leading capabilities in the fields of integrated platform technology, media resource integration and big data analysis. As of the date of this announcement, we have won a number of industry awards and qualification recognition, including 2024 Giant Certified Digital Marketing Eco-education Summit “Global Operation Annual Education Quality Agent” (全域經營年度教育優質代理), Giant Engine Brand Asset Management Case Competition “Industry Pioneer Award” (行業先鋒獎), 2024 Magnetic Engine Native Advertising Creative Competition “Gold Award” (金獎), Magnetic Engine Vertical Pipeline Center “Outstanding Development Award” (卓越開拓獎), “Bilibili STAR One-star Effect Certification Agent” (嗶哩嗶哩 STAR 一星級效果認證代理商) and “Ali Big Entertainment Effect” (阿里大文娛效果廣告平台代理商).

BUSINESS REVIEW IN THE FIRST HALF OF 2024

In the first half of 2024, the Group adhered to the three strategies of “Platformization”, “Diversification” and “Internationalization”, adhered to the technology-driven strategy, realized the coordinated and high-quality development of diversified businesses with a brand-new enterprise structure, and continuously explored the market potential.

Intelligent marketing solutions

Faced with the rapid development of global digital economy and profound changes in marketing pattern, the Group upgraded its online marketing business to intelligent marketing business with the help of AIGC application, covering the full-link service from marketing strategy formulation, large-scale content creation, accurate cross-platform distribution and real-time data analysis. At the same time, we integrated SaaS-related businesses and launched AIGC commercial application products, aiming at creating more value for customers and partners from the server side to the digital tool side. During the Reporting Period, the gross billing generated by the Group per capita increased by 11.61% year-on-year to RMB11.34 million, and the average monthly capacity of the internal video production team exceeded 784, increased by 118.38% year-on-year. By the end of the Reporting Period, the short video history delivered and stylized by us has generated more than 1,323.7 billion shows and more than 473.8 billion video views.

At the same time, based on the current overall market situation, we timely adjust the customer industry and structure, identify and target sub-sectors with high growth potential, optimize the overall customer base, and enhance business resilience and flexibility. During the Reporting Period, the number of advertisers served by the Group increased to 954, a year-on-year increase of 20.6%; The top three industries are internet services, online games and financial services, accounting for 26.9%, 26.9% and 25.7% of the revenue of intelligent marketing solutions respectively.

During the Reporting Period, the Group devoted itself to accelerating the application of AIGC in the whole marketing chain, upgraded the level of automation and customization in all aspects from content production to budget management, and made positive progress in operational efficiency, service quality, technological innovation and market adaptability. As of June 30, 2024, the number of enterprise users of “Tianji” (天玑) platform increased by 103.33% to 549 year-on-year, and the highest quarterly turnover of the platform reached RMB1.22 billion. By using this platform, the working time can be saved by no less than 5,000 minutes per month. The number of registered users of self-developed AIGC products has reached 1,426. With the help of this tool, the production efficiency of picture materials is increased by about 20 times on average compared with the previous manual output mode, and the corresponding cost is reduced by about 14 times.

With the gradual landing of the “Internationalization” strategy, we have strengthened the ability of overseas customers to cross-border “into the sea” on the basis of the original one-stop customized marketing content service. We use the advantages of large-scale, localized short video creativity and big data-driven precision marketing technology to help overseas brand customers expand their business in China market. This forward-looking strategic layout can not only help the Group to consolidate its leading position in the domestic digital marketing field, but also further enhance our brand influence by accumulating rich cross-border marketing data and successful cases, thus creating favorable conditions for future expansion and long-term value creation in the global market.

E-commerce service solutions

With the digital economy accelerating the industrial transformation, the emerging e-commerce model is rising day by day, which brings opportunities and challenges to the traditional e-commerce ecology and urges industry participants to accelerate the pace of business transformation and upgrading. In view of this, the Group has continuously improved the “people, goods and fields” full-link solution based on the Internet traffic ecology. By integrating the global marketing channels, deepening social media marketing and simultaneously expanding traditional shelf e-commerce, it has formed the full-channel retail advantage, realized the seamless integration of online and offline operations, and created a one-stop full-link e-commerce service solution, enabling us to better optimize the access path of consumers and expand the market penetration rate of customer brands. During the Reporting Period, the gross profit margin of e-commerce service solutions of the Group increased by 10.69% to 27.50% year-on-year.

In the first half of 2024, we accelerated the construction of an integrated e-commerce business system and fostered a new business growth curve. By actively integrating third-party sales channels, we can help customers improve brand exposure and sales conversion rate, and at the same time help customers simplify their operational processes and enhance their market competitiveness. We make full use of our deep local market experience and media pipeline resources to customize localized life service solutions for our customers and help them adapt to and expand the market quickly. Through continuous optimization and improvement of the integrated e-commerce business system, we have formed competitive advantages in many vertical areas, including high-growth tracks such as 3C digital, beauty and personal care, pet food, big health and local life, which injected strong momentum into the sustained growth of e-commerce service solutions businesses.

Innovative business

The Group actively explored innovative business, and made breakthroughs mainly in the field of short drama. Relying on strong creative content production capacity and mature short video marketing delivery system, we have formed a closed-loop ecological chain of short drama industry integrating IP creativity, content production, film distribution and platform operation. We attach importance to the diversification of short drama themes and narrative innovation, and the drama content has covered many types such as city, love, suspense and science fiction, and has gained positive feedback from the market. By the end of the Reporting Period, our self-operated short drama applet platform covered 35.8 million users.

During the Reporting Period, the Group made great efforts to strengthen the refined and differentiated operation of short dramas and improve the overall operational efficiency of the business. Through big data analysis and the application of AI technology, we monitor and analyze the data indicators of short drama business in real time, deeply understand audience behavior patterns and reading preferences, accurately optimize content creation and marketing strategies, enhance users' sense of participation, stimulate social fission communication effects, and enhance communication effects and content influence. With the expansion of short drama business, our income structure will be more diversified.

While achieving positive results in the domestic market, the Group has also actively expanded overseas markets and introduced high-quality short dramas to the world. In the first half of 2024, we further optimized the fine operation capability of short drama, laid out the overseas short drama market, and launched the first overseas short drama application (“APP”), which has been launched in China Hong Kong, the United States, Singapore, Thailand, Malaysia and other countries and regions, which will not only promote our internationalization strategy to upgrade, expand new business growth points, but also contribute to our long-term development in the global market.

