Bright Future Technology Holdings Limited
辉煌明天科技控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1351)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

The board of directors (the "**Directors**") (the "**Board**") of Bright Future Technology Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 together with the comparative figures for the year ended 31 December 2020.

In this announcement, "we", "us" and "our" refer to the Company and where the context otherwise requires, the Group.

FINANCIAL PERFORMANCE HIGHLIGHTS

For the year ended 31 December

	2021	2020	**Change**
	RMB'000	*RMB'000*	*%*
Revenue generated from intelligent marketing solutions services			
– Integrated intelligent marketing solutions services[(1)]	**426,515**	302,851	40.8%
– Influential placement services[(2)]	**60,612**	79,912	-24.2%
– Intelligent livestreaming services[(2)]	**769**	–	100.0%
Revenue generated from SaaS subscription solutions services	**132**	–	100.0%
Revenue	**488,028**	382,763	27.5%
Gross revenue	**1,287,755**	1,089,899	18.2%
Gross profit	**97,463**	116,183	-16.1%
(Loss)/Profit for the year[(3)]	**(17,255)**	67,334	-125.6%
Adjusted net profit[(4)]	**51,652**	78,504	-34.2%
Dividend per share *(RMB)*[(5)]	**0.16**	–	100.0%

Notes:

(1) Based on the gross basis of revenue recognition.

(2) Based on the net basis of revenue recognition.

(3) As the Board proposed a final dividend of approximately RMB80,000,000 from the retained earnings, the Group is required to provide deferred income tax liability of approximately RMB21.2 million on the unremitted retained earnings of its subsidiaries established in the PRC using the applicable withholding tax rate in accordance with Hong Kong Accounting Standard 12 Taxation. Accordingly, the deferred income tax expense incurred thereof contributed to the deviation of the (loss)/profit for the year from the expected range as disclosed in the profit warning announcement issued by the Company on 10 March 2022.

(4) Adjusted net profit, a non-HKFRSs measure, is calculated by adding back listing expenses, share-based compensation and income tax expense, which are non-indicative of the Group's operating performance, to the (loss)/profit for the year.

(5) The Board recommended the payment of a final dividend of RMB0.16 (equivalent to HK$0.20) per share for the year ended 31 December 2021 to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

MACROECONOMIC OVERVIEW

China's economic resilience in the pandemic-plagued world was highlighted by its solid growth momentum, with strong export growth against COVID headwinds being carried on into early 2021. Yet slower growth lurked in the final months of the year under review as the new wave of COVID and regulatory pressures mounting on sectors ranging from gaming, technology and education to real estate brought on by the nation's dogged pursuit of the "Common Prosperity" initiative weighed on its economy.

Once the main driver of domestic growth, the Chinese property market was dealt a solid blow by the government's well-intentioned "three red lines" deleveraging policy in 2020, with pace of growth in the sector being inevitably set to weaken by the spillover from the travails of the real estate shakeup.

Turning to another front, China's moves of pushing tighter regulations of its big tech over antitrust and data security concerns, doling out punishments for its once touted homegrown tech heroes whilst extending its regulatory probe to smaller private firms, have not only tightened its grip over the industry's players but also steered them into channeling their innovative efforts in "hard tech" sectors such as high-end manufacturing, AI, Biotech, chips, robotics and climate tech. While such regulatory squeeze did strip its tech titans of hefty sums and operational flexibility and straddled them with soaring costs, it did signify a change in the trajectory of the industry, which has since recalibrated its focus on critical tech infrastructure and the digitalisation of traditional industries. The sweeping regulatory moves are thus merely echoing the Chinese policy makers' wish for a domestic tech empowered economy with reduced reliance on foreign tech, and with investments already pivoting to the industry's new-found favourites, only time will tell if the effects of such transformation attempt will play out.

Also hit hard by the 2021 regulatory overhaul were the private education and gaming sectors, with the former nearly decimated by the "Double Reduction Policy" and the latter's development being crippled by amplified gaming restrictions. Meanwhile, climate push and strict implementation of safety targets by the PRC regulators during the Reporting Period also served as further brakes to the Chinese growth engine, which aggravated by weeks of power rationing and outages as well as surging raw material costs, have inevitably hampered manufacturing activities and stunted industrial output.

Having wreaked an unprecedented toll on the global economy since its outbreak, the COVID pandemic continued its reign in 2021 as the emergence of its highly contagious variants dampened global growth momentum and prospects. Although China did manage to pull off a swift recovery from a calamitous start in 2020 through its zero tolerance approach to COVID-19 (the "**Zero-COVID Policy**"), the restrictive measures that had once managed to wrestle down infections were, however, being severely tested when the more deadly Delta strain reared its head in some of its major cities in mid-2021. The resurgence of COVID cases, exacerbated by the new wave of Omicron infections nearing the end of the Reporting Period, has prompted the Chinese authorities to resort to mass testing, stringent border and movement controls, targeted lockdowns, extensive contact tracing, and robust quarantine mandates to quell nascent sporadic outbreaks. Albeit lauded for its post-COVID recovery which dwarfs most world players, China is, once again, struggling to hold the fort against the latest onslaught of the highly transmissible novel COVID variants. Yet, as China forges on with its hard elimination policy, economic costs are inevitably mounting: with the nation's production, supply chains and exports being weighed down by unpredictable disruptions and thwarted deliveries, whilst flagging consumption and confidence from upended routines and shuttered services have hammered other sectors of the Chinese economy, especially that of catering, hospitality and tourism. As COVID-19 continues its global devastation with its variants careening about, there is still no end in sight to the pandemic and its crippling effect on the global economy. Being at the forefront of the twin COVID threats, China is thus slapped with the uphill task of treading the fine line between the need to stem the spread of the virus and the Zero-COVID Policy's unwelcome drag on economic growth. As the pandemic continues to unfold, evolve and permeate across the nation, the efficacy of the Chinese mitigation measures in subduing the COVID surge remains to be seen. Although the Group's operations and business activities are mostly confined to the digital realm and hence has not been directly swept up in the COVID rampage, the Group will continue to cast a fine eye over the ongoing saga and is ready to timely and strategically respond to any shift in the crisis dynamics and its operating environment.

INDUSTRY OVERVIEW

Intelligent marketing solutions market experienced vibrant growth in the earlier months of 2021, with short videos and livestreaming being on the rage. However, pressure has been mounting halfway through 2021 as China's state-wide regulatory crackdown stifled marketing plans and budgets, ramped up competition and spelled slower growth for the industry. Yet, the industry is expected to usher in an upward trend and continue its strong performance as the restructuring and upgrading efforts to follow will accelerate the weeding out of uncompetitive players and opportunities for expansion will widen. According to the 2021 China Internet Advertising Data Report (《2021中國互聯網廣告資料報告》)*, China's internet industry has achieved advertising revenue of RMB543.5 billion in 2021, recording a year-on-year increase of 9.32%. E-commerce platforms continued its domination, accounting for more than one-third of the total market revenue, whilst advertising revenue generated by video platforms, being home to the highly lucrative e-commerce livestreaming, has shot up by 30.28%.

Amidst the regulatory storm that swept abruptly and brutally across the targeted industries, the Group and its operations were largely left unscathed as those from the private education and gaming sectors only account for less than one percent of its customers, whilst the battered property developers are not even among the mix. However, with the regulatory upheaval having waylaid such traditionally big ad spenders, lowered growth expectations and cuts in their ad budgets have trickled down and ricocheted throughout the advertising industry, resulting in intensified competition in an arena rife with players of all sizes, which have, to some extent, exerted pressure on the Group's customer acquisition and retention. Yet, such concerns were in part allayed by the Group's innovative and holistic service capabilities as well as its responsive, tailored approach to customer care and support, which lends it an edge over its peers in reining in and retaining a firm grip on its customers, especially its major clientele.

Against the backdrop of heightened uncertainty and competitive market pressures, the Group is set to further its venture into expanding its media network and diversifying its channel coverage. From signing on with HUAWEI Ads as one of its service providers through to landing the coveted spot as Baidu's core service provider for the year of 2022, the Group has, during the year under review, taken strides in the delivery of more innovative, diverse, adaptive and holistic digital marketing solutions, and will press on its efforts in honing its service capabilities. Aside from solidifying its customer base, the Groups is proactively seeking out new customers. Giving full play to its technological prowess in the field of short-video marketing, drawing on its years of experience in managing digital marketing projects, and riding the current policy wave in support of a digital makeover of the traditional industries, the Group is engaged in active bidding to procure new projects from those sectors.

* The China Internet Advertising Data Report has been released for six consecutive years by Interactive Marketing Lab in Zhongguancun in conjunction with other organisations.

MARKET OVERVIEW

To keep pace with the pandemic accelerated digital transformation, businesses across industries are increasingly gravitating towards tech trends such as big data analytics, cloud technology, AI, and automation to drive user acquisition and enhance consumer stickiness. Short videos continue to reign supreme in the digital marketing arena as the typically seconds-to minutes-long clips, in their brevity, capture eloquently the essence of brands and deliver their messages in a digestible, relatable and aesthetic manner that entice, captivate and engage even viewers with shorter attention span or time. As of June 2021, the number of video clip users (with video clips being defined as videos that usually last for no more than 5 minutes) in China amounted to 888 million, up by 14.4 million from December 2020, accounting for 87.8% of all Chinese internet users, according to CNNIC[**], a national IT think tank. Qianzhan Economist (前瞻經濟學人)[***] also predicts that with the development potential of short videos being further tapped since the pandemic outbreak, the market size of the short-video industry in China would carry on with its compound annual growth rate of approximately 44% till 2022, whilst a slower rate of 16% is anticipated from 2023 to 2025, with the market size of the short-video industry expected to reach RMB700 billion in 2026. The intriguing, detailed and immersive viewing experience delivered by online short videos has also sped up the proliferation of short-video marketing, with its slice within the market of digital marketing being projected to further widen from 24.1% in 2020 to 42.5% in 2025, as supported by iResearch data. The gradual commercial deployment of 5G technology and its expansive applications across diverse sectors and industry verticals throughout global markets also spurred on the digital revolution, with accelerated data transmission and enhanced user experiences facilitated through effective integration of livestreaming, interactive e-commerce and social media content, with iResearch forecasting that e-commerce sales achieved through livestreaming would reach 24.3% of China's total online retail sales by 2023.