BUSINESS OUTLOOK

Looking forward to the future, we will focus on the three core directions of “Platformization”, “Diversification” and “Internationalization”, and build a resilient business ecosystem by integrating resources, optimizing technical architecture, and expanding business territory. We will continue to increase investment in R&D, promote the landing of emerging technologies, optimize digital operation capabilities, consolidate our leading position in the field of short video marketing, build a long-term sustainable competitive advantage, and move towards the goal of becoming a comprehensive digital marketing group with global competitiveness. In the second half of 2024, we will focus on the following three aspects to promote business layout.

AIGC technology drives business upgrade and intelligently empowers overall development

As a technologically innovative enterprise, the Group deeply recognizes that AIGC technology has become a revolutionary force in digital content production and is reshaping the value chain of the entire marketing field. We will assist our customers and partners to improve the core driving force of digital marketing efficiency, and at the same time, we will continue to upgrade our internal marketing solutions, optimize the intelligent level of text, images, videos and other marketing materials, and provide customers with more accurate and personalized marketing solutions, thus enhancing our brand appeal and sales conversion rate.

We will also actively explore the application of AIGC technology in marketing strategy formulation and delivery optimization, and improve the intelligent level of the whole process from audience analysis, media selection to budget allocation. We expect to identify the behavior patterns and interest preferences of the target audience more accurately through the intelligent marketing decision-making system, and then formulate smarter and more efficient marketing solutions. At the same time, within the Group, the in-depth application of emerging technologies such as AIGC will continue to help us simplify processes, improve operational efficiency, and promote the development of digital marketing to high quality.

Stimulate the vitality of diversified business sectors and continuously expand business boundaries

In order to better meet the market demand and flexibly respond to market changes, we will continue to adhere to the diversification strategy and create more growth opportunities on the basis of consolidating our core business advantages. We plan to take e-commerce service solutions as the strategic focus, extend the original business industrial chain, and actively create the second growth curve of the Group. Specifically, based on the good development momentum of e-commerce service solutions businesses in the first half of 2024, we will build a fully integrated intelligent e-commerce ecosystem, implement omni-channel e-commerce service strategy, and strengthen our competitive advantage in distribution business. At the same time, we will also promote the innovation of marketing means and product portfolio, enhance the user's buying experience and platform conversion rate, and realize business growth and profit maximization.

In the context of the increasing popularity of short drama content, the Group will actively seize the opportunities in emerging fields such as short drama, increase investment in high-quality short drama, create a matrix of short drama content with market appeal, and maximize the exposure and influence of short drama content through multi-platform distribution strategy. In the future, we hope to innovatively integrate intelligent marketing solutions, e-commerce service solutions and short drama business, give play to the synergy of the Group's diversified business matrix, continue to open up new growth points, and ensure long-term development and leading position.

Enhance international competitiveness and open wider market space

Influenced by digital technology innovation, changing market demand and increasingly frequent cross-border business activities, the global digital marketing field is facing unprecedented opportunities. As a technical pioneer in the field of digital marketing, the Group will seize the opportunity to accelerate the internationalization process in order to realize its own layout in the global market. We will give full play to the technical ability and successful experience accumulated in the domestic short video marketing market, formulate differentiated business development strategies, accelerate the expansion of overseas online marketing, e-commerce and short drama fields, and at the same time enhance the application of intelligent marketing service system in international business, so as to provide localized short video marketing operation support for overseas corporate customers and better meet their “going to sea (出海)” needs.

In the new development stage of international digital business ecology, the Group will comprehensively apply the strategies of “going to sea” and “into the sea (入海)”, not only attach importance to overseas market expansion, but also vigorously promote the service of “into the sea”. In terms of strategy, we will serve as a bridge for cross-cultural communication, provide customized intelligent marketing and e-commerce services for overseas brands, assist overseas brands to enter the mainstream platform, and help them quickly enter and expand the China market. Through the strategy of “going to sea” and “into the sea”, we will realize the double promotion of resources and market, continuously expand the management radius and optimize the operational efficiency, and strengthen the diversification and international strategic layout of the Company’s business.

FINANCIAL REVIEW

Revenue

We generate our revenue primarily from the provision of (i) our intelligent marketing solutions to advertisers directly or through advertising agencies; (ii) e-commerce service solutions; and (iii) innovative business. Our total revenue decreased by 3.81% from RMB1,620.75 million for the six months ended June 30, 2023 to RMB1,558.95 million for the six months ended June 30, 2024, mainly due to the strategic adjustment of the Group, aiming at stabilizing profitability by optimizing customer structure and improving high-quality operating income.

Revenue by business segments

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

	Six months ended June 30,		2023	
	2024	% of	2023	% of
	(RMB'000)	the total	(RMB'000)	the total
	(unaudited)		(unaudited)	
Intelligent marketing solutions ⁽¹⁾	1,461,539	93.7	1,548,676	95.6
E-commerce service solutions	41,639	2.7	32,855	2.0
Innovative business ⁽²⁾	55,771	3.6	39,215	2.4
Total	<u>1,558,949</u>	<u>100.0</u>	<u>1,620,746</u>	<u>100.0</u>

Notes:

- (1) Intelligent marketing solutions include online marketing solutions, SaaS services and AIGC commercial applications.
- (2) Innovative business includes short drama business.

We enter into annual framework agreements with our advertising customers and charge them for intelligent marketing solutions based primarily on a mix of oCPM, oCPC and CPC. Our intelligent marketing solutions business grew stably during the Reporting Period, benefiting from the increased recognition of short video marketing by both audiences and advertisers and the popularity of short video marketing. During the Reporting Period, while optimizing and upgrading the intelligent marketing solutions business, we actively adjusted the customer structure and optimized the overall customer base, so that our intelligent marketing solutions business developed steadily during the Reporting Period. The revenue generated by the intelligent marketing solutions business in the six months ended June 30, 2024 accounted for 93.7% of our total revenue.

Revenue from intelligent marketing solutions business by type of advertising customers

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

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

	Six months ended June 30,		2023	
	2024	% of	(RMB'000)	% of
	(RMB'000)	the total	(RMB'000)	the total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Advertisers	1,454,589	99.5	1,546,557	99.9
Advertising agencies	6,950	0.5	2,119	0.1
Total	1,461,539	100.0	1,548,676	100.0

Revenue from intelligent marketing solutions business by industry verticals

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

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

	Six months ended June 30,		2023	
	2024	% of	(RMB'000)	% of
	(RMB'000)	the total	(RMB'000)	the total
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Online games	393,360	26.9	342,559	22.1
Financial services ⁽¹⁾	374,945	25.7	403,807	26.1
E-commerce	59,500	4.1	58,517	3.8
Internet services	393,611	26.9	426,490	27.4
Advertising	94,502	6.5	103,237	6.7
Culture & media	142,470	9.7	208,312	13.5
Others ⁽²⁾	3,151	0.2	5,754	0.4
Total	1,461,539	100.0	1,548,676	100.0

Notes:

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

(2) Others mainly include business services and healthcare.