E-commerce livestreaming took off in China after the onset of COVID and is gaining prominence globally due to its effective sales conversion ability. However, the nation's surging sales channel that comes to rely heavily on internet personalities was shaken by the fines for tax evasions being slapped on prominent influencers who shot to fame with the rise of short-video platforms. Yet, such scrutiny has not swayed the Group from its pursuit of extended livestreaming features in its marketing solutions package as no reliance is placed on top anchors to harness their star power to peddle sales. Instead, the Group mainly utilises its own proprietary full service intelligent marketing management platform (鄰度全鏈路智能營銷管理平台), the LinkDoAI, which is armed with intelligent marketing capabilities and data analysis competencies, to conduct systemic analysis of user preferences so as to effectively draw in traffic for livestreaming sessions through improved exposure and optimal user matching algorithms, and thereby improving the gross merchandise volume for its e-commerce clients.

** The 48th Statistical Report on Chinese Internet Development published by the China Internet Network Information Centre (CNNIC) (中國互聯網網路資訊中心).

*** Forward Industry Research Institute collated Qianzhan Economist APP

Allowing its users to spread out costs over time, Software as a Service (SaaS) is increasingly deployed in a wide array of core business areas, with some of the Chinese market's big names taking the lead in embracing the cloud-based product to complement and upgrade their services. As the industry is embarking on a path of enhanced digitalisation and service automation, the Group's emphasis will be laid on reeling in new customers for its SaaS product as well as broadening the clientele for its e-commerce livestreaming business, with extended coverage to include bags and apparel, electronical appliances, and food and beverages etc. The latter half of 2021 saw the release of the first phase of the Group's cloud-based enterprise-level SaaS solutions, with certain planned features set to be implemented in future releases. The robustness and utility of the SaaS subscription model, by allowing access to the Group's comprehensive range of customisable solutions and cutting-edge innovative tools on a light budget, defines the Group's response to the market's surging demand for cost-effective and quality intelligent marketing solutions. Designed with simplicity and functionality at heart, the user-friendly interface of the SaaS subscription model is characterised by its clarity and ease of operations with configurable settings and parameters. With embedded linkage, the integrative SaaS model allows for intelligent real-time bidding of ad inventories on major media platforms, with the convenience of a built-in "one-click" option. Albeit still in the early days of release, the Group's SaaS product, curated with high performance, functionality, reliability and future trends in mind, has managed to garner much attention and interest, and earned it industry acclaim, as winner of "Best SaaS Company Award" (「最佳SaaS公司獎」) at the "2022 Global Investment Trends and the 6th Golden Hong Kong Stock Award Ceremony" (2022全球投資趨勢暨第六屆金港股頒獎典禮). With the doling out of free, time-limited trials for the Group's existing and potential customers to get a taste of the full-functional SaaS solutions before committing to subscribe, the Group's recent venture is yet to realise much in terms of revenue. However, with the free experience's enticing offering of the unique opportunity to tap into what the Group's cutting-edge technology can bring to marketing campaigns, it is believed that as the free trials come to an end, more would be nudged towards the paid experience.

With Chinese e-commerce giants leading the foray, businesses of all sizes are plunging in to scoop up a slice of the sinking market (a colloquial term for markets other than the first and second-tier cities in China). Fuelled by a rise in disposable income, uptick in mobile usage and growth in internet penetration in the nation's once neglected market, competition for users as well as their engagement and wallets are intense. Eyeing the success of Kuaishou and Pinduoduo, increasingly more brands are funnelling resources into developing marketing and content strategies catered to the palette of the less affluent crowd. Yet appealing to an audience with tighter purse strings and a notable preference for engaging content spells challenges for branded players, thus sparking the need for them to recalibrate their existing marketing efforts and engagement strategies to attain customer acquisition and retention goals. In order to preempt potential stumbling blocks for new market entrants and attain growth for existing players, the Group is set to blend in innovative technologies, effective strategies and tailored approaches to optimise marketing solutions for its diverse clientele.

Armed with the requisite experience and expertise to implement adaptive strategies and provide timely, effective and reliable solutions to its customers, the Group is well-equipped to ride the tide of opportunities and iron out the hurdles noted above. To stay ahead of the game and attuned to the evolving advertising landscape, the Group is constantly evaluating, innovating, optimising and complementing the mix of its holistic solutions so as to keep up with the latest market trends and navigate the tricky waters of consumer sentiment to formulate effective brand strategies for its customers.

BUSINESS REVIEW

The Group has, since its inception, devoted much effort in providing high impact, holistic marketing services that optimally serve its customers' needs, from strategic marketing planning, advertisement production and placement to post-publication monitoring. With the staggering growth of the Chinese economy in the early months of 2021 being taken down a notch by COVID concerns and regulatory pressures as the nation eased into the last two quarters of the year, businesses with trimmed budgets and lighter wallets are yearning for more effective and refined precision marketing solutions. As competition intensified in the marketing landscape, the pendulum is tilting towards the proliferation of intelligent marketing, with growing reliance on data analysis to quantify marketing goals, strategies and performance rather than as mere statistical references to aid decision making. In line with the latest trends and the Group's commitment to support its customers in their successful implementation of marketing strategies that effectively engage and reach out to their target audience, the Group strives to provide its customers with data-driven insights and assist them in the development of precise audience targeting strategies that ensure strong campaign performance.

Notwithstanding the throes of the coronavirus outbreak, the looming threat of the Chinese regulatory hammer and the downward pressures on the growth trajectory of the Chinese economy, the Group has delivered resilient performance, recording an increase in revenue to approximately RMB488.0 million for the year ended 31 December 2021, representing an increase of approximately RMB105.3 million or approximately 27.5% when compared with the same period in 2020. In tandem with such increase, a gross basis revenue of approximately RMB1,069.0 million is being generated from repeat customers during the year under review, representing an increase of approximately RMB164.9 million or 18.2% from approximately RMB904.1 million for the year ended 31 December 2020 (based on the gross basis of revenue received). Equally on the rise were the Group's impressions of advertisements, i.e. the total number of views generated from its advertisements, which leaped from approximately 79.41 billion for the year ended 31 December 2020 to approximately 97.82 billion during the Reporting Period. The Group's profit was held back in 2021 by share-based compensation of approximately RMB39.1 million and costs incurred for (a) improvements to the Group's cloud repository AI management system (雲素材庫AI管理系統), (b) quality enhancements to the Group's short-video content in response to the growing demand for quality short videos, and (c) the continued and steady expansion of staff, resulting in increase in salaries, wages and bonuses (as disclosed in the profit warning announcement issued by the Company dated 10 March 2022). Yet a loss of approximately RMB17.3 million was eventually recorded (as compared to a profit of approximately RMB67.3 million in 2020) due to deferred income tax expense of approximately RMB21.2 million arising from the unremitted retained earnings of the Group's subsidiaries in the PRC (and thus the deviation of the (loss)/profit for the year from the expected range as disclosed in the profit warning announcement issued by the Company on 10 March 2022).

Led by a core management team with strong background in technological research and development from working for China's most prominent tech giants, the Group has charted much progress in the development of and eventual implementation of holistic programmatic short-video placement. In line with the Group's aim to redefine marketing with innovative technology, the Group not only sets itself apart from traditional marketing solutions providers, but is also among the only few within the industry having its own proprietary full-service integrated system, which is empowered by its big data and information technology capabilities, backed by its self-developed Data Management Platform ("**DMP**"), complemented by its built-in enterprise resource planning ("**ERP**") and customer relationship management ("**CRM**") functions, and completed by its cloud-based repository system for stock videos and images.

Tailored to address the particular needs of its customers, the Group has spearheaded the "AIPL integrative model" (AIPL全鏈路模塊), with AIPL being the acronym for "Awareness (認知), Interest (興趣), Purchase (購買) and Loyalty (忠誠)", the key tenets forming the Group's strategic agenda and business model, which also embodies the Group's commitment towards service quality and customer satisfaction. Meanwhile, the Group's focus, ever since its incorporation, has always been on providing its customers with marketing solutions backed by advanced digital analytics. With the Group's operations edging closer towards full automation and the proliferation of AI driven processes within its front and back-end systems, the services so rendered is now accorded the apt label of "intelligent marketing solutions" (智慧營銷解決方案), which comprises of 4 key components, namely, "influential placement" (影響力投放), "precision marketing" (精準廣告), "intelligent content" (智慧內容) and "intelligent livestreaming" (智慧直播), with each corresponding to one of the AIPL tenets.

Awareness (認知)

Awareness can be fostered through influential placement (影響力投放). The key is to reap the benefits from ad placement on top media (頭部媒體) by tapping into their wide audience scope and/or readership, capitalising on the efficacy of their systems as well as amplifying the campaign impact through their high exposure and reach. Through its intelligent project management system (智能項目管理系統), the Group is able to comprehensively analyse and evaluate all relevant data which allows for real-time adjustment of its placement strategies, which would effectively reduce the costs for ad placement with top media, thereby achieving maximum exposure, thus awareness, at minimal costs. As top media resources are often exclusive to or can only be obtained at lower price by their core advertising agents and close business partners, the Group thus strives to attain and maintain such esteemed status and tight relationship with the industry's prominent players.

Moving forward, the Group would, in the continual race to hook in clients, further enrich its channel resources by deepening its collaborative ties with the mainstream media, as well as utilising the influence of the sinking market's top runners, such as Kuaishou Ad, to enhance the effectiveness and exposure of its clients' campaigns.