During the six months ended June 30, 2024, the internet services industry was still our largest group of advertising customers. Our revenue generated from the internet services industry accounted for 27.4% and 26.9% of our total revenue derived from intelligent marketing solutions business for the six months ended June 30, 2023 and 2024, respectively.

During the six months ended June 30, 2024, we further explored other industry verticals, such as online games. Our revenue generated from online games, as a percentage of our total revenue generated from intelligent marketing solutions business, increased from 22.1% for the six months ended June 30, 2023 to 26.9% for the six months ended June 30, 2024.

KEY FINANCIAL RATIOS

	Six months ended June 30,	
	2024	2023
Gross profit margin (%) ⁽¹⁾	8.33	7.51
Net profit margin (%) ⁽²⁾	1.53	1.94
Current ratio (times) ⁽³⁾	1.87	1.89
Adjusted net profit margin (%) ⁽⁴⁾	2.75	2.51
Debt-to-asset ratio (times) ⁽⁵⁾	0.50	0.49

Notes:

- (1) Gross profit margin is calculated based on gross profit for the period divided by revenue for the respective period and multiplied by 100%.
- (2) Net profit margin is calculated based on profit for the period divided by revenue for the respective period and multiplied by 100%.
- (3) Current ratio is calculated based on total current assets divided by total current liabilities.
- (4) Equals to adjusted net profit divided by revenue for the period and multiplied by 100%. For the reconciliation from net profit to adjusted net profit, see “Non-IFRS Measure: Adjusted Net Profit” below.
- (5) Debt-to-asset ratio is calculated based on total liabilities divided by total assets.

Cost of Sales

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

	Six months ended June 30,		Six months ended June 30,	
	2024	% of	2023	% of
	(RMB'000)	the total	(RMB'000)	the total
	(unaudited)		(unaudited)	
Traffic acquisition cost	1,332,582	93.3	1,425,369	95.1
Employee benefit expenses	17,603	1.2	20,201	1.3
Others ⁽¹⁾	78,878	5.5	53,420	3.6
Total	1,429,063	100.0	1,498,990	100.0

Note:

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

Our cost of sales primarily consists of traffic acquisition costs and employee benefit expenses. For the six months ended June 30, 2024, traffic acquisition costs constituted the largest portion of our cost of sales, and others constituted the second largest portion of our cost of sales. For the six months ended June 30, 2023 and the six months ended June 30, 2024, our traffic acquisition costs amounted to RMB1,425.4 million and RMB1,332.6 million respectively, accounting for approximately 95.1% and 93.3% respectively, of our total cost of sales for the respective periods, which was in line with our business change. For the six months ended June 30, 2023 and the six months ended June 30, 2024, our employee benefit expenses amounted to RMB20.2 million and RMB17.6 million respectively, accounting for approximately 1.3% and 1.2% respectively, of our total cost of sales for the respective periods, which was caused by optimizing the organizational structure, reducing costs and increasing efficiency. For the six months ended June 30, 2023 and the six months ended June 30, 2024, our other costs amounted to RMB53.4 million and RMB78.9 million, respectively, accounting for approximately 3.6% and 5.5%, respectively, of our total cost of sales for the respective periods, which was attributable to the increase in other business expenses.

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

	Six months ended June 30,			
	2024	% of	2023	% of
	(RMB'000)	the total	(RMB'000)	the total
	(unaudited)		(unaudited)	
Intelligent marketing solutions ⁽¹⁾	1,379,589	96.5	1,460,052	97.4
E-commerce service solutions	30,188	2.1	27,332	1.8
Innovative business ⁽²⁾	19,286	1.3	11,606	0.8
Total	<u>1,429,063</u>	<u>100.0</u>	<u>1,498,990</u>	<u>100.0</u>

Notes:

- (1) Intelligent marketing solutions include online marketing solutions, SaaS services and AIGC commercial applications.
- (2) Innovative business includes short drama business.

Gross Profit and Gross Profit Margin

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

	Six months ended June 30,			
	2024		2023	
	<i>Gross Profit</i>	<i>Gross profit</i>	<i>Gross Profit</i>	<i>Gross profit</i>
	<i>(RMB'000)</i>	<i>margin</i>	<i>(RMB'000)</i>	<i>margin</i>
	<i>(unaudited)</i>	<i>%</i>	<i>(unaudited)</i>	<i>%</i>
Intelligent marketing solutions ⁽¹⁾	81,950	5.61	88,624	5.72
E-commerce service solutions	11,451	27.50	5,523	16.81
Innovative business ⁽²⁾	36,485	65.42	27,609	70.40
Total	129,886	8.33	121,756	7.51

Notes:

- (1) Intelligent marketing solutions include online marketing solutions, SaaS services and AIGC commercial applications.
- (2) Innovative business includes short drama business.

Our gross profit consists of our revenue less cost of sales. The Group recorded gross profit of RMB129.9 million for the six months ended June 30, 2024, representing an increase of 6.68% as compared to the gross profit of RMB121.8 million for the six months ended June 30, 2023.

Gross profit margin represents gross profit divided by total revenue, expressed as a percentage. The gross profit margin for the six months ended June 30, 2023 and the gross profit margin for the six months ended June 30, 2024 were 7.51% and 8.33% respectively. The main reason is that for this Group, by improving the operation efficiency, optimizing the structure to meet the needs of the market, the risk management has been strengthened at the same time, and the cooperation with excellent customers has greatly stabilized and improved the profitability.

OTHER INCOME AND GAINS

Our other income and gains decreased from RMB18.48 million for the six months ended June 30, 2023 to RMB1.48 million for the six months ended June 30, 2024, mainly due to the fact that the amount of government subsidies was greatly reduced compared with that in 2023 because VAT deduction policy expires in 2024.

SELLING AND DISTRIBUTION EXPENSES

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

Our selling and distribution expenses gradually increased from RMB32.62 million for the six months ended June 30, 2023 to RMB45.02 million for the six months ended June 30, 2024, which was mainly attributable to the increase in the publicity expenditure of short drama business.

GENERAL AND ADMINISTRATIVE EXPENSES

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

Our administrative expenses gradually increased by 8.0% from RMB39.48 million for the six months ended June 30, 2023 to RMB42.64 million for the six months ended June 30, 2024, which was mainly attributable to the expansion of the company's business and the increase of management personnel.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses primarily comprise (i) employee benefit expenses; (ii) outsourcing development expenses; and (iii) others, mainly consisting of server rental expenses. Our research and development expenses decreased by 39.48% from RMB5.47 million for the six months ended June 30, 2023 to RMB3.31 million for the six months ended June 30, 2024, which was mainly attributable to the change of R&D system.

OTHER EXPENSES

Our other expenses decreased from RMB1.77 million for the six months ended June 30, 2023 to RMB0.60 million for the six months ended June 30, 2024, mainly due to the fair value loss of financial investments.

IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET

Impairment losses on financial assets, net represent provisions of impairment of trade receivables, net of reversal. We recorded impairment losses on financial assets, net of RMB0.28 million for the six months ended June 30, 2024, which was mainly attributable to the provision for general credit losses made by our trade receivables.

FINANCE COSTS

Our financial cost remained basically unchanged from RMB10.43 million for the six months ended June 30, 2023 to RMB10.43 million for the six months ended June 30, 2024.

INCOME TAX EXPENSES

Our income tax expenses increased from RMB5.29 million for the six months ended June 30, 2023 to RMB5.32 million for the six months ended June 30, 2024, which was mainly due to the increase in deferred income tax expenses during the Reporting Period.

PROFIT FOR THE PERIOD

As a result of the above, our profit for the period decreased by 24.2% from RMB31.46 million for the six months ended June 30, 2023 to RMB23.85 million for the six months ended June 30, 2024. Our net profit margin decreased from 1.94% for the six months ended June 30, 2023 to 1.53% for the six months ended June 30, 2024.

NON-IFRS MEASURE: ADJUSTED NET PROFIT

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

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

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

	Six months ended June 30,	
	2024	2023
	<i>(RMB in millions)</i>	
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit for the period	23.85	31.46
Add:		
Share-based compensation	13.72	2.18
Foreign exchange differences	0.05	1.75
Income tax expense	5.32	5.29
Adjusted net profit⁽¹⁾	42.94	40.68

Note:

- (1) Adjusted net profit is defined as net profit for the period after adding back share-based compensation, foreign exchange differences and income tax expenses incurred during the respective period.

LIQUIDITY AND FINANCIAL RESOURCES

Our business operations and expansion plans require a significant amount of capital, including acquiring user traffic from online publishers, enhancing our content production capabilities, improving our big data analytics and AI capabilities, upgrading our proprietary DMP and other infrastructures as well as other working capital requirements. Historically, we financed our capital expenditure and working capital requirements mainly through cash generated from operations, bank and other borrowings, and capital contributions from shareholders of the Company (the “**Shareholders**”). Our cash and bank balances increased from RMB363.61 million as at December 31, 2023 to RMB465.17 million as at June 30, 2024, mainly attributable to the replenishment of working capital with the expansion of business scale.

The table below sets out our liquidity as at December 31, 2023 and as at June 30, 2024, respectively:

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
Cash and bank balance	465,173	363,605
Denominated in RMB	465,063	363,417
Denominated in HKD	72	56
Denominated in USD	38	132
	465,173	363,605

As at June 30, 2024, our bank loans amounted to approximately RMB451.45 million (as at December 31, 2023: approximately RMB414.94 million). Our bank loans are denominated in RMB. The interest rates on our bank loans ranged from 2.30% to 4.00% (for the year ended December 31, 2023: 2.30% to 4.30%) per annum and the terms of the loans ranged from six months to one year. We will repay the above borrowings in due a course on maturity.

CAPITAL EXPENDITURES

Our capital expenditures for the six months ended June 30, 2024 primarily consists of expenditures on (i) property, plant and equipment for office equipment and leasehold improvement; and (ii) intangible assets for software and the user right of a website.

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

	As at June 30, 2024 <i>(RMB in millions)</i> <i>(unaudited)</i>	As at December 31, 2023 <i>(audited)</i>
Property, plant and equipment	0.13	21.52
Intangible assets	4.18	9.50
Total	4.31	31.02

We incurred capital expenditures of approximately RMB4.31 million for the six months ended June 30, 2024, primarily related to office furniture and decoration as well as purchases of software. We intend to fund our planned capital expenditures through cash generated from operations.

PLEDGE OF ASSETS

As at June 30, 2024, some bank loans were deposited with the Group of approximately RMB50.1 million (as at December 31, 2023: Nil) and were guaranteed by the Company and certain subsidiaries of the Company. The trade receivables of some customers of the Group have been pledged to guarantee the trade payables of approximately RMB150.00 million (December 31, 2023: RMB150.00 million) granted to the Group.

FOREIGN EXCHANGE RISK MANAGEMENT

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

CONTINGENT LIABILITIES

As at June 30, 2024, the Group did not have any material contingent liabilities.

EMPLOYEES

As at June 30, 2024, we had 323 full-time employees, including 273 in Shanghai, 20 in Xi'an, 19 in Beijing, 8 in Xinjiang and 3 in Jingxian. As at June 30, 2024, we did not experience any strikes or any labor disputes with our employees which have had or are likely to have a material effect on our business.

Our employees typically enter into standard employment contracts with us. We place high value on recruiting, training and retaining our employees. We maintain high recruitment standards and provide competitive compensation packages. Remuneration packages for our employees mainly comprise base salary and bonus. We also provide both in-house and external trainings for our employees to improve their skills and knowledge. For the six months ended June 30, 2024, total staff remuneration expenses including Directors' remuneration amounted to RMB49.26 million.

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

We have granted and planned to continue to grant share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development. The Company has adopted a post-IPO share option scheme, a restricted share unit scheme (the "**Restricted Share Unit Scheme**"), a amended post-IPO share option scheme and share award scheme. As at 30 June 2024, the Trustee had purchased a total of 30,948,939 shares in the market under the Restricted Share Unit Scheme adopted by the Company on October 18, 2021, representing approximately 3.89% of the total number of shares in issue as at the date of this announcement (i.e. 795,658,000 shares).