In terms of building up its list of top media resources, the Group has had its share of breakthroughs during the Reporting Period, having bagged the "Service Distributor Authorisation Certificate" (服務型分銷商授權證書) awarded by Baidu as well as being named the "Comprehensive Media Resource Partner" (全方位媒體資源合作夥伴) of CooTek (觸寶). Whilst donning the role of core service provider for Tencent's app store (應用寶), and being a service provider of HUAWEI (華為) Ads, the Group has cemented its collaboration with Baidu, with its status being elevated from that of its service distributor to its "core distributor" (核心分銷商) for the year 2022.

Interest (興趣)

With diversification of target consumer demographics being enhanced by the pandemic-fuelled digital transformation, precision marketing goals are achieved through the Group's precise audience segmentation of long to medium tailed media, as guided by their target-specific audience reach, and realised through the Group's intelligent project management system (智能項目管理系統), so as to induce interest in the targeted audience towards the Group's customers' products. Through technical capabilities such as the presentation of smarter and more effective pre-placement strategical analysis (更智能有效的投前策略分析), the attainment of intelligent batch upload of advertisements (智能批量廣告上線), the implementation of AI data monitoring (AI數據監察) and the realisation of intelligent report output (智能報表輸出), the utilisation of the intelligent project management system (智能項目管理系統) enables discovery of the "more interested crowd" (更感興趣的人群), information of which can be employed by the Group to achieve "smarter traffic usage" (更聰明的流量運用) and yield the intended precision marketing effects.

In a similar vein, the intelligent content (智慧內容) limb is marked by the Group's efforts in short-video content development with an acute focus on producing "more interesting" content (更讓人感興趣的內容), which is more effective in procuring actual purchases. Backed by an experienced content creation team and further empowered by its data-driven cloud repository AI management system (雲素材庫AI管理系統), the Group is able to perform detailed and accurate analysis of its accumulated materials and market trends so as to timely and cost-effectively roll out products that are more appealing and marketable. Optimisation of the short-video curation process in terms of "content effectiveness" (內容效力) is attained through enhanced trending predictions generated through data feedback of the influential placement (影響力投放) and precision advertising data ports. As part of its content strategy, the Group also relies on staffing increase and the broadening of its actor pool, as well as optimisation of training to ramp up its in-house productivity of short-video content generation. As demand for quality short-video advertising content is likely to continue to outpace demand for years to come, the Group is channeling its efforts to further develop the "incubation" limb of its short-video incubation matching platform (短視頻孵化撮合平台) through partnering with Wuhan's universities and colleges to educate and train content creators on delivery of engaging content. Going forward, it is expected that with further upgrades and improvements on the way, the cloud repository AI management system (雲素材庫AI管理系統) play a strengthened role in speeding up the Group's short-video production capacity.

While the niche AR/VR technology promises a higher degree of personal control by consumers over the advertising content and shareable user experiences which come off as less intrusive and more engrossing, the widespread use of which in the Chinese marketing realm has not quite taken off. However, noting the enhanced brand communication and perception that can be achieved by the more immersive, engaging and transformative AR/VR experiences, we are stepping up our research and development efforts to expand our "content" capabilities by exploring the possibility of infusing AR and VR elements to enrich our self-curated content.

Purchase (購買)

Intelligent livestreaming (智能直播) forms a crucial part of the "purchase" tenet as the Group plays to its strength in data analytics as driven by its solid marketing technology algorithms (營銷科技算法) by providing its clients with a wide spectrum of services, such as audience-oriented market analysis (受眾市場分析), selling-point creation (賣點打造), livestreaming planning (直播策劃), KOL nurturing (網紅培育) and platform operation (平台運營) that aims at triggering the purchasing process and achieve direct sales conversion. Riding on the boom of China's vibrant e-commerce livestreaming (直播帶貨), the Group leans on its technological and analytical expertise and competencies in consumer preference and perception matching to send "the more interested crowd" flocking to its customers' livestreaming rooms and spur on consumption.

Loyalty (忠誠)

The Group's intention to debut in stages its SaaS subscription solutions (SaaS訂閱解決方案), an enterprise-level SaaS product, is congruent with the Group's current business direction, i.e. to bring a customised and user-centric focus to the realm of enterprise digital operations solutions in order to foster loyalty in its customers.

With such in mind, the Group has formulated its own subscription solutions model (SaaS訂閱解決方案模型) and has mapped out the implementation framework, starting with the rolling out of the "marketing cloud" (營銷雲) which features a host of functions and tools to improve the efficiency of customer flow such as intelligent ad placement (智能投放), intelligent reporting (智能報表), and intelligent monitoring (智能監測) to enhance traffic generation efficiency for the Group's clients (提高客戶的引流效率). The next to make its way into the SaaS solutions would be the "commercial cloud" (商業雲), which covers AI-powered niche options such as short-video incubation matching platform (短視頻孵化撮合平台) to promote real-time interactive engagement between the Group's clients and their own customers and to support optimal matching of video content with the Group's clients' specifications. "Service cloud" (服務雲), the final piece to complete the package involves the innovative marriage of systems such as the enterprise resource management system and customer resource management system to provide the Group's clients with precise customer insights with an emphasis on efficient operation and refined management of private domain traffic (私域流量運營) for enhanced customer retention.

The Group's SaaS product is backed by a three-pronged system, namely a data system, content system and ad placement system, which are intertwined but yet can be operated independently. The data system allows its user to access data from major media platforms, such as user portrait labels which facilitates analysis of placement effects, with the generation of post-placement data reports to monitor real-time ad performance and outcome. On the other hand, its content system boasts of a collection of content production tools, including posters, short videos, etc., and completed with an embedded short-video trading platform (being linked to the trading interface of the Group's short-video incubation and matching platform). With linkage and access to major media platforms' available ad inventories being integrated seamlessly within its interface, the product's unique ad placement system allows for the coordinated planning, management and execution of real-time bidding of ad inventories on multiple platforms, with the ease of the "one-click" option and without the need for redirection. Aside from its core functions, the SaaS is also armed with an information system which assists its users in formulating their ad placement strategies by furnishing them with information on updated trends in the market.

The SaaS subscription model, with its fully-functional first phase being released in the latter half of the year under review, provides improved access and offers enhanced affordability of the Group's robust quality solutions and cutting-edge innovative tools that can effectively drive customer loyalty and retention. Being the core of the "loyalty" pillar in the AIPL integrative business coverage model, it is believed that the launch of the SaaS subscription solutions can effectively transform the Group's technical advantages into customer stickiness, cash flow benefits and business model advantage, and advance the Group towards its eventual transition into an expert in enterprise digital operations solutions (企業數字化運營解決方案專家).

The Group expects that with its SaaS product being capable of encapsulating the full range of updated tools and technologies readily customisable and accessible directly by its subscribers, the Group would be able to bypass the need to devote extensive manpower to serve individual clients. The lower costs of subscription-based products would also align well with sinking market needs and thus help solidify the Group's presence in the low-tiered cities. Utilisation of the SaaS would further contribute to the enrichment of the Group's data sources and its technological infrastructure would also prove instrumental to the Group's future optimisation and upgrading efforts.

Competitive strengths and strategies

The following measures taken, strategies formulated and plans to be implemented by the Group during the Reporting Period and beyond thus not only serve to highlight the Group's distinctive technological advancements and accomplishments in its operations and management but also encapsulate the key areas that will underpin the Group's strategic thrust and define the course of the Group's operations going forward:

Strategically enhance the Group's service capabilities towards attaining full solution delivery

One of the Group's major breakthroughs that edges it ever so closer towards full solution delivery is the launching of its own proprietary full service intelligent marketing management platform (鄰度全鏈路智能營銷管理平台), LinkDoAI, which is developed through the revamping, enhancement and extension of the Group's existing systems and technological infrastructures. To ensure the seamless integration and synergy across its wide range of technical, cloud-based and back-end support systems, during the Reporting Period, the Group reclassified its existing systems and tools under three main heads, namely the "AI algorithm platform" (AI算法平台), the cloud repository AI management system (雲素材庫AI管理系統) and the "intelligent project management system" (智能項目管理系統), which together constitute the LinkDoAI.

By pairing its big data mining and digital analytics capabilities with predictive modelling, which coupled with the deployment of highly adaptable solutions made possible by its utilisation of automated publishing tools and its access to vast and ever-expanding cloud-based databases of stock images and videos, the seamless and expeditious execution of the Group's extensive and comprehensive range of integrated systems facilitates the streamlining of business flow, the optimisation of back office management as well as elevating its service quality and customer experience. The LinkDoAI thus provides a practical framework upon which the Group can expand its service offerings and create products capable of generating additional values for its customers and thereby maintaining customer loyalty. The integrative model would also promote continuous improvement in the Group's operating processes and efficacy. The Group is set to hone its precision marketing capabilities through further upgrades and improvements to the LinkDoAI system so as to optimise the profitability of its operations.

The Group's proprietary LinkDoAI rests on the below pillars, being the three main blocks that constitute the entirety of the Group's operation system:

AI algorithm platform (AI算法平台)

With higher-precision AI deep learning recommendation algorithm forming its core, the AI algorithm platform is founded on desensitised data, which lends support to the other two blocks through accurate data analysis.

Cloud repository AI management system (雲素材庫AI管理系統)

Cloud repository AI management is achieved through the modular management (模塊化管理) of the Group's massive trough of videos accumulated over years, intelligent analysis of ad placement data (投放數據的智能分析) , and through the intelligent merging of clips and other editing functions to achieve creativity duplication (創意複製) such that the Group's short-video output operations can edge closer towards full automation. With the consistent expansion of stock material sources accumulated by the Group's Wuhan short-video base (武漢短視頻基地), which is further armed with the continuous optimisation and upgrading of AI technology, the Group is confident that further improvements in efficiency can be achieved in the future. By the end of 2021, the Group's video repository boasts of around 200,000 stock videos (up from 2020's estimated 70,000) as well as a monthly video production capacity of around 14,000 clips (as compared to 2020's figure of around 6,000 clips per month).

Intelligent project management system (智能項目管理系統)

Comprising of the front-end "Bright Future AI smart placement system" (輝煌AI智投系統) and the back-end ERP and CRM systems, the intelligent project management system enables the attainment of effective connection between the Group's internal platform and that of the publication medias and/or platform. The improved accuracy in the data so collected and the efficiency of resource sharing (資源共享效率) can in turn be translated into efficiency upgrades throughout the whole ad placement process, covering even the preparatory stages and post-placement monitoring, thereby effectively trimming the Group's clients' decision-making costs and customer acquisition costs.

Optimally expanding and tailoring supply to capture demand and executing improvements in the business chain through an open platform that supports short-video matching with embedded incubation elements

Short videos have, in recent years, become advertising and platform staples. To effectively capture the opportunities presented by the rapid rise and reign of short-video platforms such as Douyin and Kuaishou and capitalise upon them, the Group is among the first to enter the game, offering its clients one-stop short-video advertising services featuring core functions such as content production (i.e. idea creation, scripted filming, post-production), precision marketing (i.e. performance-based marketing strategy planning, stock footage creation, advertisement optimisation, data analytics, media monitoring), and e-commerce marketing (i.e. driving shop traffic, livestreaming operation, Douyin operation) starting from as early as April 2018.

Yet notwithstanding the soaring popularity of short videos and their application potential in modern digital marketing strategies, the increasing demand for quality short-video solutions is still unsatiated as supply remains constrained, a phenomenon exacerbated by the paucity of quality short-video content providers in the market. On the other hand, the supply of quality short videos in the sinking market, with consumption potential yet to be fully unleashed, still falls markedly short as the prevailing market price is deemed too high by smaller businesses with tighter purse strings. Having its sights fixed firmly on tapping into the market demand for quality short-video solutions and breaking into the sinking market where Kuaishou, its business partner, reigns supreme, the Group recognises the need to vastly expand its supply beyond its current level. The Group's short-video incubation matching platform (短視頻孵化撮合平台) thus comes as a timely response to the critical need to meet the overflowing demand for quality videos. Albeit yet to reach its full deployment, the open integrative platform, once taken off, would spell an end to the Group's singular reliance on self-curated content, as other video content creators can be roped in to ramp up production capacity and provide more cost-effective options for price-sensitive clients. While the platform's matching mechanism, empowered by precise data analytics, enables optimal pairing of content produced by external short-video creators with clients' specifications, the "incubation" element, an unprecedented take on similar platforms, is what sets it apart from that of the Group's industry peers. Designed to lift the bar on the overall quality of short videos so traded on the platform, the "Incubation" component is realised by the Group's efforts in nurturing young talent through university and school training programs (which has already been accomplished in Wuhan) or honing the skills of existing creators from small and medium-sized video suppliers through training courses. The pilot scheme has been rolled out in Wuhan as the next phase of the "incubation" limb with selective university and college students receiving training from the Group's in-house expert team on short-video production, with the content so curated being utilised as back-end support of the platform's matching function. During the Reporting Period, part of the functions of the short-video incubation matching platform (mainly access to stock videos) have already been embedded in the SaaS product, the "LinkDoAI Cloud" (鄰度AI雲). Further updates are on the way, which would include the launching of the short video trading (短視頻交易) function on the "LinkDoAI Cloud" as well as the rolling out of a web version.

Meanwhile, the Group, has also levelled up its production scale reaching a monthly short-video production capacity of around 14,000 clips through its Wuhan short-video base, which commenced its operations in April 2021, and supported by an expert in-house content production crew comprising of scriptwriters, directors, editors and post-production crew etc.

Further penetration of highly engaged and robust user community

With short-video sharing and livestreaming counting among its primary services, Kuaishou, being home to many interest groups, positions itself as a "leading content community and social platform" (according to its prospectus). Thus eyeing the opportunity arising from Kuaishou's hotly anticipated debut in the Hong Kong stock market, the Group cemented the cooperation as part of its plan to further solidify its presence in the sinking market where Kuaishou thrives over its competitors.

As Kuaishou's online traffic allocation mechanism favours original content from creators who devote more effort in accumulating their follower base or those who managed to build loyal following via personal engagement experiences and authentic content, advertisers can leverage on the influence such creators have on their interest-specific followers to effectively launch targeted campaigns. To keep up with the rising demand for custom, compelling and engaging advertising content, especially in the form of short videos that appeal to and align with the interest of Kuaishou's user base, the Group has and will remain steadfast in delivering comprehensive marketing solutions from concept to completion by furthering its advancements in data analytics and other proprietary technology as well as expanding its in-house video production capabilities.

During the Reporting Period, the Group strives to further its penetration into the sinking market by kicking off plans to develop more cost-effective solutions (such as the Group's short-video incubation matching platform (短視頻孵化撮合平台) and by debuting its SaaS subscription solutions (SaaS訂閱解決方案)) that better cater to the lower-end market's more cost-conscious clientele.

Continued commitment to technological innovations to bolster business agility with data-driven insights

Back in 2020, the Group constructed its own cloud-based repository system for all stock videos and images created since its incorporation to cope with the surging demand for quality short-video content. Through the process of modulisation (模塊化), (i.e. the breaking down of video footage into small segments and distinct parts which are then labelled according to their subject matters, creative value, previous usages and conversion rates) the stock videos can be readily assessed and utilised for different advertising projects, thus bringing the Group's short-video output operations closer to full automation.

During the Reporting Period, the modular management (模塊化管理) of videos uploaded to the cloud-based repository system is being systematically implemented and executed by the LinkDoAI's cloud repository AI management system. Armed with programmatic data analytics functions, the system is instrumental to the Group's short-video advertising operations as it provides valuable insights to the creative process of short-video editing. The system, now being fully optimised and utilised, thus brings agility to the short-video content creation process as it allows for the effective and efficient management, analysis and repurposing of creative content.

Another major advancement in modulisation (模塊化) achieved during the Reporting Period is the introduction of the "multi-labelling" function which enables application of multiple diverse tags and labels to a single stock material (對單一素材進行多樣化標簽) such that it can be deployed in different campaigns and utilised for a wide array of purposes. The profound integration of such function into the cloud repository AI management system allows for more in-depth analysis of the ad placement results which can provide unique insights on the editing and merging of clips and enable the making of "trending forecasts" (爆款預測). Among the latest addition in terms of features, the rolling out of the innovative "Media Style Suggestion" (媒體風格建議) function provides suggested matching of stock content with different media platforms through advanced labelling analysis (such as content labelled "dance" (跳舞) is a better match with Douyin, whilst "red packets giveaway" (撒紅包) appeals more to Kuaishou's audience.

Going forward, the Group would continue its ongoing efforts to expand its short-video production team and promote further automation through fortifications and upgrading of its cloud repository system to achieve higher efficiency and productivity.

Utilise influencer marketing to amplify campaign visibility

KOL or influencer marketing is on the rage and amongst the rapidly expanding trends that have taken hold in the Chinese marketing industry in recent years. The term KOL is used broadly to describe individuals who are able to exert influence on content consumers through the active sharing of self-curated content across various social media channels. Modern day shoppers are generally more receptive to influencer marketing as they consider the marketing content created by influencers more reliable and palatable than traditional advertisements. Influencer marketing has emerged as a pivotal marketing strategy in China, with KOL endorsements, generally in the form of product reviews and brand recommendations, fueling a spike in online sales notwithstanding the challenging COVID market conditions.

Owing to the nature of influencer content consumption whereby consumers sieve through content based on their personal preferences and needs, KOL marketing is able to engage and reach out to a more focused audience group, thereby rendering it an effective tool for targeted promotional or marketing campaigns.

In order to tap into the trend that has taken the Chinese marketing industry by storm, the Group entered the game in 2020 in furtherance of the Group's aim to develop advertisements in video format, by building and nurturing relationships with selected influencers, usually by partnering with MCNs which provided KOL with integrated professional support in content curation and production, as well as unique access to advertisers, brands and media platform resources. The timing cannot be more opportune for such integration of the influencer marketing model into the Group's existing robust promotional infrastructure as it enabled the Group to capitalise and leverage on the shift in the Chinese consumer market from the physical realm to digital to further extend its marketing capabilities and better assist its customers in the creation of effective campaigns.

Whilst the Group is taking strides in the launching of its own SaaS product and its pioneering short-video trading platform, the Group has not lost sight of its operation goals in the influencer marketing realm, which would continue to have its place amongst the Group's key strategic priorities.

Real-time sales generation and optimisation through e-commerce livestreaming

Influencer marketing's rise to prominence was largely spawned by the COVID pandemic, which transformed the marketing landscape, and set the stage for further advances, the latest of which being livestreaming with e-commerce integration. E-commerce livestreaming, especially those hosted by influencers with the requisite knowledge or expertise, are widely recognised in the Chinese marketing industry for its exceptionally strong direct sales conversion capabilities, and are therefore increasingly utilised by brands for product launches, sales and live shopping events, or for the hosting of trade shows.

Akin to the rise of video marketing, the popularity of livestreaming was fueled by improvements in connection speed and video quality, and sparked by Chinese consumers' growing expectation for participatory content. Unlike pre-recorded videos, the unscripted spontaneity of livestreaming adds to the believability of the content so streamed and helps create a sense of urgency that spurs consumers' purchasing decisions in fear of "missing out".

If well executed, livestreaming, with its power to reach and engage audience beyond the physical confines of traditional venues, can help build buzz, anticipation and drum up attention for businesses and their products. To help its customers find their footing in this new area and assist them in achieving optimal integration of e-commerce livestreaming into their overall marketing schemes, the Group draws on its technological prowess and content curation capabilities to gauge audience sentiment in order to project its customers' desired voices and images in an engaging manner so as to enhance brand perception and purchase intent. When it comes to the selection of anchor for livestreaming services, the Group leans on proprietary data analytic tools and expertise to glean insights into the audience demographics to ensure that they align well with the customers' messages, values and target markets such that streaming traffic can be readily translated into conversion rates.