RETIREMENT AND EMPLOYEE BENEFITS SCHEMES

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

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the six months ended June 30, 2024

		Six months ended June 30,	
		2024	2023
	<i>Notes</i>	RMB'000	RMB'000
		(unaudited)	(unaudited)
REVENUE	3	1,558,949	1,620,746
Cost of sales		<u>(1,429,063)</u>	<u>(1,498,990)</u>
Gross profit		129,886	121,756
Other income and gains	3	1,481	18,482
Selling and distribution expenses		(45,018)	(32,620)
Administrative expenses		(42,641)	(39,482)
Impairment losses on financial assets, net		(281)	(13,899)
Research and development expenses		(3,310)	(5,469)
Other expenses		(596)	(1,767)
Finance costs		(10,428)	(10,428)
Share of profits of: Associates		<u>74</u>	<u>178</u>
PROFIT BEFORE TAX		29,167	36,751
Income tax expense	4	<u>(5,317)</u>	<u>(5,287)</u>
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u>23,850</u>	<u>31,464</u>
Profit and total comprehensive income attributable to:			
Owners of the parent		23,919	33,504
Profit or loss of minority shareholders		<u>(69)</u>	<u>(2,040)</u>
PROFIT PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the period	6	<u>RMB3.1 cents</u>	<u>RMB4.3 cents</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at June 30, 2024

	<i>Notes</i>	As at June 30, 2024 <i>RMB'000</i> <i>(unaudited)</i>	As at December 31, 2023 <i>RMB'000</i> <i>(audited)</i>
NON-CURRENT ASSETS			
Property, plant and equipment		3,836	5,068
Right-of-use assets		1,465	3,883
Intangible assets		24,411	25,059
Trade receivables	7	6,463	11,246
Prepayments, other receivables and other assets		18,051	18,051
Deferred tax assets		63,729	64,012
Investments in associates		34,681	34,422
Financial assets at fair value through profit or loss		49,801	56,596
Debt investments at amortised cost		17,109	19,326
Total non-current assets		219,546	237,663
CURRENT ASSETS			
Inventories		11,231	9,169
Trade receivables	7	1,531,941	1,539,560
Prepayments, other receivables and other assets		576,397	450,187
Financial assets at fair value through profit or loss		13,484	17,634
Debt investments at amortised cost		30,321	28,632
Restricted cash		60,842	2,699
Cash and cash equivalents		404,331	360,906
Total current assets		2,628,547	2,408,787
CURRENT LIABILITIES			
Trade payables	8	655,586	622,429
Other payables and accruals		146,436	139,937
Interest-bearing bank borrowing		451,454	414,937
Lease liabilities		1,374	3,486
Contract liabilities		136,274	50,360
Tax payable		13,073	19,883
Other liabilities		3,242	1,098
Total current liabilities		1,407,439	1,252,130
NET CURRENT ASSETS		1,221,108	1,156,657
TOTAL ASSETS LESS CURRENT LIABILITIES		1,440,654	1,394,320

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
NON-CURRENT LIABILITIES		
Lease liabilities	–	35
Deferred tax liabilities	636	707
Deferred income	493	537
Other liabilities	7,329	7,865
	<hr/>	<hr/>
Total non-current liabilities	8,458	9,144
	<hr/>	<hr/>
NET ASSETS	1,432,196	1,385,176
	<hr/>	<hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	148	148
Treasury shares	(46,712)	(46,638)
Reserves	1,478,880	1,432,994
	<hr/>	<hr/>
Total equity attributable to owners of parent company	1,432,316	1,386,504
	<hr/>	<hr/>
Minority shareholders' equity	(120)	(1,328)
	<hr/>	<hr/>
TOTAL EQUITY	1,432,196	1,385,176
	<hr/>	<hr/>

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the six months ended June 30, 2024

	Attributable to owners of the parent									
	Share capital RMB'000	Treasury shares RMB'000	Share option reserve* RMB'000	Capital reserve* RMB'000	Statutory surplus reserve* RMB'000	Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000	Retained profits* RMB'000	Total RMB'000	Minority shareholders' equity RMB'000	Total equity RMB'000
At January 1, 2023	148	(40,526)	16,273	1,229,544	46,459	(400)	119,448	1,370,946	(17)	1,370,929
Profit and total comprehensive income for the period	-	-	-	-	-	-	33,504	33,504	(2,040)	31,464
Shares repurchased	-	(408)	-	-	-	-	-	(408)	-	(408)
Equity-settled share option arrangements	-	-	2,175	-	-	-	-	2,175	-	2,175
Acquisition of subsidiaries	-	-	-	(2,601)	-	-	-	(2,601)	-	(2,601)
Transfer from retained profits	-	-	-	-	1,801	-	(1,801)	-	-	-
At June 30, 2023	<u>148</u>	<u>(40,934)</u>	<u>18,448</u>	<u>1,226,943</u>	<u>48,260</u>	<u>(400)</u>	<u>151,151</u>	<u>1,403,616</u>	<u>(2,057)</u>	<u>1,401,559</u>

Attributable to owners of the parent

	Share capital	Treasury shares	Share option reserve*	Capital reserve*	Statutory surplus reserve*	Fair value reserve of financial assets at fair value through other comprehensive income*	Retained profits*	Total	Minority shareholders' equity	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2024	148	(46,638)	29,299	1,229,392	46,459	(400)	128,244	1,386,504	(1,328)	1,385,176
Profit and total comprehensive income for the period	-	-	-	-	-	-	23,919	23,919	(69)	23,850
Shares repurchased	-	(74)	-	-	-	-	-	(74)	-	(74)
Equity-settled share option arrangements	-	-	13,718	-	-	-	-	13,718	-	13,718
Acquisition of subsidiaries	-	-	-	15,278	-	-	(7,029)	8,249	1,277	9,526
Transfer from retained profits	-	-	-	-	1,320	-	(1,320)	-	-	-
At June 30, 2024	<u>148</u>	<u>(46,712)</u>	<u>43,017</u>	<u>1,244,670</u>	<u>47,779</u>	<u>(400)</u>	<u>143,814</u>	<u>1,432,316</u>	<u>(120)</u>	<u>1,432,196</u>

* These reserve accounts comprise the consolidated reserves of RMB1,478,880,000 (2023: RMB1,432,994,000) in the consolidated statement of financial position.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended June 30, 2024

1. CORPORATE AND GROUP INFORMATION

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

The Group was principally involved in the business of providing intelligent marketing solutions in the People's Republic of China (the "PRC").