Being acutely aware of livestreaming's remarkable sales conversion capabilities and its ability to fuel and tap into the vast consumption potential in the sinking market, intelligent livestreaming would also be added to the Group's released SaaS product at a later phase.

FINANCIAL REVIEW

The following table sets forth the comparative statement of comprehensive income for the year ended 31 December 2021 and the year ended 31 December 2020.

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Revenue	**488,028**	382,763
Cost of services	**(390,565)**	(266,580)
Gross profit	**97,463**	116,183
Selling and distribution expenses	**(2,334)**	(2,667)
General and administrative expenses	**(93,456)**	(51,203)
Net impairment losses on financial assets	**(874)**	(657)
Other gains, net	**17,002**	10,261
Operating profit	**17,801**	71,917
Finance income	**273**	130
Finance costs	**(5,548)**	(932)
Finance costs – net	**(5,275)**	(802)
Profit before income tax	**12,526**	71,115
Income tax expense	**(29,781)**	(3,781)
(Loss)/profit for the year	**(17,255)**	67,334

Revenue

During the year ended 31 December 2021, the Group recorded revenue of approximately RMB488,028,000, representing an approximate increase of 27.5% as compared to approximately RMB382,763,000 recorded for the year ended 31 December 2020. Such increase was primarily attributable to the steady growth of the Group's business during the Reporting Period.

A breakdown of the Group's revenue for the periods indicated are set forth in the table below:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Intelligent marketing solutions services		
– Integrated intelligent marketing solutions services – gross method	**426,515**	302,851
– Influential placement services – net method	**60,612**	79,912
– Intelligent livestreaming services – net method	**769**	–
SaaS subscription solutions services	**132**	–
Total	**488,028**	382,763

Cost of services

The Group's cost of services mainly comprises of advertising traffic costs, expenses on technological and quality improvements to its short videos and employee benefit expenses. During the year ended 31 December 2021, the Group recorded cost of services of approximately RMB390,565,000, representing an increase of approximately 46.5% as compared to approximately RMB266,580,000 recorded for the year ended 31 December 2020. Such increase was primarily attributable to costs incurred for (i) improvements to the Group's cloud repository AI management system (雲素材庫AI管理系統), (ii) quality enhancements to its short video content in response to the growing demand for quality short videos, and (iii) the continuous and steady expansion of staff, resulting in increase in salaries, wages and bonuses.

Gross profit

During the year ended 31 December 2021, the Group recorded gross profit of approximately RMB97,463,000, representing a decrease of approximately 16.1% as compared to approximately RMB116,183,000 recorded for the year ended 31 December 2020. The decrease in gross profit was primarily attributable to costs incurred for (i) improvements to the Group's cloud repository AI management system (雲素材庫AI管理系統), (ii) quality enhancements to its short video content in response to the growing demand for quality short videos, and (iii) the continuous and steady expansion of staff, resulting in increase in salaries, wages and bonuses.

Expenses

Selling and distribution expenses

The Group's selling and distribution expenses mainly comprise of (i) employee benefit expenses; (ii) entertainment expenses; (iii) office expenses; and (iv) travelling expenses. During the year ended 31 December 2021, the Group recorded selling and distribution expenses of approximately RMB2,334,000, representing a decrease of approximately 12.5% as compared to approximately RMB2,667,000 recorded for the year ended 31 December 2020. Such decrease was primarily attributable to the Group's improved cost control and execution capabilities.

General and administrative expenses

The Group's general and administrative expenses mainly comprise of employee benefit expenses, legal and professional fees, consultancy fee, short-term lease expenses, server charges and IT fees and auditor's remuneration. During the year ended 31 December 2021, the Group recorded general and administrative expenses of approximately RMB93,456,000, representing an increase of approximately 82.5% as compared to approximately RMB51,203,000 recorded for the year ended 31 December 2020. Such increase was primarily attributable to the addition of share-based compensation of approximately RMB39.1 million.

Net impairment losses on financial assets

The Group's net impairment losses on financial assets represented the expected credit losses from its trade receivables and other receivables. During the year ended 31 December 2021, the Group recorded net impairment losses of approximately RMB874,000.

Other gains – net

The Group's other gains – net comprise primarily of government grant, net gain on disposal of financial assets at fair value, and value added tax refunds. During the year ended 31 December 2021, the Group recorded other gains – net of approximately RMB17,002,000, representing an increase of approximately 65.7% as compared to approximately RMB10,261,000 recorded for the year ended 31 December 2020. Such increase was primarily attributable to the increase in government subsidies and value-added tax refunds during the year ended 31 December 2021.

Finance costs – net

During the year ended 31 December 2021, the Group recorded net finance costs of approximately RMB5,275,000, representing an increase of approximately 557.7% as compared to approximately RMB802,000 recorded for the year ended 31 December 2020 as a result of the increase in interest expenses on borrowings.

Income tax expense

The Group is exempted from Cayman Islands income tax, and no provision for Hong Kong profits tax was made as the Group did not have any assessable income subject to Hong Kong profits tax during the year ended 31 December 2021. The income tax expense was primarily attributable to PRC Enterprise Income Tax. During the year ended 31 December 2021, the Group recorded income tax expense of approximately RMB29,781,000, representing an increase of approximately 687.6% as compared to approximately RMB3,781,000 recorded for the year ended 31 December 2020. Such increase was primarily attributable to the decrease in effects of preferential tax rates applicable to the Group's PRC subsidiaries, the increase in non-deductible expenses and deferred income tax expense recognised on the unremitted retained earnings of the Group's subsidiaries in the PRC.

(Loss)/profit for the year

During the year ended 31 December 2021, the Group recorded loss of approximately RMB17,255,000, representing a decrease of approximately 125.6% as compared to profit of approximately RMB67,334,000 recorded for the year ended 31 December 2020. Such decrease was primarily attributable to (i) the recognition of the share-based compensation of approximately RMB39.1 million, (ii) the deferred income tax expense recognised on the unremitted retained earnings of the Group's subsidiaries in the PRC, and (iii) costs incurred for (a) improvements to the Group's cloud repository AI management system (雲素材庫AI管理系統), (b) quality enhancements to its short video content in response to the growing demand for quality short videos, and (c) the continued and steady expansion of staff, resulting in increase in salaries, wages and bonuses.

As the Board proposed a final dividend of approximately RMB80,000,000 from the retained earnings, the Group is required to provide deferred income tax liability of approximately RMB21.2 million on the unremitted retained earnings of its subsidiaries established in the PRC using the applicable withholding tax rate in accordance with Hong Kong Accounting Standard 12 Taxation. Accordingly, the deferred income tax expense incurred thereof contributed to the deviation of the (loss)/profit for the year from the expected range as disclosed in the profit warning announcement issued by the Company on 10 March 2022.

Non-HKFRS Measure: Adjusted net profit

To supplement its historical financial information which is presented in accordance with HKFRS, the Group also uses adjusted net profit as an additional financial measure, which is unaudited in nature and is not required by, or presented in accordance with, HKFRS. The Group believes that this non-HKFRS measure facilitates comparisons of operating performance from period to period by eliminating potential impacts of items that the management does not consider to be indicative of its operating performance. The Group believes that this measure provides useful information to investors and others in understanding and evaluating its results of operations in the same manner as it helps the Group's management. However, the Group's presentation of adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of this non-HKFRS measure has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, the Group's results of operations or financial condition as reported under HKFRS.

The Group defines adjusted net profit as profit for the year adjusted by adding back listing expenses, share-based compensation and income tax expense incurred during the Reporting Period. The Group eliminates the potential impacts of these items that the management does not consider to be indicative of the Group's operating performance.

The table below reconciles the Group's adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is the net profit for the year:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Reconciliation of net (loss)/profit to adjusted net profit		
Net (loss)/profit for the year	**(17,255)**	67,334
Add:		
Listing expenses	**–**	7,389
Share-based compensation		
– Non-recurring	**38,240**	–
– Recurring	**886**	–
Income tax expense	**29,781**	3,781
Adjusted net profit	**51,652**	78,504

Liquidity and capital structure

As at 31 December 2021, the Group recorded total assets of approximately RMB583,320,000 (31 December 2020: approximately RMB577,755,000), total liabilities of approximately RMB287,725,000 (31 December 2020: approximately RMB283,302,000) and total equity of approximately RMB295,595,000 (31 December 2020: approximately RMB294,453,000). As at 31 December 2021 and 2020, the Group has a net cash position.

The Group mainly utilised internal cash flows from operating activities and borrowings to satisfy its working capital requirements.

Borrowings

As of 31 December 2021, total borrowings amounted to approximately RMB82,102,000 (31 December 2020: approximately RMB82,500,000). The Group's borrowings comprised of bank borrowings and unsecured loans from shareholders and key management personnel. As at 31 December 2021, the Group's bank borrowings bear interest rate of 3.85% to 5.5% (31 December 2020: 3.61%) per annum.

The unsecured loans from shareholders and key management personnel as at 31 December 2020 were interest-free and initially recognised at their principal amounts. No subsequent interest expense accretion was recognised during the year ended 31 December 2021.

Capital expenditures

The Group's capital expenditures during the year ended 31 December 2021 mainly consisted of expenditures on property, plant and equipment. For the year ended 31 December 2021, the Group has recorded approximately RMB2,308,000 capital expenditures, as compared to approximately RMB1,045,000 recorded for the year ended 31 December 2020.

Significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures

No significant investments were held, nor were there any material acquisitions or disposals by the Group or any of its subsidiaries, associates or joint ventures during the year ended 31 December 2021.

Pledge of assets

As of 31 December 2021, none of the Group's asset was subject to any pledge.

Contingent liabilities

As of 31 December 2021, the Group had no material contingent liabilities.

Employees

As of 31 December 2021, the Group had 261 full-time employees, the majority of whom were based in Shenzhen, China. As required under PRC regulations, the Group has participated in various employee social security plans organised by applicable local municipal and provincial governments, including employee training and incentive plans.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	**Year ended 31 December** **2021** *RMB'000*	2020 *RMB'000*
Revenue	3	**488,028**	382,763
Cost of services	4	**(390,565)**	(266,580)
Gross profit		**97,463**	116,183
Selling and distribution expenses	4	**(2,334)**	(2,667)
General and administrative expenses	4	**(93,456)**	(51,203)
Net impairment losses on financial assets	10	**(874)**	(657)
Other gains, net	5	**17,002**	10,261
Operating profit		**17,801**	71,917
Finance income	6	**273**	130
Finance costs	6	**(5,548)**	(932)
Finance costs – net		**(5,275)**	(802)
Profit before income tax		**12,526**	71,115
Income tax expense	7	**(29,781)**	(3,781)
(Loss)/profit for the year		**(17,255)**	67,334
(Loss)/profit attributable to:			
Owners of the Company		**(17,255)**	67,334
Other comprehensive (loss)/income, net of tax			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**1,806**	(139)
Items that may not be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(1,909)**	(818)
Total comprehensive (loss)/income for the year		**(17,358)**	66,377
Total comprehensive (loss)/income attributable to:			
Owners of the Company		**(17,358)**	66,377
(Losses)/earnings per share for (loss)/profit attributable to owners of the Company			
– Basic and diluted (expressed in RMB cents per share)	8	**(3.50)**	17.16

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	Note	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**7,548**	5,031
Intangible assets		**–**	46
Deposits and prepayments	10(b)	**808**	1,901
Deferred income tax assets		**414**	265
Total non-current assets		**8,770**	7,243
Current assets			
Trade receivables	10(a)	**333,691**	335,074
Deposits, prepayments and other receivables	10(b)	**124,480**	138,261
Cash and cash equivalents		**116,379**	97,177
Total current assets		**574,550**	570,512
Total assets		**583,320**	577,755
LIABILITIES			
Non-current liabilities			
Borrowings		**41,000**	–
Lease liabilities		**1,950**	1,114
Deferred income tax liabilities		**21,237**	–
Total non-current liabilities		**64,187**	1,114
Current liabilities			
Trade payables	11	**118,586**	130,472
Other payables and accruals	12	**20,957**	22,856
Borrowings		**41,102**	82,500
Contract liabilities		**23,995**	34,208
Lease liabilities		**2,676**	2,263
Current income tax liabilities		**16,222**	9,889
Total current liabilities		**223,538**	282,188
Total liabilities		**287,725**	283,302
EQUITY			
Share capital		**42,607**	42,607
Reserves		**110,679**	92,282
Retained earnings		**142,309**	159,564
Total equity		**295,595**	294,453
Total equity and liabilities		**583,320**	577,755

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company			
	Share capital	**Reserves**	**Retained earnings**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 1 January 2021	**42,607**	**92,282**	**159,564**	**294,453**
Profit for the year	**–**	**–**	**(17,255)**	**(17,255)**
Other comprehensive income	**–**	**(103)**	**–**	**(103)**
Total comprehensive income for the year	**–**	**(103)**	**(17,255)**	**(17,358)**
Transactions with owners:				
Share-based compensation	**–**	**39,126**	**–**	**39,126**
Repurchase of shares	**–**	**(20,626)**	**–**	**(20,626)**
Balance at 31 December 2021	**42,607**	**110,679**	**142,309**	**295,595**
Balance at 1 January 2020	70	28,667	100,097	128,834
Profit for the year	–	–	67,334	67,334
Other comprehensive income	–	(957)	–	(957)
Total comprehensive income for the year	–	(957)	67,334	66,377
Transactions with owners:				
Recapitalisation upon listing	31,886	(31,886)	–	–
Issuance of new shares upon listing	10,651	106,513	–	117,164
Share issuance costs	–	(17,922)	–	(17,922)
Appropriation for surplus reserve	–	7,867	(7,867)	–
Balance at 31 December 2020	42,607	92,282	159,564	294,453

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December **2021** *RMB'000*	2020 *RMB'000*
Cash flows from operating activities			
Cash generated from/(used in) operations		**64,084**	(80,089)
Interest received		**273**	130
Income taxes paid		**(2,360)**	(1,581)
Net cash generated from/(used in) operating activities		**61,997**	(81,540)
Cash flows from investing activities			
Proceeds from sale of financial assets at fair value through profit or loss		**67,625**	210
Proceeds from repayment of loans to related parties		**2,580**	–
Payments for purchase of property, plant and equipment		**(2,308)**	(1,045)
Payments for purchase of financial assets at fair value through profit or loss		**(67,500)**	–
Payments for loans to directors		**(4,500)**	–
Payments for loans to employees		**(8,500)**	–
Net cash used in investing activities		**(12,603)**	(835)
Cash flows from financing activities			
Proceeds from issues of shares, net of issuance costs		**–**	107,363
Proceeds from borrowings		**166,551**	75,000
Loans from related parties		**29,100**	7,500
Repayments of borrowings		**(159,449)**	(7,973)
Repayments of loans from related parties		**(36,600)**	(22,501)
Payments of principal elements of lease payments		**(3,518)**	(1,736)
Payments of interest on borrowings and lease		**(5,548)**	(889)
Repurchase of shares		**(20,626)**	–
Net cash (used in)/generated from financing activities		**(30,090)**	156,764
Net increase in cash and cash equivalents		**19,304**	74,389
Cash and cash equivalents at beginning of the year		**97,177**	23,805
Effects of exchange rate changes on cash and cash equivalents		**(102)**	(1,017)
Cash and cash equivalents at end of the year		**116,379**	97,177

NOTES

1 GENERAL INFORMATION

Bright Future Technology Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 8 November 2018 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Walkers Corporate Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9008, Cayman Islands. The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited on 11 November 2020.

The Company is an investment holding company. The Company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of intelligent marketing solutions services in the People's Republic of China (the "**PRC**"). The controlling shareholders of the Group are Mr. Dong Hui ("**Mr. Dong**") and Mr. Yang Dengfeng ("**Mr. Yang**") (together the "**Controlling Shareholders**").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group has been prepared in accordance with Hong Kong Financial Reporting Standard ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention as modified by certain financial assets measured at fair value.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

The Group has applied all the new and amended standards that effective for the financial period beginning on 1 January 2021. The adoption of these new and revised standards does not have any material impact on the consolidated financial statements of the Group.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022 and have not been applied in preparing these consolidated financial statements.

		Effective for the financial year beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
Amendments to HKAS 37	Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
HKFRS (amendment)	Annual Improvements to HKFRS Standards 2018–2020	1 January 2022
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
HKFRS 17	Insurance Contract	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 17, HKFRS 4 and HKAS 16	Extension of the Temporary Exemption from Applying HKFRS 9 and Property, Plant and Equipment	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards which are relevant to the Group's operation. The Group considers that the application of these new or revised standards is unlikely to have a material impact on the Group's financial position and performance.

3 REVENUE

Revenue comprises of proceeds from providing intelligent marketing solutions services and SaaS subscription solution services. The analysis of the Group's revenue by category for the years ended 31 December 2021 and 2020 was as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Intelligent marketing solutions services		
– Integrated intelligent marketing solutions services – gross method	**426,515**	302,851
– Influential placement services – net method	**60,612**	79,912
– Intelligent livestreaming services – net method	**769**	–
SaaS subscription solutions services	**132**	–
Total	**488,028**	382,763

The timings of revenue recognition by category is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
At a point in time	**487,896**	382,763
Over time	**132**	–
Total	**488,028**	382,763

The Group has concentration of risk from a major customer as the customer contributed to approximately 26% and 25% of the Group's total revenue for the years ended 31 December 2021 and 2020, respectively.

As at 31 December 2021 and 2020, the trade receivables from the aforesaid major customer amounted to approximately RMB99,054,000 and RMB153,809,000, representing approximately 29% and 46% respectively of the Group's total trade receivables.

During the years ended 31 December 2021 and 2020, the incremental costs incurred to obtain contracts was not significant.

4 EXPENSES BY NATURE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Advertising traffic costs	**366,978**	251,885
Employee benefit expenses	**90,140**	39,650
Consultancy fees	**7,318**	4,821
Office expenses	**4,822**	2,077
Depreciation and amortisation	**4,604**	2,423
Server charges and IT fees	**4,477**	4,708
Auditor's remuneration	**2,455**	3,000
Short-term lease expenses	**1,422**	668
Travelling expenses	**1,105**	907
Listing expenses	**–**	7,389
Others	**3,034**	2,922
Total cost of services, selling and distribution expenses, and general and administrative expenses	**486,355**	320,450

Note: During the year ended 31 December 2021, the Group incurred expenses for the purpose of research and development of approximately RMB29,657,000 (2020: approximately RMB23,415,000).

5 OTHER GAINS, NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Government grant *(note)*	**10,152**	6,000
Value added tax ("**VAT**") refunds	**6,725**	4,255
Gains on disposal of financial assets at fair value through profit or loss	**125**	6
	17,002	10,261

Note: Government grant represents subsidies received by the Group from the local government in the PRC. There are no unfulfilled conditions or contingencies relating to the grant.

6 FINANCE COSTS – NET

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Finance income		
Interest income from bank deposits	**273**	130
Finance costs		
Interest expenses on bank borrowings	**(5,145)**	(535)
Interest expenses on lease liabilities	**(403)**	(274)
Exchange gains and losses	**–**	(43)
Interest expenses on loans from shareholders	**–**	(80)
	(5,548)	(932)
Finance costs – net	**(5,275)**	(802)

7 INCOME TAX EXPENSE

(a) Cayman Island and BVI Income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

Pursuant to the rules and regulations of the BVI, the Group is not subject to any income tax in the BVI.

(b) Hong Kong Profits Tax

No provision for Hong Kong profits tax was made as the Group did not have any estimated assessable profits during the years ended 31 December 2021 and 2020.

(c) PRC Enterprise Income Tax ("EIT")

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof. The general enterprise income tax rate in the PRC is 25%.