Information about subsidiaries

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

Name	Place of incorporation/ registration and business	Issued ordinary/ Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
MIX Technology Co., Ltd. ("Heguang Technology") (合光(寧波)科技有限公司) (note (a))	PRC/Mainland China	USD10,000,000	–	100	Marketing services
Yunxiang Shuke (Xi'an) Information Technology Co., Ltd. ("Yunxiang Shuke Xi'an") (云想數科(西安)信息技術有限公司) (note (a))	PRC/Mainland China	USD10,000,000	–	100	Consulting
NETJOY ASIA PTE.LTD.	Singapore	SGD1,000,000	–	100	Advertisement related activity
Netjoy International Limited	British Virgin Islands	USD50,000	100	–	Investment holding
Yunxiang Shuke (Shanghai) Information Technology Co., Ltd. ("Yunxiang Information") (云想數科(上海)信息技術有限公司) (note (a))	PRC/Mainland China	RMB50,000,000	–	100	Technical and consultation services
Letui (Shanghai) Culture Broadcast Co., Ltd. ("Letui Culture") (樂推(上海)文化傳播有限公司) (note (b))	PRC/Mainland China	RMB10,000,000	–	100	Marketing services

Name	Place of incorporation/ registration and business	Issued ordinary/ Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Hainan Yunjing Xingzhan Private Equity Fund Management Co., Ltd. (“ Hainan Yunjing ”) (海南云景星展私募基金管理有限公司)(note (b))	PRC/Mainland China	RMB10,000,000	–	100	Capital market
Yunxiang Entertainment (Shanghai) Co., Ltd. (“ Yunxiang Entertainment ”) (云想娛樂(上海)有限公司)(note (b))	PRC/Mainland China	RMB5,000,000	–	100	Technical and consultation services
Letui Chuanshi (Shanghai) Information Technology Co., Ltd. (“ Letui Information ”) (樂推傳視(上海)信息技術有限公司)(note (b))	PRC/Mainland China	RMB5,000,000	–	100	Technical and consultation services
Shanghai Yunxiang E-commerce Co., Ltd. (“ Yunxiang E-commerce ”) (上海云想電子商務有限公司)(note (b))	PRC/Mainland China	RMB5,000,000	–	100	Marketing services
Letui Zhixiao (Lishui) Culture Communication Co., Ltd. (“ Letui Zhixiao Lishui ”) (樂推智效(麗水)文化傳播有限公司)(note (b))	PRC/Mainland China	RMB2,000,000	–	100	Marketing services
Horgos Quantum Dynamic Culture Media Co., Ltd. (“ Quantum Culture ”) (霍爾果斯量子動態文化傳媒有限公司)(note (b))	PRC/Mainland China	RMB1,000,000	–	100	Marketing services
Guangzhou Guomeng Network Technology Co., Ltd. (“ Guomeng Network ”) (廣州果盟網絡科技有限公司)(note (b))	PRC/Mainland China	RMB1,000,000	–	100	Technical and consultation services
Qizheng (Shanghai) Culture Communication Co., Ltd. (“ Qizheng Culture ”) (啟征(上海)文化傳播有限公司)(note (b))	PRC/Mainland China	RMB1,000,000	–	100	Technical and consultation services

Name	Place of incorporation/ registration and business	Issued ordinary/ Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Horgos Large Amount Information Technology Co., Ltd. (“ Large Amount Information ”) (霍爾果斯爆量信息技術有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	Marketing services
Horgos Quantum Data Services Co., Ltd. (“ Quantum Data ”) (霍爾果斯量子數據服務有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	Marketing services
Shanghai Leman Yunxiang E-commerce Co., Ltd. (“ Leman Yunxiang ”) (上海樂曼云享電子商務有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	E-commerce
Letui Chuanpin (Jingxian) E-commerce Co., Ltd. (“ Letui Chuanpin ”) (樂推傳品 (涇縣) 電子商務有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	E-commerce
Hepinsheng (Shanghai) Enterprise Management Co., Ltd (“ Hepinsheng ”) (合品盛 (上海) 企業管理有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	Consulting
Shangxiang Leyun (Shanghai) E-commerce Co., Ltd (“ Shangxiang Leyun ”) (尚想樂云 (上海) 電子商務有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	E-commerce
Shangxiang Lehai (Shanghai) E-commerce Co., Ltd (“ Shangxiang Lehai ”) (尚想樂海 (上海) 電子商務有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	E-commerce
Shangxiang Lebao Yunxiang Business Consulting Co., Ltd (“ Lebao Yunxiang ”) (上海樂保云享商務諮詢有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	Consulting

Name	Place of incorporation/ registration and business	Issued ordinary/ Registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
Netjoy International (Hong Kong) Limited	Hong Kong, China	HKD1	–	100	Technical and consultation services
Yunwei Chuangshi (Shanghai) Information Technology Co., Ltd. ("Yunwei Chuangshi") (云未創視(上海)信息技術有限公司) (note (b))	PRC/Mainland China	RMB1,250,000	–	60	Software-as-a – service ("SaaS")
Shanghai Tetui Culture Media Co., Ltd. ("Tetui Culture") (上海特推文化傳媒有限公司) (note (b))	PRC/Mainland China	RMB2,040,816	–	51	Advertisement related activity
<i>Indirectly controlled by the Company pursuant to the contractual agreements</i>					
Netjoy (Shanghai) Network Technology Co., Ltd. ("Netjoy Network") (note (b))	PRC/Mainland China	RMB53,528,203	–	100	Entertainment-oriented content platform operation
Tradeplus (Shanghai) Information Technology Co., Ltd. ("Tradeplus") (連山加(上海)信息技術有限公司) (note (b))	PRC/Mainland China	RMB5,000,000	–	100	SaaS
Wuhan Juhaokan Network Technology Co., Ltd. ("Wuhan Juhaokan") (武漢劇好看網絡科技有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	Planning and production of short drama
Shanxi Drama Gravity Culture Communication Co., Ltd. ("Shanxi Drama") (陝西劇有引力文化傳播有限公司) (note (b))	PRC/Mainland China	RMB1,000,000	–	100	Digital Culture

Notes:

- (a) The entity is registered as a wholly-foreign-owned enterprise under the PRC law.
- (b) The entity is registered as a limited liability company under the PRC law.

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

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

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

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

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

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the condensed consolidated financial statements of the Group for the six months ended June 30, 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2023, except for the adoption of the following revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's unaudited condensed consolidated financial statements.

IFRS 16	<i>Lease: Lease liabilities recovered after sale</i>
Amendments to IAS 1	<i>Presentation of financial statements: current and non-current division of liabilities</i>
Amendments to IAS 1	<i>Presentation of financial statements: non-current current liabilities with contracts</i>
Amendments to IAS 7 and Amendments to IFRS 7	<i>Supplier financing arrangement</i>

These amendments did not have any significant impact on the unaudited consolidated financial statements of the Group.

3. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue from contracts with customers	1,558,949	1,620,746

Revenue from contracts with customers

(i) Disaggregated revenue information

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Types of services		
Intelligent marketing solutions		
– All-in-one services	1,429,517	1,520,690
– Advertisement distribution services	32,022	27,986
E-commerce service solutions	41,639	32,855
Innovative business	55,771	39,215
Total revenue from contracts with customers	1,558,949	1,620,746
Timing of revenue recognition		
Marketing services transferred at a point in time	1,538,660	1,612,452
Marketing services transferred over time	20,289	8,294
Total revenue from contracts with customers	1,558,949	1,620,746

The following table shows the amounts of revenue recognised in the current accounting period that were included in the contract liabilities at the beginning of the Reporting Period:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Revenue recognised that was included in contract liabilities at the beginning of the Reporting Period:	50,360	36,535

There is no revenue recognised in the current accounting period from performance obligations satisfied in previous periods for the six months ended June 30, 2023 and June 30, 2024, respectively.

(ii) ***Performance obligations***

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

Intelligent marketing solutions services

All-in-one services

The Group provides one-stop online marketing solutions, including traffic acquisition from top online publishers, content production, raw data analysis and advertisement campaign optimisation, to advertisers. The Group charges the advertisers mainly based on optimised Cost Per Mille ("oCPM") or optimised Cost Per Click ("oCPC"). In some circumstances, the Group offers rebates to the advertisers as part of its promotion activities. Online publishers grant to the Group rebates in the form of payments for the media publishers' services or cash mainly based on the gross spend of the advertisers.

While none of the factors individually are considered presumptive or determinative, in this arrangement the Group is the primary obligor and is responsible for (i) identifying and contracting with third-party advertisers which the Group views as customers, the Group is primarily responsible for delivering the specified service to the advertisers; (ii) identifying online publishers to provide online spaces where the Group views the online publishers as suppliers; and (iii) bearing the sole responsibility for advertising content integrated and fulfilment of the advertising, the Group acts as the principal of these arrangements and therefore recognises revenue earned and costs incurred related to these transactions on a gross basis. Under this arrangement, the rebates earned from the media publishers are recorded as a reduction of cost of sales.

The performance obligation is satisfied on a user's optimised click (oCPC) on one of the customer sponsored links or on optimised the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (oCPM).

Advertisement distribution services

The advertisers provide their own produced distribution contents and formulate their own advertisement campaign. The Group only provides distribution services to advertisers by publishing the contents on the targeted social media platforms which are determined by advertisers. The Group charges the advertisers mainly based on an oCPM or oCPC or CPC.

The Group is not the principal in this arrangement as it does not control the specified service before that service is transferred to the advertiser, because (i) the Group does not provide integrated service. Online publisher, rather than the Group, is primarily responsible for providing the media publishing service; and (ii) the online publisher is identified and determined by the advertisers, not the Group. Therefore, the Group is not the principal in executing these transactions. The Group reports the amount received from the advertisers and the amounts paid to the media publishers related to these transactions on a net basis.

Rebates offered to the advertisers under both business models above are recognised as a deduction of revenue at the time the incentives are granted.

The performance obligation is satisfied on a user's optimised click (oCPC) on one of the customer sponsored links or on optimised the number of times that the advertisement has been displayed for cost per thousand impression advertising arrangement (oCPM).

E-commerce service solutions

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

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

For the live streaming business, the Group utilises live streamers to promote and sell goods on platforms and charges commissions to customers based on the live broadcast duration and sales of goods completed through platforms with agreed commission rates, respectively. Live streaming business performance obligation is satisfied at a point in time when the live broadcast duration and sale transaction of goods is completed.

Innovative business

Innovative business revenues primarily include revenues from the short drama business.

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

The transaction prices allocated to the remaining performance obligations unsatisfied as at June 30, 2024 are RMB50,360,000 (June 30, 2023: RMB36,654,000).

All the remaining performance obligations unsatisfied as at June 30, 2024 are expected to be recognised within one year as the performance obligations are part of the contracts that have an original expected duration of one year or less.

An analysis of other income and gains is as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Other income and gains		
Bank interest income	376	1,058
Government grants	1,038	14,326
Others	67	3,098
	<hr/>	<hr/>
Other expenses		
Foreign exchange loss, net	52	1,752
Fair value losses on financial investments, net	462	–
Others	82	15
	<hr/>	<hr/>

4. INCOME TAX

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

Cayman Islands

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

British Virgin Islands

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

Hong Kong

Hong Kong profits tax was provided at the rate of 16.5% (2023: 16.5%) on the estimated assessable profits of the Group’s companies operating in Hong Kong during the year.

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations, the subsidiaries which operate in Mainland China are subject to Enterprise Income Tax (“EIT”) at a rate of 25% on the taxable income. Preferential tax treatment is available to Netjoy Network, since it is certified as High and New Technology Enterprises, and Netjoy Network is subject to a preferential income tax rate of 15% from 2021 to 2023.

According to Several Opinions of the State Council on Supporting the Construction of Kashgar and Horgos Economic Development Zones (國務院關於支持喀什霍爾果斯經濟開發區建設的若干意見) promulgated on 30 September 2011, and Notice of the Preferential Policies of Enterprise Income Tax in the Two Special Economic Development Zones of Kashgar and Horgos in Xinjiang (財政部·國家稅務總局關於新疆喀什霍爾果斯兩個特殊經濟開發區企業所得稅優惠政策的通知) promulgated by the Ministry of Finance of the PRC (中國財政部) and the State Administration of Taxation of the PRC (中國國家稅務總局) on 29 November 2011, from 2010 to 2020, the newly established enterprises in Kashgar and Horgos within the Catalog of Encouraged Industries in Poverty Areas of Xinjiang for Preferential Tax Treatment (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) granted the preferential tax treatment of five-year EIT exemption beginning from the first taxable year after the becoming profitable. Upon the expires of the tax exemption period, the local share of EIT would be exempted for another five years, and a subsidy would be granted by the Finance Bureau of the Development Zone in the form of rewards. Quantum Culture Media was entitled to the PRC tax bureau for EIT exemption from 1 January 2017 to 31 December 2021 and the exemption of EIT charged by local tax bureau according to Preferential Filing Record of EIT (企業所得稅優惠事項備案表) from 1 January 2022 to 31 December 2026 and obtained the related approval from the PRC tax bureau, which takes account for 40% of the total EIT.

According to the Implementation Opinions on Accelerating the Construction of Kashgar and Horgos Economic Development Zones (關於加快喀什·霍爾果斯經濟開發區建設的實施意見), from January 1, 2010 to December 31, 2020, enterprises newly established in the development zone that fall within the scope of the Catalogue of Enterprise Income Tax Preferences for Industries Encouraged to Develop in Difficult Areas of Xinjiang (新疆困難地區重點鼓勵發展產業企業所得稅優惠目錄) will be exempted from enterprise income tax for five years from the tax year in which the first production and operation income is obtained. After the tax exemption period expires, the local share of EIT will be exempted for another five years, and the subsidy will be granted by the Finance Bureau of the Development Zone in the form of rewards. According to the Record Form for Preferential Matters of Enterprise Income Tax (企業所得稅優惠事項備案表), Quantum Data, the third-tier subsidiary of the Company, was granted by China Taxation Bureau and enjoyed the exemption of enterprise income tax from January 1, 2022 to December 31, 2026.