Shenzhen Bright Future Technology Company Limited ("**Shenzhen Bright Future**") acquired the qualification of "Software Enterprise" in 2017 and was entitled to an exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, if certain requirements are met, commencing from its first profitable year. Shenzhen Bright Future also acquired the qualification of "High and New Technology Enterprise" ("**HNTE**") in 2018 and renewed it in 2021, and subject to a reduced preferential EIT rate of 15% for 3-year period from 2021 to 2023 according to the applicable tax preference applicable to the HNTE.

Shenzhen Lindu Technology Company Limited ("**Shenzhen Lindu**") acquired the qualification of "Software Enterprise" in 2017 and was entitled to an exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, if certain requirements are met, commencing from its first profitable year. Shenzhen Lindu also acquired the qualification of HNTE in 2019 and subject to a reduced preferential EIT rate of 15% for 3-year period from 2019 to 2021 according to the applicable tax preference applicable to the HNTE.

Huzhou Bright Future Technology Company Limited ("**Huzhou Bright Future**") acquired the qualification of "Software Enterprise" in 2020 and was entitled to an exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, if certain requirements are met, commencing from its first profitable year.

Khorgas Velocity Network Technology Company Limited ("**Khorgas Velocity Network**") was established in Khorgos Development Zone of Xinjiang in 2017, which was exempt from EIT from the first year of operation for a 5-year period from 2017 to 2021 according to the regulations set out by the local authorities.

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current income tax	**8,693**	2,384
Deferred income tax	**21,088**	1,397
Income tax expense	**29,781**	3,781

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Profit before income tax expense	**12,526**	71,115
Tax calculated at the statutory PRC tax rate of 25%	**3,132**	17,778
Effects of different tax rates in other jurisdictions	**1,334**	2,842
Effects of preferential tax rates applicable to PRC subsidiaries of the Group	**(6,894)**	(14,590)
Tax losses for which no deferred income tax asset was recognised	**6,734**	376
Non-deductible expenses	**9,778**	302
Super deduction of research and development expenses	**(5,540)**	(2,927)
Withholding tax on unremitted retained earnings	**21,237**	–
Income tax expense	**29,781**	3,781

8 (LOSSES)/EARNINGS PER SHARE (EXPRESSED IN RMB CENTS PER SHARE) – BASIC AND DILUTED

(a) Basic (losses)/earnings per share

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
(Loss)/profit attributable to owners of the Company *(RMB'000)*	**(17,255)**	67,334
Weighted average number of ordinary shares in issue *(thousands) (note)*	**492,362**	392,418
Basic (losses)/earnings per share *(in RMB cents)*	**(3.50)**	17.16

Note: The weighted average number of ordinary shares for the purpose of basic earnings per share for the year ended 31 December 2020 has been retrospectively adjusted for the effect of the recapitalisation issue on 11 November 2020.

(b) Diluted (losses)/earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume all dilutive potential ordinary shares.

As the Group incurred loss for the year ended 31 December 2021, the impact of employee incentive plan was not included in the calculation of the diluted losses per share as their inclusion would be anti-dilutive, and there was no potentially dilutive ordinary share outstanding as at 31 December 2020. Accordingly, diluted (losses)/earnings per share for the year ended 31 December 2021 and 2020 are the same as basic (losses)/earnings per share.

9 DIVIDENDS

No dividends have been paid or declared by the Company during the years ended 31 December 2021 and 2020.

On 28 March 2022, the board of directors recommended a final dividend of RMB0.16 (equivalent to HK$0.20) per share (totally RMB80,000,000) for the year ended 31 December 2021. This proposed final dividend is subject to the approval of the shareholders at the annual general meeting and is not reflected as dividend payable in these consolidated financial statements.

10 TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

(a) Trade receivables

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables – third parties	**336,521**	337,210
Loss allowance	**(2,830)**	(2,136)
	333,691	335,074

As at 31 December 2021 and 2020, the trade receivables were denominated in RMB.

Movements on the Group's loss allowance of trade receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**2,136**	1,479
Addition	**694**	657
At the end of the year	**2,830**	2,136

The Group normally allows a credit period of 30 to 150 days to its customers. Aging analysis of the trade receivables as at 31 December 2021 and 2020, based on date of recognition, is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Aging		
Up to 3 months	**220,570**	261,530
3 to 6 months	**37,847**	71,551
6 months to 1 year	**76,777**	1,716
1 to 2 years	**784**	1,755
Over 2 years	**543**	658
	336,521	337,210

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

(b) Deposits, prepayments and other receivables

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Prepayments to media publishers and advertising agents	**92,743**	118,512
VAT recoverable	**9,299**	10,692
Rental and other deposits	**5,682**	4,919
Loans to employees	**8,500**	–
Loan to a director	**1,920**	–
Others	**7,324**	6,039
Less: Loss allowance	**(180)**	–
	125,288	140,162
Less: Non-current deposits and prepayments	**(808)**	(1,901)
	124,480	138,261

Movements on the Group's loss allowance of other receivables are as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
At the beginning of the year	**–**	–
Addition	**180**	–
At the end of the year	**180**	–

11 TRADE PAYABLES

The credit period granted by suppliers generally range from 30 to 150 days. The aging analysis of trade payable, based on invoice date, is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Aging		
Up to 3 months	**11,453**	30,802
3 to 6 months	**1,923**	17,829
Over 6 months	**105,210**	81,841
	118,586	130,472

12 OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Accrued staff costs	**10,877**	15,414
Value-added tax and surcharge	**7,796**	68
Accrued auditors' remuneration	**1,609**	3,000
Accrued listing expenses	**–**	3,323
Others	**675**	1,051
	20,957	22,856

OTHER INFORMATION

MAJOR CUSTOMERS AND SUPPLIERS

Revenue attributable to the Group's five largest customers and the largest customer accounted for approximately 76.4% and 33.2%, respectively, of the Group's total revenue for the year ended 31 December 2021. Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for approximately 70.1% and 32.6%, respectively, of the costs of services for the year ended 31 December 2021.

None of the Directors, nor any of their close associates (as defined in the Listing Rules), nor any shareholders (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital), had material interest in the Group's five largest customers or suppliers during the year ended 31 December 2021.

FOREIGN EXCHANGE EXPOSURE

The Group mainly carry out our operations in the PRC with most transactions settled in Renminbi. During the Reporting Period, the Directors consider that the Group is not subject to foreign exchange risk. Currently, the Group does not have foreign currency hedging policy but the Group's management continuously monitors foreign exchange exposure.

USE OF PROCEEDS FROM THE SHARE OFFER

The Company was successfully listed on the Main Board of the Stock Exchange on 11 November 2020, with net proceeds from the Share Offer (after deducting underwriting commissions and relevant expenses payable by the Company) amounting to approximately HK$86.0 million. There has been no change in the intended use of net proceeds as previously disclosed in the Prospectus.

Net proceeds from the Share Offer have been, and will be, utilized in accordance with the purposes as set out in the Prospectus.

The table below sets out the planned applications of the net proceeds and actual usage up to 28 March 2022:

Use of proceeds		**Planned allocation of Net Proceeds** *(HKD million)*	**Planned allocation of Net Proceeds**[2] *(RMB million)*	**Utilised amount (as at 28 March 2022)** *(RMB million)*	**Unutilised amount (as at 28 March 2022)** *(RMB million)*	**Expected timeline for utilising the remaining balance of net proceeds from the Share Offer**[1]
Expansion of the Group's intermediary services	64.9%	55.8	45.6	45.6	0	N/A
Expansion of the Group's marketing, customer services and design teams	21.3%	18.3	15.0	12.5	2.5	On or before 30 September 2022[3]
Enhancement of the information technology and DMP systems of the Group	10.5%	9.0	7.4	6.3	1.1	On or before 30 September 2022[3]
The Group's general working capital	3.3%	2.9	2.4	2.4	0	N/A
Total	100.0%	86.0	70.4	66.8	3.6	

Notes:

(1) The expected timeline for utilizing the remaining balance of net proceeds is based on the best estimation of the market conditions made by the Group.

(2) Net proceeds from the Share Offer were received in Hong Kong dollars and translated to Renminbi for application planning. The plan was adjusted slightly in light of the fluctuation of exchange rates since the Share Offer.

(3) The remaining proceeds will be used for their respective disclosed purposes and following the expected implementation timetable (as disclosed in the Prospectus). The unutilised net proceeds have been deposited as short-term deposits in the bank account maintained by the Group.

DIVIDEND

The Board recommended the payment of a final dividend of RMB0.16 (equivalent to HK$0.20) per Share for the year ended 31 December 2021 to the shareholders of the Company. The final dividend is subject to the approval of the shareholders at the annual general meeting ("**AGM**") of the Company to be held on Friday, 20 May 2022. The proposed final dividend will be paid to the shareholders on Thursday, 30 June 2022 whose names appear on the Company's register of members on Monday, 30 May 2022.

CLOSURE OF THE REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 16 May 2022 to Friday, 20 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 13 May 2022.

For determining the entitlement to the proposed final dividend (subject to approval by the shareholders of the Company at AGM), the register of members of the Company will be closed from Thursday, 26 May 2022 to Monday, 30 May 2022, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Wednesday, 25 May 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the CG Code as its own code of corporate governance. Save for the deviation disclosed below, in the opinion of Directors, the Company has complied with all the code provisions as set out in the CG Code during the year ended 31 December 2021.

Pursuant to code provision A.1.1 of the CG Code, the Board should meet regularly and board meeting should be held at least four times a year at approximately quarterly intervals. During the year ended 31 December 2021, only three regular board meetings were held to review and discuss the annual results, the interim results and the approval on the change of directors. The Company does not announce its quarterly results and hence does not consider the holding of quarterly meetings as necessary.

Continuous efforts are made to review and enhance the Group's internal controls and procedures in light of changes in regulations and developments in best practices.

Pursuant to code provision A.2.1 of the CG Code, the role of both the Chairman and chief executive officer should be separate and should not be performed by the same individual.

Mr. Dong was appointed as chief executive officer and has also assumed his responsibilities as Chairman, as well as being the chairman of the Nomination Committee. Throughout the business history of the Company, Mr. Dong has been the key leadership figure of the Group, and being primarily involved in the strategic development, overall operational management and major decision making of the Group. Taking into account the need for continued implementation of the Company's business plans, the Directors consider that at the current stage of development of the Group, vesting the roles of both Chairman and the chief executive officer in Mr. Dong is beneficial to, and in the interests of the Company and its shareholders as a whole. The Board will review the current structure from time to time and shall make necessary changes when appropriate and inform the shareholders of the Company accordingly.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the Model Code.

Having made specific enquiries with all the Directors, each of the Directors confirmed that he/she has complied with the required standards as set out in the Model Code for the year ended 31 December 2021.

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

During the year ended 31 December 2021, neither the Company nor its subsidiaries had purchased, sold or redeemed any listed securities of the Company, except that the trustee of the Share Award Scheme, purchased an aggregate of 21,076,000 shares of the Company from an independent third party at a total consideration of approximately HK$24,730,578.4.

AUDIT COMMITTEE

The Company has established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee currently consists of three independent non-executive Directors, namely Mr. LIU Kin Wai, Mr. WEI Hai Yan and Mr. ZHANG Fanchen. Mr. LIU Kin Wai is the chairman of the Audit Committee.

The Audit Committee has considered and reviewed the Group's annual results for the year ended 31 December 2021, the accounting principles and practices adopted by the Company and the Group, and discussed matters in relation to internal control and financial reporting with the management. The Audit Committee considers that the annual financial results for the year ended 31 December 2021 are in compliance with the relevant accounting standards, rules and regulations and appropriate disclosures have been duly made.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's, consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

The Board is not aware of any significant event occurred that materially affect the Group's financial condition or operation following the Reporting Period and up to the date of this announcement.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND 2021 ANNUAL REPORT

This annual results announcement was published on the website of The Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk) and on the website of the Company (http://www.btomorrow.cn). The annual report of the Group for the year ended 31 December 2021, which contains all the information required under the Listing Rules, will be despatched to shareholders and available on the above websites in mid April 2022.

CHANGE OF REGISTERED OFFICE AND ADDRESS OF PRINCIPAL SHARE REGISTRAR IN THE CAYMAN ISLANDS

With effect from 1 February 2021, the registered office and the address of the principal share registrar of the Company in the Cayman Islands have been changed as below:

Registered Office	The offices of Walkers Corporate Limited 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands
Principal Share Registrar	Walkers Corporate Limited 190 Elgin Avenue George Town Grand Cayman KY1-9008 Cayman Islands

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

"5G"	the 5th generation mobile networks
"ad placement"	the placing of advertisements on media publishers or mobile apps
"advertisement inventory(ies)"	traffic available on online media publishers for advertising
"advertisers"	any persons, companies, organisations which advertise their brands, products (or services) through the placing of mobile advertisements, (e.g. brand owners, advertising agents, mobile app developers) and as the original initiators of the whole value chain for mobile advertising
"advertising"	any communication, usually paid-for, with the intention of bringing a product (or service) to the attention of potential and current customers
"AI"	artificial intelligence
"AIPL"	acronym of "Awareness", "Interest", "Purchase" and "Loyalty", the key tenets forming the Group's strategic agenda and business model
"algorithm(s)"	a set of well-defined instructions in sequence to solve the problem in programming
"app(s)" or "mobile app(s)" or "mobile applications"	application software designed to operate on smartphones and other mobile devices
"AR"	augmented reality
"Audit Committee"	the audit committee of the Board

"Baidu"	Baidu, Inc., a company listed on the Main Board of the Stock Exchange (stock code: 9888)
"big data"	a combination of structured, semi-structured and unstructured data collected by organisations that can be mined for information and used in machine learning projects, predictive modeling and other advanced analytics applications
"Board" or "Board of Directors"	the board of directors of the Company
"Brilliant League"	BRILLIANT LEAGUE LIMITED, a company incorporated in the British Virgin Islands with limited liability on 25 April 2018, which is wholly-owned by Mr. DONG Hui, an executive Director of the Company
"BVI"	the British Virgin Islands
"CG Code"	corporate governance code contained in Appendix 14 to the Listing Rules
"cloud-based"	applications, services or resources made available to users on demand via the internet from a cloud computing provider's server with access to shared pools of configurable resources
"Company"	Bright Future Technology Holdings Limited (辉煌明天科技控股有限公司) (formerly known as "Bright Future Science Holdings Limited), an exempted company incorporated in the Cayman Islands with limited liability on 8 November 2018
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Dong, Mr. Yang, Brilliant League Limited and Highland Triumph Limited
"CooTek"	CooTek (Cayman) Inc., a company listed on the New York Stock Exchange with the ticker "CTK"

"core service provider(s)"	a status recognised by media publisher(s) which offer advertisement inventories, indicating the close business relationship between the media publisher and the advertising agent in relation to the purchase of advertisement inventories. The status is usually obtained through, among other requirements, reaching a certain level of transaction amounts with the media publisher within a prescribed period of time. Obtaining such status usually allows the advertising agent to directly deal with the media publisher
"COVID" or "COVID-19"	novel coronavirus 2019
"Delta"	Delta variant, a highly contagious coronavirus strain first identified in India in December 2020, which later spread to the rest of the world
"DMP(s)" or "Data Management Platform(s)"	a platform with built-in computer software, tools and systems which allow for the use of algorithms to selectively extract non-confidential information from the public domain and to analyse the information and group or classify the information in a useful way
"Douyin"	Douyin (抖音), a creative musical and short-video social media app
"employee"	any employee (including without limitation any executive director) of any member of the Group
"ERP" or "enterprise resource planning"	a business process management software which enables an organization to utilise a system of integrated applications to manage its business and automate many back office functions related to finance, technology services and human resources
"Group", "we", "our" or "us"	our Company and its subsidiaries or, where the context requires, in respect of the period before our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Highland Triumph"	HIGHLAND TRIUMPH LIMITED, a company incorporated in the British Virgin Islands with limited liability on 28 May 2018, which is wholly-owned by Mr. YANG Dengfeng, an executive Director of the Company

"HKFRS"	Hong Kong Financial Reporting Standards
"HKICPA"	the Hong Kong Institute of Certified Public Accountants
"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
"HUAWEI Ads"	a global programmatic advertising marketplace by Huawei Technologies Co., Ltd.
"Huzhou Bright Future"	Huzhou Bright Future Technology Company Limited* (湖州輝煌明天科技有限公司), a company established in the PRC on 25 October 2018, which is an indirect wholly-owned subsidiary of our Company
"industry verticals"	specific industries in which vendors offer goods and services to group of customers with specialised needs
"iResearch" or "iResearch Consulting Group"	a professional market research and consulting company, supplying online business services in China
"KOL"	key opinion leaders
"Kuaishou"	Kuaishou Technology, a company listed on the Main Board of the Stock Exchange (stock code: 1024), which operates a content community and social platform, Kuaishou (快手), for the sharing of short-videos and interacting through livestreaming
"Listing"	the listing of the Shares on the Main Board on 11 November 2020
"Listing Date"	11 November 2020, the date on which the Shares are listed on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange made by the Stock Exchange from time to time
"livestreaming"	online streaming media simultaneously recorded and broadcast in real-time
"long to medium tailed media"	medium-sized mobile apps or small-sized media publishers that do not have their own advertising placement systems such as games and e-commerce apps

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"MCN(s)" or "multi-channel network(s)"	organisation(s) that provided KOL with integrated professional support in content curation and production, as well as unique access to advertisers, brands and media platform resources
"Model Code"	the Model Code of Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"Omicron"	Omicron variant, a highly contagious coronavirus strain first identified in India in November 2021, which later spread to the rest of the world
"Pinduoduo"	Pinduoduo Inc., a company listed on the Nasdaq with the ticker, PDD
"platform(s)"	the environment in which a piece of software is executed
"PRC" or "China"	the People's Republic of China, which for the purpose of this announcement and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"private domain traffic"	a type of marketing tool that helps businesses build and maintain a customer database where the acquired users can be directly contacted, at any time, and without frequency limits
"Prospectus"	the prospectus of the Company dated 28 October 2020
"Reporting Period"	the year ended 31 December 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"SaaS"	software as a service, being software hosted by a third-party provider and delivered to customers over the internet as a service
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company

"Share Award Scheme"	the share award scheme of the Company approved and adopted by the Board on 7 May 2021, in its present form or as amended from time to time in accordance with the Share Award Scheme
"Share Offer"	the public offering and placing of Shares
"shareholder(s)"	holder(s) of the Share(s)
"short-video platform(s)"	platform(s) that focus on facilitating creation and sharing of short-videos, which range from seconds to minutes in duration and easily shared and accessed across the mobile internet
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"stock image(s)"	generic photos, illustrations and icons etc., created with or without a particular project in mind that can be used for other productions
"stock video(s)" or "stock footage(s)"	generic video clips, outtakes or videos created with or without a particular project in mind that can be used for other productions
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Tencent"	Tencent Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 700)
"top media"	major online media publishers such as popular search engines and social media that offer advertisement inventories through their own advertising placement systems
"VR"	virtual reality
"%"	per cents.

The English names of the PRC established companies or entities and the PRC laws and regulations mentioned herein are translation from their Chinese names. If there is any inconsistency, the Chinese names shall prevail.

By order of the Board
Bright Future Technology Holdings Limited
DONG Hui
Chairman, Chief Executive Officer and
Executive Director

Shenzhen, PRC, 28 March 2022

As at the date of this announcement, the executive Directors of the Company are Mr. DONG Hui, Mr. YANG Dengfeng, Ms. GAO Yuqing and Mr. CEN Senhui, and the independent non-executive Directors of the Company are Mr. LIU Kin Wai, Mr. WEI Hai Yan and Mr. ZHANG Fanchen.

* *For identification purposes only*