Pursuant to the Notice on Enterprise Income Tax Policies for the Integrated Circuit Design and Software Industries (關於集成電路設計和軟件產業企業所得稅政策的公告) issued by the Ministry of Finance of the PRC and the State Administration of Taxation of the PRC and with approval from the tax authorities in charge, one of the Group's subsidiaries, Tradeplus, can be exempted from enterprise income tax for two years from 2024 (the first year in which Tradeplus generates taxable profits), and get a 50% reduction in the enterprise income tax rate for the next three years.

The income tax expense of the Group for the relevant periods is analysed as follows:

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Current income tax:		
Mainland China	5,034	9,036
Hong Kong	–	2
Deferred tax	283	(3,751)
	5,317	5,287

A reconciliation of the tax expense applicable to profit before tax at the statutory rate of 25% for Mainland China in which the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rate to the effective tax rate, are as follows:

	Six months ended June 30,			
	2024		2023	
	RMB'000	%	RMB'000	%
	(unaudited)		(unaudited)	
Profit/(loss) before tax	29,168		36,751	
Tax at the statutory tax rate	7,292	25	9,187	25
Effect of different tax rates for specific provinces and countries or enacted by local authority	(7,959)	(27)	(7,779)	(21)
(Profit)/loss attributable to associates	(19)	–	–	–
Additional deduction on research and development expenses	(317)	(1)	(491)	(1)
Tax losses utilised from previous periods	–	–	(598)	(2)
Tax losses and temporary differences not recognised	5,540	19	4,910	13
Expenses not deductible for tax	780	2	58	–
Tax expense/(credit) at the effective rate	5,317	18	5,287	14

5. DIVIDENDS

No dividend was declared for the six months ended June 30, 2024 (June 30, 2023: Nil).

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of the basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 746,725,100 (June 30, 2023: 775,149,260) in issue during the period, as adjusted to reflect the rights issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended June 30, 2023 and 2024 in respect of a dilution as the Group had no potentially ordinary dilutive ordinary shares in issue during the six months ended June 30, 2023 and 2024.

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

	Six months ended June 30,	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Earnings		
Profit attributable to ordinary equity holders of the parent	<u>23,919</u>	<u>33,504</u>
	Number of shares	
	Six months ended June 30,	
	2024	2023
	<i>(unaudited)</i>	<i>(unaudited)</i>
Shares		
Weighted average number of ordinary shares in issue used in the basic and diluted earnings per share calculation	<u>746,725,100</u>	<u>775,149,260</u>

7. TRADE AND NOTES RECEIVABLES

	As at	As at
	June 30,	December 31,
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Included in non-current assets:		
Trade receivables	10,498	19,982
Impairment	<u>(4,035)</u>	<u>(8,736)</u>
	<u>6,463</u>	<u>11,246</u>
Included in current assets:		
Trade receivables	1,775,865	1,771,602
Notes receivables	–	6,900
Impairment	<u>(243,924)</u>	<u>(238,942)</u>
	<u>1,531,941</u>	<u>1,539,560</u>
	<u>1,538,404</u>	<u>1,550,806</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 180 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentrations of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date and net of loss allowance, is as follows:

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
Less than 1 year	1,506,821	1,507,006
1 to 2 years	31,583	36,900
	<u>1,538,404</u>	<u>1,543,906</u>

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

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
At beginning of period	247,678	207,573
Impairment losses, net	281	40,105
At end of period	<u>247,959</u>	<u>247,678</u>

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on ageing analysis of customers that have similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at June 30, 2024

	Expected credit loss rates	Gross carrying amounts RMB'000	Impairment RMB'000
Defaulted receivables	100.00%	170,907	170,907
Less than 1 year	1.27%	1,526,222	19,401
1 to 2 years	53.30%	67,628	36,045
2 to 3 years	100.00%	9,668	9,668
Over 3 years	100.00%	11,938	11,938
		<u>1,786,363</u>	<u>247,959</u>

As at December 31, 2023

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

8. TRADE PAYABLES

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

	As at June 30, 2024 RMB'000 (unaudited)	As at December 31, 2023 RMB'000 (audited)
Within 90 days	590,787	583,747
91 to 365 days	45,311	28,670
Over 1 year	19,488	10,012
	<u>655,586</u>	<u>622,429</u>

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

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

As of June 30, 2024, the Group had no material acquisition, disposal of subsidiaries, associates and joint ventures or significant investment.

As of June 30, 2024, the Group did not hold any significant investment.

FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

As at the date of this announcement, the Group did not have any other immediate plans for material investment and capital assets.

INTERIM DIVIDEND

The Board did not declare the payment of any interim dividend for the six months ended June 30, 2024.

SUBSEQUENT EVENTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended June 30, 2024, none of the Company or any of its subsidiaries or its consolidated affiliated entities had purchased, sold or redeemed any of the listed securities of the Company.

MODEL CODE FOR SECURITIES TRANSACTION

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

CORPORATE GOVERNANCE CODE

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

During the Reporting Period, the Company has always complied with the code provisions set out in Part 2 of the Corporate Governance Code contained in Appendix C1 to the Listing Rules. The Group will continue to review and monitor its corporate governance practices in order to ensure the compliance with the Corporate Governance Code.

AUDIT COMMITTEE

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

REVIEW OF INTERIM RESULTS

The interim results for the six months ended June 30, 2024 is unaudited and has not been reviewed by the auditor of the Company, but has been reviewed by the Audit Committee.

The Audit Committee has, together with the senior management, reviewed the accounting policies adopted by the Group. They also discussed risk management, internal controls of the Group and financial reporting matters, including having reviewed and agreed to the unaudited interim condensed consolidated financial statements during the Reporting Period.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND 2024 INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.netjoy.com). The interim report for the six months ended June 30, 2024 containing all the information required by the Listing Rules will be dispatched to the Shareholders (if required) and published on the above websites in due course.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to thank the management and employees of the Group for their efforts and dedication during the Reporting Period. I would also like to thank the regulators for their guidance and shareholders and customers for their long-term support.

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

Shanghai, The People’s Republic of China, August 19, 2024

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